



## **Corporate Social Responsibility (CSR) in the mining industry - the risk of community dependency.**

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### **Introduction**

Historically, the mining industry has taken a 'devil may care' attitude to the impacts of its operations; operating in areas without social legitimacy, causing major devastation, and then leaving when an area has been exhausted of all economically valuable resources. Cost benefit language has often been used to excuse the damage caused in one place because it is outweighed by the overall financial benefits (Jenkins, 2004). However, in recent years the global mining industry has addressed its social and environmental responsibilities; numerous factors have contributed to this, and the extractive industry is key in debates about social and environmental sustainability (Cowell *et al.*, 1999). The Corporate Social Responsibility (CSR) programmes of mining companies tend to focus on community initiatives as their impact in economic, social and environmental terms is felt greatest at the local level.

However, the effectiveness of CSR initiatives in the oil, gas and mining sectors has been increasingly questioned (Frynas, 2005). While multinational mining companies have 'remodelled' themselves as good corporate citizens there is little evidence as to how this recognition of the need to address sustainability issues has affected communities, and whether community development initiatives have been effective in contributing to more sustainable communities. There is some risk that in undertaking CSR a dependency on the company will develop. Whether intentional or unintentional this can have serious consequences for the dependant community, particularly after the mine closes.

Using a case study of two multinational mining companies operating in the Western Region of Ghana, West Africa, this paper aims to examine the community development approaches of large scale mining companies, with particular reference to how they may engender community dependency. The paper begins with a review of CSR in the mining industry, corporate community initiatives and the problem of mining dependency at a national, regional and local level.

### **CSR in the mining industry**

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 and Rouse, 2001).

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- Pressure groups have consistently targeted the sector at local and international levels, challenging the industry's legitimacy. An example of this is the numerous environmental, community and indigenous groups who oppose the development of a uranium mine at Jabiluka in the Kakadu National Park in Australia. Many large NGOs have campaigns specifically targeted at the mining industry, such as Oxfam's Mining Campaign<sup>3</sup> and Friends of the Earth International's Mining Campaign (resisting economic globalisation)<sup>4</sup>.
- The financial sector is increasingly focusing on the sector from both risk management and social responsibility perspectives. It is not unusual for mining companies to be screened out of Socially Responsible Investing (SRI) funds altogether (SRI Compass, 2002).
- Maintaining 'a licence to operate' is a constant challenge. For example, resistance by numerous social organisations to the expansion of gold mining at Mount Quilish Peru has led Newmont to suspend its activities<sup>5</sup>.

For mining companies, CSR is the manifestation of a move towards greater sustainability in the industry i.e. the practical implementation of the goals of sustainability. CSR is a means by which companies can frame their attitudes and strategies towards, and relationships with, stakeholders, be they investors, employees or, as is salient here, communities, within a popular and acceptable concept. In the mining industry, progress within the three dimensions of sustainable development (economic, environmental and social) could be achieved through - economic development – investment of generated revenues to ensure the future development and long-term livelihood of the communities (Epps, 1996); environmental protection – minimising the environmental impact of natural resource exploitation and land rehabilitated to allow successive use (Sánchez, 1998); and social cohesion – reducing the social and cultural disruption to communities, maintenance of stakeholder dialogue and transparency of operation (*ibid.*). In their efforts to embrace CSR, companies must identify the interests, concerns and objectives of various stakeholders (including national, regional government, local authorities, indigenous people, local communities, employees and competitors) and address their often-varying needs (Guerra, 2002).

There are a number of business reasons aside from external pressure why mining companies invest in communities through their CSR programmes. Frynas (2005) outlines these as:

- Obtaining a competitive advantage - community investment programmes are used to aid the awarding of concessions as companies appearing to be socially responsible are often favoured in this process.
- Receiving and maintaining a stable working environment – CSR initiatives are occasionally initiated as a means of 'buying' the local communities' agreement to allow a company to operate.
- Managing external perceptions and maintaining a good reputation - CSR initiatives are used for PR purposes.

<sup>3</sup> <http://www.oxfam.org.au/campaigns/mining/index.html> [accessed 8<sup>th</sup> October, 2004].

<sup>4</sup> <http://www.foei.org/mining/index.html> [accessed 8<sup>th</sup> October, 2004].

<sup>5</sup> See <http://www.minesandcommunities.org/Action/press437.htm> [accessed 8<sup>th</sup> October, 2004].



- Keeping employees happy - CSR initiatives can often make staff feel more positive about the company, and can increase motivation and efficiency. They can also help to retain and recruit the best staff.

A key stakeholder for all mining companies, and therefore a strong focus for their CSR initiatives, is ‘the community’. Mining has a huge impact on local communities; positive effects include the creation of new communities and wealth, income from export revenues and royalties, technology transfer, skilled employment and training for local populations and improvements in infrastructure such as roads, schools and health clinics (CAFOD, 2006; MMSD, 2002). The negative impacts of mining on local communities have been well documented (see Table 1).

*“Widespread criticisms centre on the externalisation of the economic, environmental and social costs of the industry, its negative impacts on sustainable development of host communities, and the inequitable and unsustainable distribution of its costs and benefits. The negative impacts of mining are concentrated disproportionately on marginalised or disadvantaged sections of society, including indigenous peoples, women and economically disadvantaged rural communities...”* (Techa Beaumont, Director, Mineral Policy Institute<sup>6</sup>).

The numerous social and environmental issues associated with the mining industry include access to land issues at the exploration and mining stages, environmental pollution, damage to the health of affected communities and the increased mechanisation of the industry, which negatively impacts employment levels (Mitchell, 1999; Cottrell and Rankin, 2000; Hilson and Murck, 2001).

<b>Social impacts of mining companies on communities</b>
<ul style="list-style-type: none"> <li>• Any benefits to the community may be unequally shared.</li> <li>• Corporate community initiatives may be seen as poor recompense for damage to livelihoods, the environment and community.</li> <li>• Social tensions in communities due to the changes brought about by mining can give rise to violent conflict.</li> <li>• Technical improvements in the mining industry can lead to a decrease in employment and an increase in the level of skills needed.</li> <li>• The mining sectors isolation from other sectors can negate the multiplier effect often associated with the location of a major industry in an area.</li> <li>• Land title disputes may occur between local groups, mining companies and the government.</li> <li>• Traditional cultures may have difficulty coping with vast industrial operations and the influx of outsiders.</li> <li>• Poor local and national governance can lead to a company having too much power in the local context.</li> </ul>

**Table 1. The possible negative social impacts of mining on communities (adapted from MMSD, 2002)**

The effectiveness of CSR initiatives in the oil, gas and mining sectors has been increasingly questioned; there is mounting evidence of a gap between the stated intentions of companies and their actual behaviour and impact in the real world (Frynas, 2005). Considerable effort has been made by the industry to highlight its commitment to both protecting the environment and addressing the needs of

<sup>6</sup> The Mineral Policy Institute, see <http://www.mpi.org.au/campaigns/policy/unsustainable/> [accessed 10/07/2006].



communities; however, minimal research has *hitherto* been undertaken to determine the accuracy and impact of the commitments made by mining corporations to sustainability and CSR in company policies.

### **Maintaining positive relations with mining communities - corporate community initiatives**

Veiga *et al.* (2001, p.191) describe mining communities as:

*“...where the population is significantly affected by a nearby mining operation. The community may be associated with the mining venture through direct employment or through environmental, social, economic or other impacts. The community can range in size from a city to a village...Communities vary in the profile and perceptions about mining and needs.”*

The Mining, Minerals and Sustainable Development Project (MMSD) report ‘Breaking New Ground’ (2002), describes three different types of mining communities – occupational, residential and indigenous communities. Occupational communities are households or families who derive all or most of their income from mining. Residential communities are those who live within the geographical area affected by mining and can have been in existence before the mine or have developed as a result of the mining operations. Indigenous communities are described as:

*“...households or families with an ancient and cultural attachment to the land where mining occurs or has an impact”* (MMSD, 2002, p.200).

Another type of community that often co-exists with large-scale mining operations is the artisanal or small-scale mining community. Small-scale mining is primarily a poverty-related activity, usually found in remote rural areas of developing countries, where there are few employment opportunities and where education levels are extremely low. It is usually characterized by small, relatively unsophisticated operations using simple tools, little mechanization and lacking formal business arrangements or legal title to the sites extracted (UN, 1996; Kambani, 2000; Hilson, 2002). Small-scale mining has a huge potential for land use conflict as different interests compete for a limited amount of resources, and clear, legitimate rights of access are often lacking (Ayling and Kelly, 1997).

These ‘types’ of community are not mutually exclusive and are more neatly delineated here than the reality on the ground. ‘The community’ has proved a difficult concept to define, possibly because, as Cohen (1985) notes, the community exists in the minds of its members, and should not be confused with geographic or sociographic assertions of fact. Corporate communications on CSR persistently refer to how companies perceive themselves to be part of the community (Jenkins, 2004). However, identifying a community is a complex task; any definition of a community is a construct, an imposing of order that does not necessarily fit the lived experience of the people in question (Kapelus, 2002). Companies often see a situation framed in scientific fact, whereas many of the communities that they perceive themselves to be part of base their view on beliefs and perceptions. This may be of particular relevance to indigenous peoples, where radically different world-views may clash with



corporations' scientific 'development' rationale (Wheeler *et al.*, 2002). Companies must be sensitive to these differences when developing their community involvement plans.

In recent years, a number of multinational mining corporations have rapidly expanded their operations into rural reaches of the developing world, drawn in by attractive, highly-liberalized investment regimes (Warhurst and Insor, 1996), and bringing them into contact with local communities. Thus, under liberalization, amicable relations with local communities have become a priority concern in the mining sector (MMSD, 2002) and governments must also play a key role in substituting produced and social capital for the depleting natural capital (Auty, 1998). However, political instability, a lack of government presence, impoverished regulations, and low levels of monitoring have often put the onus of responsibility on mining companies to ensure that positive relations with communities are established and maintained. .

Sustainable development requires net and equitable benefits, and the building of social capacity for the affected communities that continue throughout and beyond the closure of the mine and a company's CSR programme should address this. Auty (1998) notes that social capital – 'the institutional and cultural base required for a society to function' – is very important for the social sustainability of communities. Some mining companies are making attempts to face the existing challenges in order to improve resource efficiency, and are undertaking stakeholder liaison exercises to prevent future confrontations (Cottrell and Rankin, 2000).

As well as bringing mining revenues to an area and providing financial compensation for the loss of land, housing and livelihoods, community involvement initiatives that mining companies may employ include:

- Infrastructure improvements – for example, building access roads, community buildings and schools.
- Community Health Initiatives - offering health services to employees and their families, and building and equipping hospitals and health centres for communities.
- Community foundations – a fund generated by the company that is used for social investment purposes, these can also attract interest from external donors.
- Supporting small local businesses – preferential procurement policies for local suppliers.
- Sustainable livelihood projects – the purpose of these is to reduce the communities' economic dependence on the mine, and develop alternative and sustainable employment opportunities for stakeholder communities.
- Micro-credit finance schemes – these loans can be used to launch new enterprises, create jobs, and help economies to flourish. With access to credit families can invest according to their own priorities, for example schools fees, health care, nutrition, or housing, and rather than focusing on day-to-day survival, people can plan for the future. Micro-credit schemes aimed at women can offer opportunities to the most disadvantaged groups in communities.



However, numerous criticisms have been levelled at mining companies community involvement efforts. Swift and Zadek (2002) note that while there is a strong potential for CSR to make a positive contribution to addressing the needs of disadvantaged communities, there are ways in which CSR could, whether by mistake or by design, damage such communities.

Firstly, there is a lack of transparency over revenue flows to mining communities and how much is spent on corporate community initiatives. Auty (1998) argues that this information is necessary to lay a foundation upon which to build the social capital needed to mitigate conflict and sustain development. The Extractive Industries Transparency Initiative (EITI) has been developed to address this and aims to ensure that the revenues from extractive industries contributes to sustainable development and poverty reduction. It supports improved governance in resource-rich countries through the full publication and verification of company payments and government revenues from oil, gas and mining<sup>7</sup>. However, only 7 mining companies have signed in support of the Initiative to date.

Social Impact Assessment (SIA) is the most widely applied tool used to address and mitigate the social impacts of mine development (MMSD, 2002), and to plan the development needs of the community. However, there are many inadequacies in the SIAs currently employed that need to be addressed so that the social and economic issues are fully understood and that the SIA process is ongoing, dynamic and fully consultative (see MMSD, 2002 for a full discussion of the problems).

Inequitable distribution of resource based benefits can cause tension and conflict within and between communities and the funds for community development projects may be misappropriated. In many mining communities the systems in operation require 'top men' (Auty, 1998) or local chiefs to disperse mining revenues throughout the community. Such funds are often used on immediate consumption rather than long-term projects and the accumulation of social capital needed to sustain communities.

Corporate community initiatives may divert attention away from broader political, economic and social solutions, and be inappropriate mechanisms for addressing social problems in developing countries. Frynas (2005) outlines a number of reasons why company CSR programmes may fail to address the needs of communities and therefore detrimentally affect their sustainable development.

- Country/context specific issues (corruption, conflict, bureaucracy) – for example, in Ghana conflict exists between large-scale mining companies and illegal small-scale miners who mine on their concessions. This impacts on how companies perceive the community and how they develop their community involvement initiatives.
- Failure to involve the beneficiaries of CSR – communities need to be given the opportunity to help themselves through ongoing participation in community development projects rather than being recipients of top-down “gifts” from the company.

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<sup>7</sup> For more information on the Extractive Industries Transparency Initiative see <http://www.eitransparency.org/>



- Lack of human resources and appropriate skills – mining company employees tend to have technical, engineering or managerial backgrounds and are not the most appropriate people to deal with complex social issues. Also, long-term CSR initiatives may be hampered by the turnover of staff.
- The often micro-level perspective of companies – the impacts of mining have far-reaching effects beyond the immediate location of the mine. A macro-level perspective is needed to integrate CSR initiatives such as community involvement into a larger sustainable development plan.
- Consultation with communities - where consultation with communities does take place it is often superficial and inadequate. Consultation is rarely all-inclusive, leading to some members of the community being given more 'voice' than others, usually those who hold power in the community such as men and tribal leaders.

Many of these shortcomings in company CSR initiatives exacerbate the problem of 'dependency' - this will be discussed in the following section.

## Dependency

Too great a dependence on a single commodity can be a problem – mineral driven economies are vulnerable to fluctuations in mineral prices and exchange rates and other sectors, such as agriculture, may suffer as a result of a minerals boom (CAFOD, 2006). This is often described as the 'resource curse thesis' – where resource abundant countries display weak economic performance as the foreign capital inputs needed for mining impoverish rather than enrich a nation (for more on resource curse thesis see Auty, 1990; Sachs and Warner, 1995, 1999, 2001; Mikesell, 1997; and Gylfason *et al.*, 1999). This theory concludes that natural-resource-rich nations, such as Ghana, are less likely to continue on an upward development curve than human- resource-rich nations. For example, overall in the 1990s mining countries with over 50% mining exports saw their GDP per capita fall at a rate of 2.3% each year (World Bank, 2002). However, in countries like Ghana the World Bank continues to push mineral dependency as a basis for development, despite its propensity to destroy sustainable local economies and create dependence on mining<sup>8</sup>. The problem does not necessarily lie in the existence of natural resources, but in poor management, the lack of linkages that mining generates with the rest of the economy, and the incorrect use of mining rents (Ite, 2005).

Ahiakpor (1985) outlines some of the reasons why less-developed countries (LDCs) experience under-development and detrimental effects as a result of their linkages with industrialised countries (as in mineral economies).

- LDCs are not able to take advantage of advanced technology and management skills due to being relatively poor in capital and skills, and foreign technologies compete unfairly with and destroy local production techniques, creating a pool of unemployable 'marginalised' people.
- Holder's of investments in LDCs demand annual returns for continued support – profits are taken out of the country or guaranteed by tax concessions.

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<sup>8</sup> See 'Mining, murder and mayhem: The impact of mining in the South' by Danny Kennedy, Third World Network, <http://www.twinside.org.sg/title/mine-cn.htm> [accessed 10/07/2006].



- Unwillingness of foreign firms to train local people to take over management positions.

Regions and communities that depend on mining developments may realise huge benefits, the industry can contribute to continuous learning leading to innovation, to improving the health of people and the environment, and to developing vigorous and diverse communities (Lapalme, 2003). However, resource-dependent communities such as ‘mining towns’ are also very vulnerable to fluctuations in the mining industry’s fortunes. The closure of mines and resultant loss of economic activity can be devastating, including the legacy of environmental damage, the loss of jobs leading to high local unemployment and associated problems, the impacts on residential property values and the effects on infrastructure originally provided by the company (Laurence, 2006). Heavy dependence on mining also correlates strongly with a wide range of serious social problems, such as high levels of poverty, low levels of education, and poor health care. Nearly half of the world's poorest countries show this dependency: mining is their biggest export sector<sup>9</sup>.

When a new mining operation starts up local communities often view it as an opportunity to be exploited, to be provided with resources and infrastructure that will enhance their welfare (Auty, 1998; Frynas, 2005; Ite, 2005). However, many of the social opportunities provided by CSR activities border on creating a culture of dependency on a depleting asset with a finite life, which is an unsustainable process (Auty, 1998).

Frynas (2005) describes a ‘dependency mentality’ whereby communities look to a company to provide them with resources as recompense for social and environmental damage. This results in the attitude that as the company initially provided the resource they are responsible should anything go wrong, i.e. communities perceive that they don’t ‘own’ the project. Often communities do not have the required skills to maintain a project as local resources were not utilised in its implementation. Initiatives introduced in this way cannot remain functional without the continued support of outsiders; they do not build local social capital and are therefore unlikely to contribute to the sustainable development of communities. Unfortunately, many community involvement initiatives introduced by mining companies follow this ‘paternalistic’ pattern. This is clearly illustrated by the following quote concerning Shell’s activities in the Niger Delta –

*“...gradually, the dependency culture became established and the communities saw the development infrastructure provided by Shell not as charity, but as a form of rent for Shell’s use (and abuse) of their environment and resources. The result has been the evolution of a mind-set and culture of dependence on Shell.” (Ite, 2005, p. 921).*

If services are dependent on the mining company for funds or operational capacity, these services will then disappear with closure of the mine and withdrawal of the mining company from the area (Lapalme, 2003). There is a possibility that a community will come to depend exclusively on a mining development and find itself deficient in social and economic resources once the mining development has run its

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<sup>9</sup> See ‘Metals and the Wealth of Nations’, No Dirty Gold Campaign  
[http://www.nodirtygold.org/pubs/DirtyMetals\\_Wealth.pdf](http://www.nodirtygold.org/pubs/DirtyMetals_Wealth.pdf) [accessed 10/07/2006].



course. A lack of government presence can also mean that mining companies are required to undertake a role that they believe governments should perform. This blurring between state and corporate roles can lead to community dependency on ill-conceived and poorly consulted community development programmes that have not been properly incorporated into overall government development plans for a region.

The environmental damage caused by mining may result in the loss of land for other economic/livelihood uses e.g. agriculture, which leads to greater dependency on the mine. Communities who are affected by mining operations, either by loss of land and livelihoods or the need to relocate are dependent on mining companies for payouts to remediate this damage, which leads to the imposition of handout dependency. The social and environmental impacts of mining also undermine women's ability to sustain their livelihoods, and they are unlikely to receive direct employment from the mine. This leads to vulnerability, powerlessness and a lack of voice and greater dependency on the mine and on men and those with power in the community.

Justice and equity are also key tenets of dependency. If the opening up of areas in LDCs to foreign mining companies is seen as a 'window of opportunity', then fair and equitable benefits should result (Hilson & Haselip, 2005). However, multi-national mining companies have more access to information and the relevant skills to bargain for benefits and to decide how those benefits may be distributed to the communities in which they operate. Communities are then put into a position of having to depend on what the companies decide is fair and equitable distribution of benefits. Consultation is therefore key to ensuring the fair and equitable distribution of benefits and ensuring that mining developments contribute positively to sustainable communities. However, many communities lack the capacity to negotiate in the consultation process. Communities may not be well organised around a leader or a civic movement and are therefore unable to collectively negotiate. They are even weaker negotiating as individual families. Some companies exploit this weakness by insisting on negotiating with individuals who often end up getting a raw deal. Capacity limitations exacerbate problems in the consultation process, such as:

- Inadequate or non-existent independent, baseline data which can serve as benchmarks to enforce standards.
- Technology and human resource problems.
- Absence and the enforcement of a legal framework, which adequately provides for the rights of communities<sup>10</sup>.

This leads to a situation of powerlessness - if a community lacks the power to influence an outcome it must rely/depend on those who do, and hope that a positive outcome is achieved. However a company's priorities will differ from those of the community. The company's priority is their shareholders whose demands may be in direct conflict with those of the community. Also, the 'business case' for CSR puts benefits for the company above those for the community.

*"...there are risks for the industry in becoming too involved and taking the place of government, or in not being involved enough with the community and facing opposition to a proposed or existing project..."* (Lapalme, 2003, p. 23).

<sup>10</sup> See 'Mining boom - a gain for Africa?' by Charles Abugre and Thomas Akabzaa, Third World Network, <http://www.twinside.org.sg/title/boom-cn.htm> [accessed 10/07/2006].



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.

### **Case study: gold mining in Ghana**

In recent years numerous multinational mining companies have rapidly expanded their operations into rural reaches of the developing world, drawn in by attractive, highly-liberalized investment regimes (Warhurst and Insor, 1996). As a precondition for securing World Bank and IMF loans, recipient governments in mainly developing countries have divested state mineral assets, privatised large-scale mining operations, and implemented favourable mineral taxation and investment policies. Ghana is one such country that has undergone a lengthy structural adjustment programme under the auspices of the World Bank. Reforming the mining sector was seen by the World Bank as a key factor in attempts to alleviate the economic crisis in Ghana. Since the mid 1980s the Government has privatised its large-scale mining sector, attracting over \$4 million in foreign investment for the development and expansion of large-scale gold mining and explorations activities alone (Hilson & Potter, 2003), and has, to date, overtaken cocoa as the biggest single foreign currency earner<sup>11</sup>. The reform of the mining sector, therefore, has produced a dramatic boom in investment flows and “the national economy has been quite dependent on the sector” (Aryee, 2000:71). Compared with other mineral-rich countries, however, Ghana is not solely dependent on the mining sector and the contribution of other export commodities, such as cocoa and timber, is also substantial.

*“The dependence is therefore on a few – predominantly primary – commodities rather than just minerals. Admittedly this makes the economy more susceptible to the vagaries of the volatile prices of primary commodities” (Aryee, 2000, p. 71).*

Aryee (2000) also notes that Ghana’s dependence on the mining sector could deepen if the Government continues to implement measures that expand the sector without ensuring that the country as a whole reaps the maximum possible benefit.

The environmental and social costs associated with the significant restructuring of Ghana’s gold mining industry have been dear. The national Coalition of Civil Society Groups Against Mining argues that Ghana’s growing foreign investment and production in the mining sector has had a devastating affect on the country’s national economy, environment, community livelihoods and human rights<sup>12</sup>. Communities have been detrimentally affected in many ways by large-scale mining activities; entire villages have been relocated to make way for surface mining operations<sup>13</sup>, compensation packages for the loss of land as well as livelihoods have been heavily

<sup>11</sup> Stickler A, 2006 Ghana's ruthless corporate gold rush. BBC File On 4. Available at [http://news.bbc.co.uk/1/hi/programmes/file\\_on\\_4/5190588.stm](http://news.bbc.co.uk/1/hi/programmes/file_on_4/5190588.stm) [accessed 25 July 2006].

<sup>12</sup> See [http://www.corpwatch.org/print\\_article.php?id=7772](http://www.corpwatch.org/print_article.php?id=7772) [accessed 8<sup>th</sup> December, 2004].

<sup>13</sup> For example, it is reported that between 1990 and 1998 more than 30,000 people were displaced in Ghana's Tarkwa District, as well as rivers contaminated and farms and forest land destroyed (Hilson & Potter 2003, Akabzaa, 2000).



criticised for being woefully inadequate, and violent clashes have taken place between communities and the security forces of mining companies and/or the police of the Ghanaian Government<sup>14</sup>.

A further consequence of the mining sector reforms, which has negatively impacted on a sizeable section of the Ghanaian population, concerns competition over land use between large-scale and small-scale mining parties. The rapid proliferation of large-scale mining activity has led to a sharp increase in the number of disputes between multinational companies and Ghana's small-scale miners as productive gold-mineralised land has become an increasingly scarce commodity (Hilson & Potter, 2005). The conflict between small-scale and large-scale miners in Ghana is deeply-rooted; large-scale miners argue that they have gone through the necessary legal channels to secure concessions and should therefore have legal entitlement, and indigenous groups and small-scale mining parties maintain that they have cultural ties to land. Even though the Ghanaian Government formalised the small-scale mining sector in the late 1980's – implementing a streamlined licensing process for indigenous grassroots operators – the Government continues to marginalise small-scale miners by focussing on, and awarding large viable plots of land to large-scale mining companies. Hilson and Potter (2005) argue that the Government fails to recognise that, in a country with escalating levels of unemployment, the small-scale mining industry generates a significant number of direct and indirect forms of employment. In addition, as many as 85% of the country's small-scale miners have, for a number of reasons, opted to remain unregistered<sup>15</sup> (referred to locally as *galamsey*) and operate alongside Ghana's large-scale mining companies and licensed small-scale miners, which has caused considerable tension within many rural areas of the country. A negative public perception surrounds illegal small-scale mining who are accused (often by the media) of causing widespread environmental damage, promoting child labour, and most significantly, encroaching and causing grievances on land plots demarcated to large-scale miners.

The environmental and social degradation that communities in Ghana have experienced so far looks set to continue given the resolute focus of the government on expanding large-scale surface mining and attracting foreign multinational companies. Critics argue that the forthcoming new Minerals and Mining Bill, which the government asserts will include better provisions for illegal miners and communities, does not address the concerns of mining communities but actually worsens the already unfavourable situation<sup>16</sup>. Moreover, there are increasing concerns that the government will approve surface mining operations to take place in the country's protected forest reserves – areas recognised as globally significant for their biological diversity – which could lead to the displacement of thousands of people who are directly dependent on the forest for provision of basic needs and livelihoods (Hilson & Nyame, 2006).

Having described the gold mining industry in Ghana and its associated impacts on communities, the following section will present the community development

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<sup>14</sup> It is reported that two people were killed and thirteen injured as a result of five separate shooting incidences in 2005 alone. (Stickler A, 2006 Ghana's ruthless corporate gold rush. BBC File On 4. Available at [http://news.bbc.co.uk/1/hi/programmes/file\\_on\\_4/5190588.stm](http://news.bbc.co.uk/1/hi/programmes/file_on_4/5190588.stm) [accessed 25 July 2006]).

<sup>15</sup> The reasons for this are varied and include "insufficient institutional support, complications with the registration process, and the presence of uncooperative large-scale mining companies" (Hilson & Potter, 2003:250-251).

<sup>16</sup> <http://www.minesandcommunities.org/Action/press646.htm> [accessed 20th July, 2006].



strategies of two large-scale mining companies operating in Ghana. These approaches will be compared and critically assessed, highlighting the risk inherent in many community development schemes in creating a culture of dependency.

### *Methodology*

The research sought to investigate the impact of gold mining in Ghana and critically examine the complex relationships between the Ghanaian Government, large-scale mining companies, small-scale miners and indigenous communities. In 2005 fifteen semi-structured interviews with key stakeholders were undertaken to access a range of informative perspectives on the issue, and included Government officials, large-scale mining companies, small-scale miners, non-governmental organisations (NGOs) and licensed gold buyers. Also, several focus group interviews were conducted with *galamsey* communities that have been affected by land use disputes with large-scale mining companies. A predominantly qualitative method of investigation was selected to allow the researchers to explore at length the viewpoints of each relevant party in an area where the nature and causes of disputes over land rights is complex and poorly understood. A range of secondary material was also collected, for example Government and NGO documents, company sustainable development reports, and magazine, newspaper and journal articles.

A key area of the research included an in-depth analysis of large-scale mining companies' community involvement activities, and to explore the circumstances and conditions in which such corporate initiatives are developed, implemented and perceived by communities and stakeholders. A comparative case study analysis of two large-scale mining companies was conducted and consisted of a critical assessment and comparison of the different approaches taken by the companies towards mining communities and community development as a whole.

The data gathered from the interviews and secondary material was assessed to investigate whether there is a risk that in undertaking CSR a dependency on the case study companies will develop, or has in fact already occurred. If a culture of dependency has resulted from the companies' community involvement activities has this been an unintentional consequence or have community involvement programmes been created as mechanisms of dependency that can be used to pacify communities?

The paper concludes with a discussion and examination of strategies for breaking the dependency culture of company community involvement initiatives while still maintaining a strong commitment to CSR and contributing to the sustainable development of communities.

### *Case Studies*

The mining companies selected for the case study are located in the Western Region of Ghana (see Figure 1); an area which houses 50 per cent of the country's gold mines and has been especially prone to disputes and heightened tension between large-scale mining companies and local communities. Both companies are foreign multi-national corporations with mining operations worldwide, and in Ghana each company has a number of underground and open cast mines. An outline of each company's main

community development activities is provided below, including the rationale behind these activities from the perspective of company representatives.

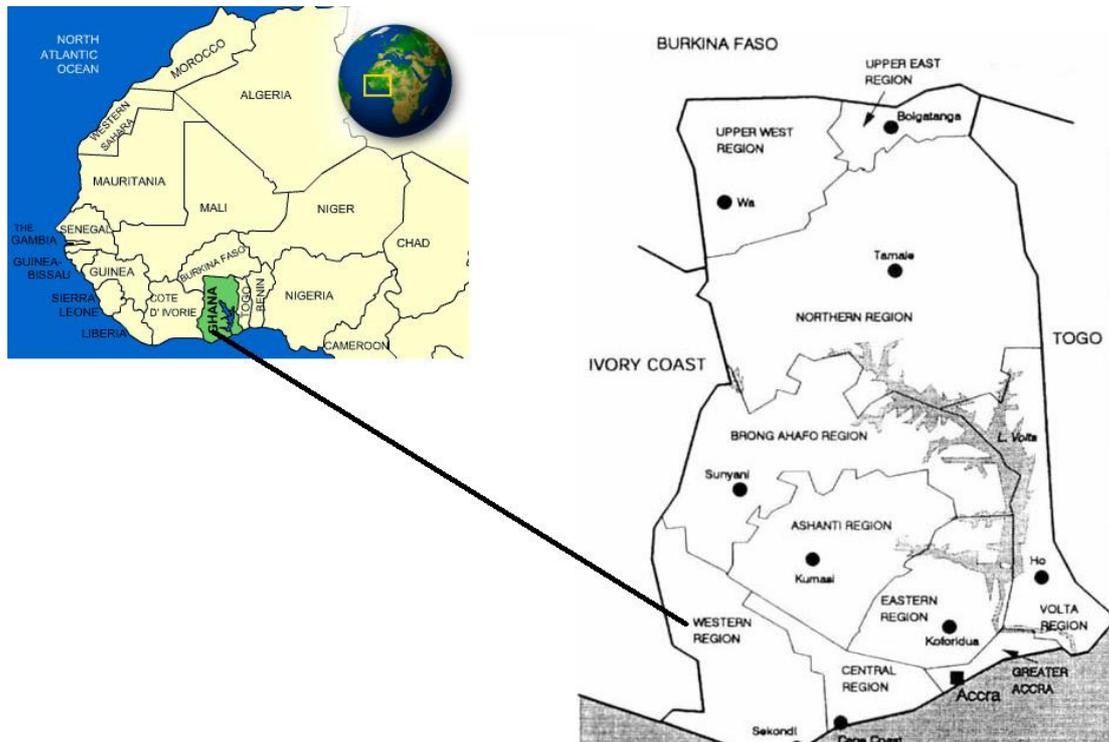


Figure 1. Map of Ghana's Western Region.

#### Company A

The community development approach of Company A is based on a Foundation Fund, set up by the company, which is used to support various community development activities. The fund is generated entirely by the company; for every ounce of gold produced \$1 is allocated to the fund, as well as 0.5% of the company's annual profit before tax. This fund has been in place for a number of years and has financed a variety of community development activities and projects such as social investment support, assistance for the construction and repair of local infrastructure (roads, sanitation, water supply, education facilities), and establishing sustainable livelihood programmes. A board of key stakeholders manage and allocate the Foundation Fund:

*"Trust Funds are independent from the company's office. Unlike maybe other mining companies, the percentage of the profit that they give to the community is solely managed by the mine. Here it's not like that. On the board you have some of the key community people...for instance you have two MPs"* (Company A representative).

The company is now embarking on a five year community development plan, which is more structured and comprehensive in its objectives than previous community development work. A participatory approach was undertaken in the development of the five year strategy and a number of stakeholders were involved, including a study on *galamsey* operators. The company's community development activities over the next five years will focus on 'primary stakeholder communities', which have been



identified on the basis of a community's proximity to the company's mining operations as well as,

*"...some traditional definitions ... there are a few communities which we do not think that we directly impact upon, maybe about 15km away, that we still consider as stakeholder communities because they have a traditional stake"* (Company A representative)

One of the main objectives of the community development plan is to focus on the sustainability of communities once the mining operations are closed.

*"We hope that even after the mine the community should be able to live, you know, life should be able to go on. We could have developed infrastructure, like schools but we realised that in the communities that they don't have livelihood. How they are going to sustain these amenities. That is why now we are looking more into livelihood of the communities"* (Company A representative).

A significant aspect of the company's livelihood focus is the establishment of alternative and sustainable livelihood programmes. The purpose of this approach is to reduce the communities' economic dependence on the mine, and develop alternative and sustainable employment opportunities for stakeholder communities. The company has employed an alternative livelihood expert and projects have been set up in consultation with communities and regional governmental agencies, and practical training and initial material support have also been provided. A variety of livelihood programmes have been developed thus far, including farming of poultry, pigs, snails and fish, batik fabric printing, and improved cultivation methods for food crops. In addition:

*"A formal monitoring and evaluation programme will be established to guide the future progress of these programmes towards achieving self-sufficiency and improved economic security in the communities involved"* (Company A Annual Report).

The new community development strategy also aims to address two significant flaws in the company's previous community development work: firstly to concentrate on the sustainability of projects.

*"Initially we realised that we were doing more fire-fighting in terms of community development, we were putting up projects, schools and so on, they were not co-ordinated and we hadn't looked at the sustainability of most of the projects. Imagine that you've put up a school; maybe there are no systems in place to ensure that the school continues even when the mine is not there. They were not linked up to any other activities. So we thought we should sit down, get some professionals to do a community development plan, which would take into consideration the sustainability of whatever project that we do"* (Company A representative).



A further weakness of earlier community development work recognised by the company was a failure to include and consult those who are the actual focus of community development programmes.

*“...also to ensure that the projects are not ones that the company just sat down to provide, but they were those that were arrived at as an interaction with the communities”* (Company A representative).

Therefore, the company assert that they now hold monthly meetings with community leaders and representatives of adjacent communities, as well as attend all district assembly planning committee meetings. Also the company has recently signed a new initiative in Ghana which aims to establish a new era in mining that is responsive to the needs of communities and to promote best practice in areas such as human rights and community development.

Despite taking measures to remedy past oversights, the company has inadvertently created a culture of dependency. A failure to interact and consult with communities results in community development projects that communities do not require and/or are perceived as ‘gifts’ from outsiders, which the community does not feel that it collectively owns. Communities begin to rely on the company to support and maintain the ‘company’s assets’. Local NGOs claim that Company A’s previous community development activities included instances of ‘buying’ the communities agreement in terms of providing physical structures and promising more funds for social projects as recompense for environmental damage caused.

*“So you can’t buy people with structures”* (Local NGO representative).

This activity is not uncommon in the mining sector and it contributes to a dependency mentality. It can also be argued that this represents an attempt by mining companies to pacify the community - essentially to ‘buy’ their conformity in order to ensure a stable working environment.

### *Company B*

The community development approach of this company has become more co-ordinated and structured since 2004 with the inception of a designated Community Relations department. The initial activities of the department in relation to community development have been on building relationships with key individuals within their ‘catchment communities’. These are communities that the company has identified as the focus of their development work and were selected on the basis of communities most directly affected by the company’s mining operations i.e. communities that are within close geographical proximity to their mining activities. *Galamsey* operators are not included in the company’s community development work and are in fact deemed a ‘risk’ by the company.

*“You wouldn’t have meetings with the *galamsey*; the company doesn’t recognise the *galamsey*”* (Company B representative)

Company B has experienced many problems and disputes with illegal miners operating on their concession, the causes of which are extremely complex. To some



extent the tension between the two parties is due to the sheer number of *galamsey* situated on their concession. The heightened tension and conflict surrounding the company's mining operations is partly responsible for the company's difficulty in distinguishing key stakeholders to consult with and adds a complicating factor to its development of community involvement initiatives.

*"...and also trying to identify who they are, because one of the problems that we've had is there's quite a lot of internal conflict exists within the communities"* (Company B representative).

The company recognises that previous community development work has actually contributed to conflict already present within communities as significant sections were excluded from consultations the company undertook.

It can be seen how the company's previous consultation method not only exacerbated conflict within/between communities but contributed to the dependency culture. Even though the company is cognisant of the fact that previous consultations were inadequate and exclusionary, they continue to deliberately exclude a significant portion of the community, i.e. illegal small-scale miners. By interacting with 'key individuals' important sections of the community are excluded, not only illegal miners, which can result in inappropriate community development projects and/or creates conflict within/between communities as is already the case. It is well documented that mining companies who adopt a thorough and all-inclusive consultation approach are less likely to experience significant problems with communities, and Company B's approach will, in all likelihood, worsen the already volatile situation with illegal miners on their concession.

Besides developing and maintaining relationships with key individuals in the community, further community development activities have focussed on two main aspects. Firstly, the company have provided funding for community assistance programmes such as school improvements and equipment, libraries, community centres, road improvements, and so forth. Future development work however will focus predominantly on the provision of physical structures.

*"...we are trying to move from that concept of support in terms of maintenance and other things, to assets building"* (Company B representative).

According to the company the reason for this shift in direction is twofold; communities themselves have requested the construction of structures, and the company can exhibit their commitment to community development more easily than purely maintenance work. The company is also beginning to address the sustainability of community development projects.

*"The problem is the community doesn't actually know how to manage their resources, so this is one of our longer term projects, we understand that one of our main objectives is to, whenever we build a new structure is to identify any training"* (Company B representative).



The fact that the company is beginning to consider the sustainability of community projects represents a step forward compared with the company's previous community development work; however, there are still significant drawbacks with their approach. Focussing on building physical structures, rather than developing the social capability of communities, is likely to increase the communities' dependence on the company. As highlighted earlier, weaknesses in their consultation method suggests it is doubtful whether the whole community were consulted and thus only the demands of 'key individuals' (who do not necessarily represent the community as a whole) will be heard. More alarming is the tokenistic element of this strategy; using community development as an opportunity to showcase the company's commitment to CSR does not represent an approach that will benefit the community in the long-term, but resembles a public relations act.

*"PR needs may, for instance, prioritise media-friendly projects such as ... helping to construct a new hospital, rather than slow local-capacity building or the training of village nurses"* (Frynas, 2005, p.585).

Like Company A the company has focussed on the establishment of alternative livelihood projects for communities. These projects have a mainly agricultural focus, such as fish farming, mulberry plantations, and silk production and processing. The main rationale for this approach is to reduce community dependence on mining and promote the growth of alternative and sustainable economic development.

The CSR approach of the companies analysed above have contributed in varying degrees to the development of a dependency mentality. A core feature of both companies future community development work concerns lessening the dependency link and focussing on the sustainability of communities. This will be an extremely difficult process, not least because they will need to address and rectify past mistakes, which encouraged a dependency mentality to develop in the first place. Company B in particular is likely to experience considerable difficulties in light of the significant weaknesses in its CSR strategy, together with the fact that their 'catchment' communities are communities of 'occupation', i.e. communities who are predominantly dependent on the mine. While the issue of dependency is highly complex, multi-faceted and, to a large degree, context specific – there are a number of strategies that companies can take to break the dependency culture and maintain a strong commitment to CSR.

## **Conclusions**

There are a number of issues that must be addressed if mining companies' community involvement initiatives are to be effective, sustainable and prevent creating a culture of dependency. These are discussed in turn.

### *Measurement*

There is currently no assessment of the success or failure of community initiatives. This is in part due to the difficulties inherent in conceptualizing the application and measurement of the social dimension to sustainable development (Lapalme, 2003), as well as a lack of independent measures of what constitutes a successful programme. While an environmental report is often externally audited, the social aspects of



sustainability reports are very rarely externally audited, and even when they are these are often conducted by consultants who are paid by the company in other capacities as well, so are not wholly independent. Companies must demonstrate that resources are being used effectively and that community initiatives positively contribute to sustainable development. An important aspect of this is the transparency of revenue flows to the government, money and resources spent on CSR initiatives. Government's also need to be transparent about how revenues raised from mining companies are used to improve the lives of those directly affected by the impacts of mining. The key to accurate measurements is the collection of comprehensive baseline data (which so very rarely exists in the remote regions where companies operate) during the social audit process and maintain accurate records throughout the life of the mine. This information must be made publicly available and be externally and independently verified.

### *The accumulation of social capital*

The highly mechanised nature of the mining industry means that companies cannot guarantee employment for local communities so they need to find other means to 'add value' to communities and set in motion a long-term multiplier effect, through their CSR initiatives. Both case study companies recognise the importance of economic diversification of local communities through their focus on alternative livelihood projects. However several issues with such strategies have been raised by local and international NGOs:

- Some projects are unfeasible - there is a gap in livelihoods activities between the beginning of mining in the early 1990s and the recent inception of sustainable livelihoods projects, and not all of the projects are sustainable.
- The benefits of sustainable livelihoods projects will be reaped later and the communities need to be made aware of this and understand the long-term nature of benefits.
- Communities need to be supported by the government during the initial difficult stages of setting up a sustainable livelihoods project e.g. provided with interest free loans or micro-credit schemes for women. Working in co-operatives will help share the load of initial difficulties.
- Often women do not take part in these programmes - the empowerment of women is crucial for the success of sustainable livelihoods projects.

*"...anytime they [women] want to bring their message across the men tend to shut them up, sit down, sat on them and then it killed their interest to attend the community meetings. Then they were also saying that anytime they want to attend community meetings their husbands ask them to be at home, prepare food and...these are the reasons why they are not attending community gatherings"* (International NGO representative).

Auty (1998) notes that if national policy is effective, then local social capital is likely to be accumulated – but it is rarely the case that national policy is coherent enough to be very effective at the local level, and this is often superseded by the power and influence of the company. In Ghana, the government depends on companies to support sustainable livelihoods projects, but the company is not necessarily best placed to develop agriculture projects for instance when their expertise is mining.



These projects will need long-term support if they are to be successful, but the support that companies can provide is finite; the question of what happens when the companies leave has yet to be addressed.

NGOs in Ghana argue for community development to be integrated and coordinated with local agencies such as district assemblies. Community projects should not just be a direct response to community needs; rather it should be integrated into a development plan so that genuine discussion of what is really needed takes place. Collaboration between all stakeholders is very important i.e. government, companies, international and local NGOs, communities.

### *Are mining companies' best placed to contribute to community development?*

It is arguable whether mining companies are best placed to decide what's best for the community, what will build social capital and what will deliver long-term sustainable development. CSR schemes are designed to suit corporate objectives and align with the business case very well, but this causes a scenario of dependency rather than helping the community to help itself. The company needs to act in the best interest of the community. CSR does not of itself solve the negative impacts of the mining industry on the environment, society, economy and local and national governance. Companies should not be put in the position where they take on a developmental role that should be provided by the government – they should work in partnership with the government and local agencies.

It's not just the community that ends up depending on the community, governments look to the companies for answers too. It is extremely difficult for communities to effectively challenge companies if the government relies on companies to solve developmental problems. Communities need to be educated on the laws and policies concerning them, what their rights are and what they can do about infringements of their rights. Depending on companies undermines the power of governments to act and ultimately gives the company more power – a vicious circle. For example, Company A stated there is a strong sense that the government and other agencies believe that the company will take care of the communities and implement development in the region.

*“...but we always have to look at multinational companies coming to develop our economy, it's not solutions, it's not development”* (Local NGO representative).

### *Consultation*

The problem of superficial and inadequate consultation processes must be addressed if community development programmes are to deliver genuine sustainable development. Consultation needs to begin before any mine development takes place, not after the mine has begun operating, which is often the case. Consultation needs to take place with all members of the community, not just those that the company gives salience too. Particular attention must be paid to hearing the voices of women, who tend to suffer the worst from the social and environmental impacts of mining, and from dependency, but have the least power to rectify their situation. Gender inequalities must be addressed if communities are to fairly benefit from mining.



The World Bank's Extractive Industry Review concluded that mining should go ahead only if indigenous communities gave 'free, prior and informed consent' based on sufficient information and no undue pressure or interference from mining companies. However, due to subsequent pressure from the mining industry and governments this was changed to 'free, prior and informed consultation'. Given the problems outlined with consultation processes as they exist, the revised statement will have no real impact, and in effect lets mining companies off the hook.

The case study companies have different approaches to consultation – Company A takes an inclusive approach and recognises that previous consultations created or exacerbated tension within and between communities. Company B has also improved its consultation process, but does not recognise that their current approach still has the potential to create problems by excluding sections of the community i.e. *galamsey* and consulting with 'key individuals'. In Ghana these 'key individuals' are often village chiefs, and it has been suggested that working relationships between mining companies and chiefs benefit individuals more than whole communities.

*"That's one thing about these areas is that most of the chiefs condone it and team up with the mining companies...a bribe, you know money, the power of money"* (International NGO representative).

Companies must be careful how they define their community, and not exclude salient groups just because they are difficult to deal with – this leads to conflict and undermines the CSR efforts of the company. Close relations and open dialogue need to be maintained at all times (not just when it suits the company, when they are starting up or when they are launching a new scheme). Events such as accidents or social conflict can change the nature of relationships or lead them to break-down. Good communication helps deal with such situations better as they arise. The social audit process must be improved and the effectiveness and sustainability of revenue deployment must be measurable and transparent. Governments must take more responsibility for regional development considering community needs at a macro as well as micro level. A successful and sustainable corporate community involvement strategy must:

- Assess and address the basic rights and needs of the community.
- Recompense any material losses.
- Allow all members of community to participate effectively in decision making processes.
- Be fair and equitable in distribution of mining benefits and decisions made.
- Contribute to a net benefit for social and economic capacity.
- Contribute to long-term sustainable development.
- Ensure that mining revenues are distributed locally and equitably and that there is transparency in this process.
- Not engender dependency.

*"...there's no sense in mining for mining sake if it's going to bring such misery to people..."* (Local NGO representative).



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