CHALLENGES ON THE PRACTICES OF CORPORATE SOCIAL RESPONSIBILITY IN THE MINING SECTOR IN TANZANIA: THE CASE STUDY OF BULYANHULU AND GEITA GOLD MINE

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ABSTRACT

Corporate Social Responsibility (CSR) is important and strategic businesses practice which is not only beneficial to the community, corporate shareholders and other stakeholders but also to corporate sustainability. Corporate Social Responsibility in the mining sector calls for an inclusion of social and environmental issues while pursuing economic prosperity of that particular country. For a country endowed with minerals like Tanzania, stringent regulations are needed. Incompetence of the managerial practice to implement CSR in their on-going operations, international capital and global companies have been identified as major causes for environmental pollution and growing environmental activism. There is a wide criticism among stakeholders in the sector demanding to develop plans and establish a clear strategy so as to reverse the current practices where CSR is simply being applied as a branding and marketing strategy by these companies. The literature review especially on the mining sector hardly revealed any impressive implementation and compliance requirements for CSR, particularly from environmental perspective for the best of national interests. Therefore this study examines the challenges in the practices for CSR from the environmental perspective in the mining sector in Tanzania. The methodology used in the study is meta-analysis in which various studies on CSR implementation have been reviewed. The findings on the ground indicate that there are serious challenges to comply with CSR in protecting the environment. Conclusions drawn have relevance for the real life systems and academia, particularly on integrating responsible leadership and ethical thinking in business curricular.

Key Words: Sustainable Development, Corporate Social Responsibility and Responsible Leadership

INTRODUCTION

Tanzania, like many other developing countries in the world, aspires socio–political and economic development to its citizenry through combating the contemporary prime evils of the world today such as: malnutrition, disease, illiteracy, slums, unemployment and inequality by making effective use of both human and natural resources (Awofeso & Odeyemi 2014). Without human resource, natural resources like mineral, water, forest and other productive resources would remain inactive in nature hence human resource is a pre-requisite catalyst for socio-economic development.

Tanzania is resource rich and therefore it has a significant economic need to exploit its resources. Among several natural resource rich spots is the Victorian Greenstone Belt in Northern Tanzania.
where the Bulyanhulu Gold Mine is situated. It is the largest underground gold mine in the country, the mine’s construction commenced in 1999 and was commissioned in March 2001; the mine is now owned and operated by Acacia plc (Jamasmie, 2014).

Along the same belt, another natural resource rich spot is the Geita Gold Mine located in the southern shore of Lake Victoria. It is one of Tanzania’s largest gold mines; currently the gold mine owned by AngloGold Ashanti. It started its operation in 2008. AngloGold Ashanti produced 4.4Moz of gold in 2014, generating $5.2bn in gold income, utilizing $1.21bn capital expenditure. AngloGold Ashanti has an attributable ore reserve of 57.5Moz of gold and an attributable Mineral Resource of 232.0Moz (GGM 2015). Given the country’s rich endowment of mineral resources principally gold, mining has been one of the main sectors to have benefited the government reform and investment incentives (UNESCO (np)).

However, the exploitation of the natural resources depends on the level of technology the country has attained, if the local human resources responsible for adopting and utilizing that technology is not intensively developed then, it would be impossible to expect economic growth without jeopardizing the environment by the presence of giant foreign companies in the mining sector in our country such as Acacia, AngloGold Ashanti and Resolute.

Tanzania is the fourth largest producer of gold in Africa after Ghana, South Africa and Mali. The sector contributes 3.3% towards country’s GDP. About 40% of export earnings accrue from minerals, mainly from gold mining by large-scale foreign owned companies. Mining companies and their operations benefit Tanzanians and the Tanzanian economy through a variety of means including the following: In the revenue generation mining companies pay taxes, duties and royalties. Whereas in job creation, new business opportunities in local communities are created; infrastructure is improved; corporate social investment programmes are extended and international investor relationships is created (ICMM &TCME 2009).

The growth in the sector led to an increase in its contribution to the national economic output. “Official statistics show the contribution of the sector to the economy increased from 3.3% to 3.5% year-on-year from 2011 to 2012. It is estimated that the contribution of mining to GDP will reach 10% by 2025” (URT, 2014). However, it should be known despite the importance of mining industry in Tanzania’s economy is not free from environmental destructions. A maximum enforceable and restraint efforts should be exercised by the responsible authorities to reverse any kind of destructions by the polluters if sustainable development that is desired has to be attained.

Tanzania has witnessed an increasing development in communication technology and mining sector over the past decades, the changes have enhanced both the urban and rural growth in the country. There is loud public outcry, which demands businesses in this sector to act beyond their prime responsibility of making profit to provide towards the welfare of the society and environment in particular (Bitala, Kweyunga & Manoko 2009).
Tanzania is not an island located in isolation; what is happening around the world in the mining sector have valuable contributions in the sector. Impact of mining companies’ operations that cause major devastation and then leaving when an area has been exhausted of all economically valuable resources are being reported around the country. To deal with environmental degradation in Tanzania, the national body mandated to formulate national Environment Impact Assessment requirements and oversee businesses operation is the duty of the National Environment Management Council (NEMC), whereas on the corporate level, the corporate’s strategy or charters need to show clearly their commitment to protect the environment and demonstrate their ‘social license to operate’.

The definitions of corporate social responsibility (CSR) trace its origin back in late 1930’s when it was referred as; Social Control of Business and Measurement of the Social Performance of Business (Carroll, 1999); and the notion of Corporate Social Responsibility in the mining sector arose in 1950s along with terms such as ‘Triple Bottom Line’ and ‘People, Planet, Profits’ (Mcnamara 2013) which has now received more attention to businesses stakeholders than any other times. Bowen (1953) portrayed CSR in a form of query, “What responsibilities to society a businessman may reasonably be expected to assume?” Such reality is reflected in the definition by Waldman, Kenett and Zilberg (2007) a firm that is committed to the production of safe, reliable, and innovative products or services in line with customer’s needs is strategically involved in CSR. For the purpose of this work, it suffice to define that Corporate Social Responsibility as a management strategy that assumes a cohesive conventional indicators that sums up the firm's effect and shared effects within the realm of its economic, social and environmental existence.

**Problem context**

The Multinational companies’ practices in Tanzania, particularly in the mining sector have opted to experience economic fortune in isolation from the consequences of its actions. This is not acceptable from sustainable development perspective. There are a number of such researches carried out in Australia, Mozambique, South Africa, Namibia and even in Tanzania, both by government and private sector, especially by anti-mining activists. Most of the studies that were published had either indicated an immense pollution of environment as a result of the mining activities (Bitala et al. 2009) or non-compliance of CSR to the community (Kasumuni, 2003; Mcnamara, 2013; Otusanya & Lauwo, 2014) and Onyango, 2015).

The website www.business dictionary.com defines pollution as; “presence of matter (gas, liquid, solid) or energy (heat, noise, radiation) whose nature, location, or quantity directly or indirectly alters characteristics or processes of any part of the environment, and causes (or has the potential to cause) damage to the condition, health, safety, or welfare of animals, humans, plants, or property”.

According to Bitala et al. (2009) the contamination of water from River Tighite and Nyabigena and sediments/soil, and the environment in the vicinity of North Mara Gold Mine (NMGM) between Kwimanga and Kwinyunyi due to presence of chemical contents of the heavy metals and cyanides...
leakage from Gold mine projects beyond the maximum permissible concentrations (MPC) is a pollution of environment; likewise the presence of gaseous materials such Sulphur dioxide (SO2), Carbon monoxide (CO), Carbon dioxide (CO2) whose concentrations were then compared to standards by WHO, Tanzanian and US Environmental Protection Agency (EPA) which revealed to be higher for people’s health and sustainability of the ecosystem, it’s an indication of non-compliance as the result of the on-going gold mining activities of North Mara Gold Mine.

The study made by McNamara (2013) pointed out that there is a need for mining companies’ leadership and mineral sector authorities to enforce comply and beyond compliance behaviour in sustainable development initiatives, meaning that “investments should be financially profitable, technically appropriate, environmentally sound and socially responsible” (Ancold, 2011).

Onyango (2015) confirms of the non-compliance of the CSR by the mining companies to cater for the social services deliveries such as access to clean and safe water and sanitation for the development of the local communities, cases of uncompensated landless people who were removed from their land to provide mining land for medium and large scale investors an aspect that is contrary to what is stipulated in the Land Act, 1995 and Mining Act, 2000 section 95.

The main objectives of this paper is to explain reasons for multinational companies non-committal to comply with environmental aspects in their CSR-Charters as part of the on-going operation activities in the mining sector in Tanzania. For instance, Bulyanhulu Gold Mine approach to sustainability. The Corporate Charter states:

“We recognize the importance of developing our sustainability practices for the benefit of our stakeholder group as a whole. We aim to maintain our social license to operate through acting responsibly in relation to our people, the environment and the communities in which we operate” (CSR Charter – Acacia).

To establish the level of awareness among the managerial personnel at the position of CEOs on the ISO 14000 family of environmental management standards; the ISO 14000 standards can be explained in the following manner:

“Today, any manager will try to avoid pollution that could cost the company a fine for infringing environmental legislation. But good managers will agree that doing only just enough to keep the company out of trouble with government inspectors is a rather weak and reactive approach to business in today’s increasingly environment-conscious world” (ISO 9001 Documents).

Furthermore the paper establishes that the drives behind non-committal are either poorly academic influencers or external motivations.
Theoretical framework

Corporate Social Responsibility (CSR) in the mining sector is a subject that is steadily capturing the attention of people in the business world. This is because of the close link that exists between business operations vis a vis the 3Ps, that is ‘People, Planet, and Profits, (Mcnamara, 2013). As affirmed by the Brundtland Commission’s definition of ‘Sustainable Development,’ that corporations all over the world are struggling with a new role, which is to meet the needs of the present generation without compromising the ability of the next generations to meet their own needs.

Corporations therefore are to restrain to experience economic fortune in isolation from those agents impacted by its actions. Keeping abreast of global trends and remain to be committed to financial obligations to deliver both private and public benefits have made it compulsory for organizations to redesign their frameworks, rules and business models. These major transformations require national and global companies to approach their business in terms of sustainable development, and both individual and organizational leadership play a major role in this change.

Fig. 1 A conceptual framework for analyzing the impact of global mining activities on environment

Source: Researcher 2016
The well-being of workers, communities and the planet inextricably tied to the health of the business activities. “The smart choice is to proactively manage a company’s operations and value chain – looking at risks and opportunities through a wide lens” (Cetindamar, 2007 p.7).

**METHODOLOGY**
This paper has been developed from a desk research. Also some information from the internet, books and newspaper reports focusing on CSR have been reviewed. Furthermore, it has employed review of current cases on non-compliance on the environmental aspect of the CSR components in gold mining corporations.

**RESULTS AND DISCUSSIONS**
In its approach to sustainability, the Bulyanhulu Gold Mine has the corporate charter states: “We recognize the importance of developing our sustainability practices for the benefit of our stakeholder group as a whole. We aim to maintain our social license to operate through acting responsibly in relation to our people, the environment and the communities in which we operate” (CSR charter – Acacia).

Contrary to that statement, the mining activities are at the heart of putting at risk the people’s health and the sustainability of the ecosystem. Bitala *et al.* (2009) reports the presence of heavy metals and cyanides being higher than international and national standards; is an evidence of non-compliance on the part of management, to ensure that people and the environment are safe from operations. To confirm this, the Acacia (Barrick Gold Mine) authority then, admitted over the pollutant leak from tailing ponds into rivers, farms and pasture land (Daily News, 13th June 2009).

The Bulyanhulu Gold Mine was mentioned to be at the heart of violating human rights, while it claims acting responsibly in relation to the people around them; Lange, (2008) reports of impoverishment of villagers around the mine; “Impoverishment of villagers around the mine had pushed villagers to invade the mining premises in the hope of finding tiny amount of gold (Lange, 2008 pg. 4, 8).

The Citizens Newspaper had reported of filed case by the villagers that North Mara Gold Mine Ltd (NMGML) and Acacia (African Barick Gold (ABG) then, were sued for allegedly being liable for the deaths of the six men who were killed within the mine area and one who has been paralyzed (Friday, December 6, 2013). In the judgment, the judge ordered NMGML and ABG to pay cost incurred by the claimants in having to respond to their pre-emptive strike.

While the ISO 14000 family of environmental management standards demands a pro-active approach practices from the managers in the mining sector; in the sense that managers should not try to avoid pollution because it could cost the company a fine for infringing environmental legislation or the
company could invite trouble with government inspectors, managers should rather be environmental conscious. Meanwhile, seven (7) gold mines including Bulyanhulu were hit with TShs. 450m fines by NEMC for environmental pollution that threatens biodiversity and human health, the Citizen Newspaper reported (Friday, September 20, 2013). This indicates that Bulyanhulu Gold Mine approach to sustainability that they maintain social license to operate through acting responsibly in relation to the environment in which they operate pose a great challenge to practice corporate social responsibility in the mining sector.

The Geita Gold Mine (GGM) approach to social responsibility strategy acknowledges that it is a core to their business. “Our strategy recognizes that we conduct business in an evolving global landscape and our ability to achieve sustainable outcomes is intertwined with people, politics, the planet and the economy” (AngloGold Ashanti Sustainability Strategy)

As it was in the case with Bulyanhulu Gold Mine, the company in some instances apparently reneged on promises to provide livestock watering points. The village’s livestock watering pond was taken by GGM with the promise to build another one in the village. That promise had not been fulfilled, yet there are scanty water resources particularly in the dry (Wangari and Makene 2012).

The resettlement and compensation plans for the affected area did not include grazing and water replacement/compensation either, (Mwime and Makene 2007). A study performed by Almås, Kweyunga & Manoko (2009), confirmed that tailings erosion is polluting water supplies downstream from the tailings piles. In particular, a pond identified as sample site number 8 in the report had metals concentrations many times the World Health Organisation recommended standards.

Based on the review of the two gold mining corporations, the literature that was sighted of mining activities vis a vis the statement of sustainability and the CSR-charter adhered by the respective mining corporations seem to be incompatible; the economic prosperity of mining activities have superseded that of environmental and social concerns. Refusal to comply with their own set standards to safeguard the environment, community that surround them; and the sustainability of their firms is against both CEOs professionalism.

In the mining sector, CEO is the managerial post held by qualified personnel usually graduates from leadership and corporate management schools (MBA). Graduates from these schools are intrinsically managers by the virtue of disciplines acquired, the curricular contents of these disciplines units impart candidates the management and governance systems leaders can apply to promote responsible conduct in companies, they are potential CEOs of large business undertaking due to their qualifications and values gained that can play a critical role in effective leadership.

These potential managers are taught about the complex responsibilities faced by business leaders. Through cases on difficult managerial decisions, they examine the legal, ethical, and economic responsibilities of corporate leaders. Hence, through appointment by the Board of Directors, the CEOs
have responsibility to provide strategic leadership and create value for the company’s shareholders over the long term by working with the Board of Directors. Their specific responsibilities include leading the mining companies to sustainable commercial success, ethical decision-making and ensuring the company continues to meet its ‘social license to operate’.

Leadership skills are attributed in any successful undertaking. The CEOs in mining industry, consciously or unconsciously seem to put aside the knowledge acquired particularly on ethical decision-making when it comes to choose between the 3Ps. Through environmental destruction like serious pollution on the land cases in which GGM or Bulyanhulu Gold Mine were involved, is an explicit indication of failures of the CEOs in the mining sector to practice the leadership skills on the ground, the literature has proven it, their non-committal to implement their companies CSR charters have resulted in the destruction of the environment that jeopardize the livelihood of the mass around mining areas.

Responsible leadership according to financial times lexicon is about making business decisions that, next to the interests of the shareholders, also takes into account other stakeholders such as workers, clients, suppliers, the environment, community and future generations.

It is a business school subject area, less on ethical theory and more of ethical practice based on case studies. The practice has a particular focus on an individual’s value system and the pragmatic application of an individual’s values in the real-life challenging dilemmas of business. Wade (2006) affirms the role of responsible leader in a global complex, uncertain and interconnected business environment where companies are expected to be accountable not only to shareholders for financial performance, but to stakeholders for their wider economic, environmental and societal impacts.

The prevailing situation of poor compliance of CSR-charters in the mining sector particularly on the environment protection; is an evident of lacking something on the part of CEOs on one hand. This lacking can be attributed first to leadership skills. Mitroff (2004) is of the view that the business school faculty whose curriculum contents pivot on transaction-based economics, economic liberalism, or agency theory to MBA students, which focus on short-term profits, even if this comes at a cost of damaging long-term opportunities and relationships with customers, suppliers, and/or vendors can’t make good leadership. On the other hand is the global capitalization. Ghoshal (2005) stated that, “business schools have actively freed their students from any sense of moral responsibility” because faculty members teach theories that are ideological in nature.

According to Bennis and O'Toole (2005) business schools are facing heavy criticism for failing to impart useful skills and knowledge, prepare leaders for doing what is right, and instil norms of ethical behavior that would have prevented major corporate debacles; and even lead graduates to corporate jobs that can pay them good wages.
In the study by Neubaum, Pagell, Drexler, McKee-Ryan, and Larson, (2009) stated that “many of the recent discussions of business schools have centered not on the positive deeds of their graduates, but on how the theoretical foundations of business school education may be linked to ethical lapses and scandals involving managers who have been subjected to business school training” (p.9) Instead of measuring the quality of each program in terms of the competence of students, most schools assess themselves based on the rigor of scientific research that is published by their faculty and graduates. The root cause of these problems in business management, according to Bennis et al. (2005) is that most business schools seem to have adopted a self-defeating model for assessment of academic excellence.

Every economic activity has an effect on the environment. Multinational companies’ operation activities like those of Bulyanhulu and Geita Gold Mine in the gold mining have high potential effects on the environment in developing countries like Tanzania. As it has been pointed out that non-compliance of CSR - charters in the mining sector is attributed to lack of leadership and curricular contents impacts to the CEOs; Fulya Akyildiz (2006) ascertains that non-compliance by CEOs of their CSR-charters in the mining sector is externally influenced.

According to Akyildiz (2006) non-compliance of the CSR-charters to protect the environment in the foreign owned mining corporations and consequently the destruction of the environment is caused by unlimited capital stocks of capitalism and its economic development aim “whatever the result is”; fastens the problems internationally as a result of not recognizing the social developments and justice, inequality, poverty and unsocializing people in developing countries.

Akyildiz (2006) identifies the following factors of non-compliance in the mining sector:

First, the role of Multinational companies’ in mining sector in the developing countries like Tanzania, having suitable conditions such as cheap workers costs, flexible legal arrangements has made it possible for global capital to thrive.

Secondly, the unlimited capital stocks of capitalism and its economic development aim, “whatever the result is” this has brought numerous environmental problems, the speed of nature being consumed has been increased and there have been troubles almost every field of the social lives.

Thirdly, the public opinion in developing countries is insensible of the harms that economic activities such as mining give to the environment.

Fourth, besides the public opinion in these countries having low level of education, many don’t have enough knowledge about the environmental problems and importance of environment. This is possible in developing countries only; the activities in most polluting sectors like mining sector by Multinational companies wouldn't have been directed to the countries where environmental laws are flexible/flexibly practised.
Fifth, the information also gives assurance to the multinational companies that they don't face with the opposing activities of the public where they operate, and if it exists is at a minimum.

Sixth, nevertheless foreign capital is wanted by these countries to supply new technologies, to supply the political and economic support of the countries which export development and capital, to open their economy to other countries and to protect the environment of the country.

Seventh, most developing countries are under pressure to pay their debts, hence don't pay attention to the ecological defects of the activities let the multinational companies to settle in the country.

Eighth, foreign capital entrance in gold mining fields is a small example about being served and defended as a golden opportunity to pay foreign debts. As a result, multinational companies are unsuccessful in sharing environmental responsibilities in the developing countries.

Ninth, Multinational companies have been making use of the opportunities that the environment presents but they don't do their duties to environmental rights.

In any country where ecological sensitivity isn't assured enough by law and isn't protected fully; pollution and failures to protect the environment is a kind of great danger that country and her people would live to tell, unless the concept of sustainable development is reinvigorated.

**CONCLUSION, IMPLICATIONS AND RECOMMENDATIONS**

**Conclusion**

As stated earlier, the main objective of this paper is to establish why the Multinational companies are non-committal to environmental aspect to comply to their CSR in the on-going operation activities in the mining sector in Tanzania; determine whether the managerial personnel at the position of CEOs are aware of the ISO 14000 family of environmental management standards, and ascertain whether the motivations behind non-committal are either influenced by poor academics or externally motivated.

The literature has proved that the two mining corporations used as case study, through their operations pollute the environment (in the settlement and water bodies) that surround the scheme from waste rocks of the project tailing dam. It has also been proved the presence of high levels of metals and cyanides in water which pose both environmental and health problems to humans and their livestock.

As Ghoshal (2005) and (Bennis and O’Toole 2005) pointed it out, the prevailing poor compliance of CSR in the mining sector among other things is attributed by inefficient contents of curricula in business management; for instance some disciplines like transaction-based economics, and economic liberalism, being leading factors which focus on short-term profits and therefore compromise with the environment.
It has also been found out that leadership skills is another factor, which is acquired through mastering of responsible leadership. Lack of this discipline have denied managerial top level personnel in the mining industry ability to be sensitive in the world they operate, to practice more about ethics rather than ethical theory based on real life. Unlimited capital stocks of capitalism and its economic development aim “whatever the result is”; has been identified as an external factor.

**Implications**

The findings in this paper reveal some implications for mining sector in Tanzania. The discoveries of the study have coincided with other past studies that have indicated that managerial is very sensitive post in the departments, that touches the lives of masses should be given to well-groomed candidates with proven records. However, whereas in the case of the Geita Gold Mining and Bulyanhulu mines which are foreign owned, then international standards norms can be adopted to assure safe operations of business firms in the mining sector.

Tanzania has many qualified specialists in minerals and laws associated with minerals, thus it is high time comprehensive researches be carried out in the land to identify once and for all solutions to be upheld by both local and multinational mining corporations to adhere to their CSR to protect environment.

**Recommendations**

In view of the conclusions, the author wishes to recommend Tanzanian government to adopt both national and international initiatives and associations that promote best practices of corporate social responsibility in the mining sector. Moreover, given the importance of the mining industry in the country, its GDP contribution and other benefits can be multifold if the government contains all the loopholes that lead to tax avoidance and evasion in the sector.

In particular the author recommends the following:

One, the government should make it necessary for foreign owned corporations to adopt the United Nations Global Compact initiative, in which companies self-evaluate and report their performance regarding 10 principles for sustainable development.

Two, the government should make it necessary for both local and international mining corporations to adopt the International Council on Mining and Metals (ICMM), which is organized by the largest mining companies in the world and has a variety of programs to enhance sustainable mining. ICMM makes its members accountable for the fulfillment of the 10 principles for sustainable development.

Three, the government should demand mining companies to pursue certifications such as ISO 14000 (environmental certification), SA 8000 (working conditions certification), and AA 1000 (accountability certification). The motive is to be listed in the Dow Jones Sustainability Indexes.
Four, business school curricula need to be reviewed, courses such as ethics and laws in the MBA programme aren’t sufficient to deter wrongdoing. There are a need to internalize sound principles of governance and accountability to have business school graduates who have matured into executives.

Five, the government should strengthen its institutions like NEMC, Parliament Environmental Committee and so on and allow biting; any negligence exercised by the polluters should heavily be punished to deter others so as to comply with the environment Act of 1997.

Six, penal code on environment safeguard need to be reviewed; penalties are to reflect the magnitude of destruction. Fines of a million tune, to a multi millions dollar investor is “slapping on the face” to people and environment activists.

Seven, the Multinational companies dealing with minerals need to re-examine their effectiveness implementation and compliance for corporate social responsibility practices for the benefits of all stakeholders, the well documented corporate charter to sustainability should never be used to camouflage their illegal practices on the ground to find fortune while compromising the ability of the next generations to meet their own needs.

**Recommendation for further research**

The author strongly believes that the need to protect the environment and the people around mining areas is paramount. The findings that have been given to explain poor compliance to the CSR on the environment part in the mining areas in this study can’t be exhaustive, there is still much to be known in this field. Hence, the author recommends such a research.

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