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Mining Companies and CSR in Guinea: Use the U.N. Global Compact Model to Improve Lives

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**Mining Companies and CSR in Guinea: Use the U.N. Global Compact
Model to Improve Lives**

by

Mariama Kebe

A Thesis

Submitted to the Graduate Faculty of

St. Cloud State University

in Partial Fulfillment of the Requirements

for the Degree

Master of Science in

Social Responsibility

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Thesis Committee:
Alexander Polacco, Chairperson
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Abstract

Mining Companies tend to exploit natural resources in developing countries such as Guinea, to the detriment of the local population (Amaeshi, Adi, Ogbechie, & Amao, 2007); (Kefee, 2013); (Hamann, 2003). Government officials in such countries often do not work in the better interests of the citizens due to corruption and other factors (Ayoade, 2011); (Kefee, 2013); (Susson, 2012). In this study the writer presents library-research material on the social, economic, and environmental impact of selective mining companies in Guinea, and the complexities introduced by the actions of local government officials. The writer presents recommendations for improving the interests of the natives of Guinea based on the Corporate Social Responsibility (CSR) model of the United Nations Global Compact (UNGC).



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I wish to, first of all, thank the Lord for his grace and guidance through this academic journey. I am also grateful to Mr. Alex Polacco, for accepting to be the chairperson of my committee. Thank you for guiding my path, for seeing me through the work and for directing my work. Your endless encouragement, restless days looking at my work, and quick replies to my emails are highly appreciated. My thesis committee members: Dr. Jiping Zuo and Dr. Semya Hakim, thank you for your supervision, your patience and thank you for believing in me. This academic achievement could not have been completed without your effort and knowledge. Thank you to my supporter Dr. Tamrat Tamede for being there at every step of my graduate years at St Cloud State University, and for the struggle you went through to help me find the assistantship in order for me to complete my education with no financial hardship burden.

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value of education and for reminding me that my first husband should be my education.

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Dedication

This thesis is dedicated to the memory of my late biological father Sekou Kebe, my late brother Dou Kebe, my grandmother Hadja Yelikhan Camara, and my grandfather Christophe Bossard, and all my late aunts and uncles in heaven.

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Introduction

Since the late 1990s, Guinea has presented an attractive proposition for mining companies that sought to extract its vast mineral resources. According to Keefe (2013), “Guinea is one of the poorest countries in the world, but it holds reserves of natural resources that are worth a fortune”. Guinea’s vast iron ore deposits, situated in the Simandou Mountains, could generate an estimated one-hundred and forty billion dollars in revenue in 25 years, which would more than double the country’s gross domestic product. The country has a huge amount of natural resources including gold, bauxite, gems and petroleum. Land, water, and climatic conditions provide opportunities for large-scale irrigation-farming and agriculture (Keefe, 2013).

It would be reasonable to assume that even a small percentage of such large amounts of riches would have lifted Guinea above the *poorest country* category. One would also expect that the economic benefit would have leveraged environmental and social benefits to the country. As Keefe (2013), Amaeshi and Adi (2007), and Hamann (2003) have observed, there is a huge disparity between the assets and the economic, social, and environmental conditions of countries such as Guinea and other countries in Africa.

The problem is that multinational mining corporations tend to exploit natural resources in developing countries such as Guinea, to the detriment of the local population (Amaeshi & Adi, 2007). According to Keefe (2013), wealthy countries that have depleted their own natural resources, are seeking to tap into Guinea’s potential riches. Some of the many mining companies operating in Guinea are not socially responsible and tend to blame the government for corruption, but the same companies operate differently in other countries with stricter

governments. There is a general expectation that corporate social responsibility will be universally uniform for businesses and stakeholders. The reality is that the subjective nature of CSR creates a diversity in applications across regions and industries (Hamann, 2003).

The problem is further compounded because government officials in such countries often do not work in the better interests of the citizens due to corruption and other factors (Ayoade, 2011). According to Keefe (2013), foreign corporations blame corrupt governance for being a barrier to a fair deal. Transparency International (2013) stated that “Guinea is one of the most corrupt nations on earth”. Guinea is a country heavily loaded by poverty—almost half of the country’s population lives below the international poverty line. The country has been unable to profit from mining operations as rampant corruption, a rundown infrastructure, and political uncertainty have drained investor confidence (Olinto, Beegle, Sobrado, & Uematsu, 2013).

Using qualitative library research, and the Corporate Social Responsibility (CSR) model of the United Nations Global Compact (UNGC), the writer explores the social, economic, and environmental impact of mining companies and government’s actions in Guinea. From an anthropological perspective, many other factors beyond that of the mining companies and the government may be causal to the CSR plight in Guinea, yet the scope and focus of this paper will be limited to only those two factors. The writer presents recommendations for improving the interests of the natives in Guinea based on the Corporate Social Responsibility model of the United Nations Global Compact. As the literature will indicate, compliance with the compact is voluntary and the body has no legal authority. In the

absence of a CSR standard, the UNGC establishes a baseline or frame of reference for ideal CSR behavior in Guinea.

Background

In this section the writer provides a context to the problem and shows how the immense potential natural-resources wealth in Guinea attracts foreign companies' investments and operations; yet there is little economic and social benefit to the local people. She also shows how the corruption and greed of government officials compound the problem, which results in further detriment to the people.

Potential Wealth in Guinea

Located on the North Atlantic coast of West Africa, Guinea with its population of 11.2 million people has a largely 'subsistence agriculture' economy. Major rivers such as the Gambia, Niger, and Senegal find their origins in Guinea. According to Kefee (2013), "Guinea is one of the poorest countries in the world, but it holds reserves of natural resources that are worth a fortune". Guinea's Simandou Mountains contain vast iron ore deposits that could generate an estimated \$140 billion in revenue in 25 years, which would more than double the country's gross domestic product. The country has immense natural resources including gold, bauxite, gems and petroleum. Land, water, and climatic conditions provide opportunities for large-scale irrigation-farming and agriculture.

Wealthy countries, facing rapidly depleting natural resources, have turned to Guinea to tap into these unrealized riches. Guinea has huge amounts of minerals, possessing an estimated quarter of the world's proven reserves of bauxite, more than 1.8 billion metric tons (2.0 billion short tons) of high-grade iron ore, significant diamond and gold deposits, and

undetermined quantities of uranium (Kefee, 2013). Guinea also has considerable potential for growth in the agricultural and fishing sectors.

Bauxite mining and alumina production provide about 80% of Guinea's foreign exchange. The exclusivity and rareness of its mineral wealth and potential, which only a few nations like the Democratic Republic of Congo surpass, makes the Guinean experience predominantly outstanding. Guinea is the world's most significant basis of high-grade bauxite. Alumina is white solid, aluminum oxide that occurs in bauxite and is found in crystalline form as the main constituent of corundum, sapphire, and other minerals (Campbell, 2009).

To turn bauxite into alumina, companies grind the ore and mix it with lime and caustic soda, pump this mix into high-pressure containers, and heat it. The aluminum oxide is dissolved by the caustic soda, then precipitated out of this solution, washed, and heated to drive off water. What is left is the white powder called alumina which is transformed into aluminum metal in the smelting process (Campbell, 2009).

Mining Companies' Exploitation of Resources

There are many mining companies operating in Guinea. Some of these companies are not socially responsible and tend to blame the government for its corruption, but in reality operate differently in other countries with stricter and more responsible government. Many multinational corporations leave their countries to do business offshore, but operate differently in the developing countries.

The booming Chinese economy has created an urgent demand for alumina which has in turn created a renewed interest in Guinea's riches (Ebenezer, Shi, & Mackie, 2015). Alcan and Alcoa did a joint-venture with the Guinean government (CBG mining) in north western

Guinea and announced the possibility of a study for the construction of a \$1 million TP and alumina smelter. Canadian company Global Alumina started up a 2 billion dollar alumina plant project in the same region. Diamonds and gold also are mined and exported on a large scale, providing additional foreign capital. Business agreements have been contracted for future exploitation of Guinea's extensive iron ore deposits. Scholars projected that innovation in operations would improve alumina quality, advance environmental performance, and lessen costs (Ditze & Scharf, 2004).

Government Complexities

Corrupt governance has served as a barrier to a fair deal. According to Transparency International (2013), "Guinea is one of the most corrupt nations on earth". Guinea is a country heavily loaded by poverty, almost half of the country's population (47%) lives below the international poverty line. The country has a surplus of natural resources including gold, bauxite, gems and petroleum. But, unfortunately Guinea has not been able to take advantage of its resources and to benefit from that potential, as extensive corruption, poverty, neglected infrastructure, and political instability have eroded investor confidence (Polgreen & Conakry, 2009).

Guinea constitutes a small, underdeveloped market that remains heavily reliant upon revenue from customs, mining companies and international aid. Since Guinea's independence in 1958, the country was ruled by a succession of military strong-men, each of whom severely weakened an already fragile economy. Despite Guinea's first free and fair democratic elections in November 2010, corruption and fraud were pervasive throughout the country. Foreign investors responded positively to some improvements in Guinea's political and

economic climate, particularly in the mining, electricity, and construction sectors. A run-down infrastructure, deep-rooted culture of corruption, continuous demand for bribes and concerns about the permanence of Guinea's democracy continued to make Guinea a difficult place to do business (Rose-Ackerman, 1997).

The judicial system had been ruled by successive military governments with no independent judiciary to constrain the executive, and no nominated legislature. It lacked transparency and was openly corrupt and consistently ruled in favor of government expropriation. Government officials, notably the Minister of Mines, wield enormous influence in judicial matters and decision-making. Individuals or legal entities considering investment in Guinea are guaranteed the freedom to transfer the original foreign capital, profits resulting from investment, capital gains on disposal of investment, and fair compensation paid in the case of nationalization or expropriation of the investment, to any country of their choice. Although there were no changes to remittance policies, it was difficult to obtain foreign exchange in Guinea's suffering economy (Rose-Ackerman, 1997).

Individuals or legal entities considering investment in Guinea are guaranteed the freedom to transfer the original foreign capital, profits resulting from investment, capital gains on disposal of investment, and fair compensation paid in the case of nationalization or expropriation of the investment, to any country of their choice. Guinea has experienced significantly weakened liquidity levels over the last several years due to government mismanagement, populist policies, corruption, a decrease in mining revenue due to political unrest, and dwindling foreign aid levels. The return of mining investment and foreign assistance following the 2010 elections has made some improvement in foreign exchange

availability; however, banking sector experts estimate that Guinea's Central Bank has approximately one month of foreign exchange reserves (US Department of State, 2013).

The Investment Code states that disputes will be settled by competent Guinean judicial authorities through interpretation of the Code in accordance with laws and regulations (US Department of State, 2013). In practice, however, fair settlements are difficult. The current Guinean constitution mandates an independent judiciary, although many business owners and high level government officials frequently claim that poorly trained magistrates, high levels of corruption, and nepotism plague the administration of justice (US Department of State, 2013). Guinea established an arbitration court in 1999, independent of the Ministry of Justice, to settle business disputes in a less costly and more expedient manner. The Arbitration Court is based on the French system in which arbitrators are selected from among the Guinean business sector, rather than from among lawyers or judges, and are supervised by the Chamber of Commerce.

The country's legal system is largely based upon French civil law. However, the Guinean judicial system is reported to be understaffed, corrupt, lacking in transparency and accounting practices are frequently unreliable. The Investment Code allows transfers of income derived from investment in Guinea, the proceeds of liquidating this investment, and the compensation paid in the event of nationalization to any country in convertible currency. The legal and regulatory procedures, while based on French civil law in theory, are not always applied uniformly or transparently (US Department of State, 2013).

Individuals or legal entities making foreign investments in Guinea are guaranteed the freedom to transfer the original foreign capital, profits resulting from investment, capital gains

on disposal of investment, and fair compensation paid in the case of nationalization or expropriation of the investment, to any country of their choice. Although there have been no recent changes to remittance policies, it is difficult to obtain foreign exchange in Guinea's suffering economy (US Department of State, 2013).

Several World Bank indicators show that the Guinean government had made significant progress in creating a better business investment climate (World Bank, 2014). Figure 1 shows that much progress had been made in the areas of starting a business, registering property, trading across borders, and getting electricity. Lack of progress was noticeable in dealing with construction permits, getting credit, enforcing contracts, and resolving insolvency. The index ranked Guinea 175 among 189 countries

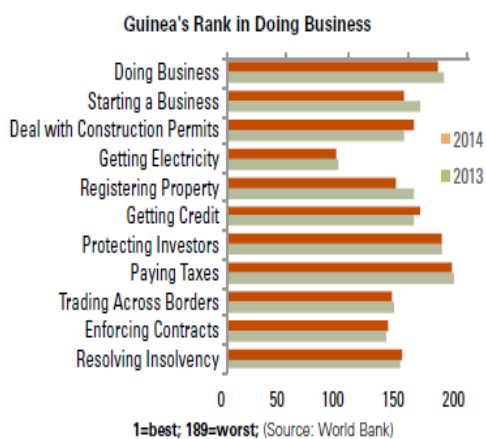


Figure 1: World Bank Ease of Doing Business Index, 2014

KPMG's New Geographic Expansion Risk Framework (KPMG International, 2012) report stated the political stability had recovered but the situation was tense as of 2012. The report showed that the Guinean government had reduced its interest in mining operations to 15% but had added an option to purchase an additional 20% which would benefit the local population. The report also stated that infrastructure was a continuous problem especially in

the areas of electricity supply, communications, and transportation network. The report further showed that 72.2% of the population was uneducated and that 34% of the population was under the age of 15. Subsequently, the mining industry suffered from an undersupply of qualified labor.

Literature Review

Mining Companies, Operations, and Impact

Mining companies extract natural resources such as bauxite, gold, ore, and iron diamonds, from the ground. The companies derive profits by providing extraction technology to countries that have natural resources. The companies enter into agreements with local governments through joint ventures, contracting, partnerships, etc. The local community benefits through the many workers that are hired, foreign capital that is spent for goods and services, and extraction of minerals and metals that otherwise would have been in a dormant state.

The mining workers in developing countries are usually the mostly locals and some foreign workers. The local workers are citizens of the countries where the mining operations occur; the foreign workers are called expatriates. Due to employment reasons, the two groups have disparities in pay and compensation, although they may do the same job. Expatriates are paid in foreign currency, which is worth twice the local currency, but they also get premiums in benefits such as insurance, and housing.

Mining is usually very damaging to the environment and is one of the main causes of deforestation in Africa. Before the multinational companies start their mining business in Guinea and many other parts in Africa, they slash and burn trees and other vegetation. Once

the ground is levelled, they remove the natural resources and metals from the earth. They use chemicals which pollute the groundwater and air, and adversely affect the lives of many workers and communities. Local workers do not have health insurance through the mining companies, and they become sick due to exposition to the toxic waste. They often develop diarrhea and skin diseases. Workers cannot afford to go to the doctor. Many cultural and religious sites are often destroyed by mining operations (Milton, 2001)

Profitable mining corporations and the government make promises of economic, social, and environmental improvements to the community; typically, false promises which lead to social conflict in the region. Scholars have argued that if a social contract between a government and its people does not exist, the contractual governance can collapse, especially when the government fails to meet the basic needs of the people, which may typically lead to conflict between the government and the governed (Badmus, 2010). The government and the multination oil corporations work hand in hand to maximize profits, while paying little attention to the community's needs and wants—in other words, the government fails to abide by the contract with its own people, resulting in environmental degradation and social inequality.

Idemudia (2010) studied the impact of mining operations in Guinea and the Niger Delta. He found that sacred sites, graveyards, shrines, indigenous trees, and crops had been destroyed without consideration. Local people told him that oil companies only consider economic development, and that they (oil companies) need to repair the area or develop forests and farmlands. Oil companies responded that development failures result from inter-tribal violence and corruption rather than negligence on their part (Idemudia, 2010).

Mining Companies and Operations in Guinea

Twenty-four mining companies operate in Guinea (KPMG International, 2014):

- Bellzone Holdings (Pty) Ltd. Sarl
- Hamilton Mining and Marketing LLC
- Compagnie Des Bauxites De Guinee SA
- Pinnacle Group Assets Ltd.
- Crew Gold Corporation
- Ressources Mandala SARL
- Fifa Mining Inc.
- Rio Tinto SIMFER SA
- Forward African resources SA
- Semafo
- Group Guinea Investment SA
- Sky Alliance ressources Guinee SA
- Guinea Alumina Corporation SA
- Societe Ashanti Goldfields De Guinee
- Guinea Development Mineral resources SA
- Societe Guineenne de Fer et de Bauxite
- Guinea Diamond Corporation
- Societe Miniere de Dinguiraye SA
- Guinea Mining (4206) Ltd.
- Societe Sadeka Sarl

- Guinea Mining (4652) Ltd.
- West Africa Exploration SAU
- Alumina Company of Guinea Ltd.
- Guinea Mining (4653) Ltd.

In Guinea, the mining sector pays for and funds about 25% of the country's income.

Bauxite mining is the most important industry, which makes the area of Guinea Conakry a prominent bauxite producer. Although there are many mining companies operating in Guinea, three powerful companies control and lead Guinea's bauxite production. The largest mining company in Sangaredi is operated by CBG, which stands for "compagnies des bauxites de Guinea" which translates to "Bauxite companies of Guinea", a joint project between Halco and the Guinean government. Halco's Investors are: Alcan, Comalco, Reynolds Metals, Alcoa, VAW and Pechiney. The company CBG contributes about eighty percent to the government's foreign earnings and employs thousands of local workers (KPMG International, 2014).

The state-owned Société des Bauxites de Kindia (SBK) controls the Kindia mining operations. Russian Aluminium (RusAl) has assumed management of SBK and plans to raise production from 1.5 Mt to 2.5 Mt. RusAl conducts some of SBK operations in the Ukraine, and plans to reevaluate the reserve base at Kindia that has an estimated 30 Mt of reserves. There are many other resources found closer at Dian Dian, which contains an estimated 1000 Mt at an average aluminium content of 50% (MBendi, 2013).

In October 2004 Global Alumina Products Corporation and the Ministry of Mines and Geology of the Republic of Guinea agreed on the construction of a 2.8 million tons per

annum alumina refinery in Conakry, Guinea. The agreement included exclusive mining development and concessions with bauxite ores in excess of the refinery's expected extraction over the 99 year term for refinery operations and expansion. The initial term is 25 years with an automatic extension of another 25 years, and further 10-year renewals (MBendi, 2013),

In 2004, Guinea Alumina (GAC) embarked on a \$5 billion joint venture with Global Alumina, BHP Billiton, Dubai Aluminum, and Abu Dhabi's Mubadala Development conducted feasibility studies on a 650 sq. km bauxite mining site. The company started construction of the mining site, refinery, and logistics in 2008. Alcoa and Rio Tinto-Alcan began construction of a smaller refinery in the area. In sum, the projects will result in a 40% increase in Guinea's bauxite production. In 2011, the GAC project's progress slowed due to falling commodity prices, shareholder dissatisfaction, and regulatory environment issues. Delays have shifted the start date from 2012 to 2015 (IBP, 2009).

In 2003 mining giant Rio Tinto signed an agreement with the Government of Guinea to develop a 110 sq. km iron mine in Simandou. In 2008, the Guinea government negated part of the contract. In April 2011, Rio Tinto signed an amendment and gave the government an additional \$700 million. As of October 2011 the company had invested \$3 billion in feasibility studies, infrastructure, and development. Rio Tinto is expected to begin exporting iron ore from Simandou in 2015. (IBP, 2009),

Corporate Social Responsibility

Corporate social responsibility is a company initiative to assess and take responsibility for the company's effects on the environmental, social, and economic welfare of a society. It is the ongoing obligation by business to behave ethically and contribute to economic growth

while improving the quality of life of the local community and the society (Holme & Watts, 1999). Piedade and Thomas (2006) defined corporate responsibility as a commitment of organizations to realize sustainable economic development through the exercise of ethical values, compliance with laws, respect for the rights of people, and concern for communities and the environment.

Corporate social responsibility is abstract in context and there are many opinions on what it should consist of. In a broader context CSR encompasses human rights, environmental responsibility, diversity, sustainability, and philanthropy (Amaeshi & Abdi, 2007). The concept of corporate responsibility or corporate citizenship eludes an easy definition (Grayson, 2005). According to MBendi (2013), companies wield power through their control of assets and involvement in the national economy, and therefore they should invest much in CSR programs. He claims that some companies feign interest in corporate responsibility, but many large corporations are devoting real time and money to CSR initiatives. Corporate social responsibility is supposed to benefit both the company and society.

One study showed that over 80% of corporate social responsibility decision-makers were very confident in the ability of good corporate social responsibility practices to deliver corporate and employee benefits (Afrin, 2013). However, the philanthropic action may be motivated more by tax benefits, corporate image, and marketing incentives. For example, when corporations make donations to charity they give away their shareholders' money, which they can only do if they see potential of profit in it.

Corporations have a social obligation to respond to market forces or legal constraints. Scholars such as Milton Friedman and Henry Manne believe that a corporation exists in an

economic space and should therefore exploit resources and the environment in the pursuit of profits. They claim that a corporation does not have a social obligation which is in fact the duty of the state or social organizations. The legal aspect of the concept of corporate responsibility has emphasized on minimum pollution standards or discriminatory hiring practices, which has the effect of minimizing social responsibility (Piedade & Thomas, 2006).

Other scholars have determined that corporate social responsibility includes corporations voluntarily exceeding their legal obligations to address social, economic and environmental impacts of their operations. The European Commission describes corporate social responsibility as: “A concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis” (Van Marrewijk, 2003). The United Kingdom Corporate Responsibility Bill (2002) suggests that corporations should “take all reasonable steps to minimize any negative environmental, social and economic impacts”.

Some definitions emphasize the avoidance of harm and a shared responsibility towards shareholders and sustainability. Others define corporate social responsibility as actively seeking to achieve positive change. McWilliams and Siegel (2001) defined corporate social responsibility as “actions that appear to further some social good, beyond the interests of the firm and that which is required by law.” Carroll's (1991) 'Pyramid of Corporate Social Responsibility' included philanthropic requirements. Piedade and Thomas (2006) argued that corporate responsibility goes beyond a social aspect for public relations purposes or for stakeholder benefits. Waddock (2002) said that social responsibility includes systemic issues such as company management, production, and global interactions.

Corporate Social Responsibility extends to all stakeholders of the company, which include shareholders and investors, employees, individuals, communities (U.K. Corporate Responsibility Bill, 2002), and may include non-human stakeholders such as the environment (Haigh & Griffiths, 2007; Jacobs, 1997). The role of corporations and their relationship to society is usually viewed in a politico-legal construct, but can also be viewed from a religious and moral perspective. Friedman (1970) criticized those who proposed that business should have a moral conscience, and called them “unwitting puppets” of radicals who were bent on undermining a free society.

Friedman’s (1970) position reflected the business philosophy of the time that a business’ mission was to maximize “shareholder value (Hemingway, 2005). Carroll (1991) suggested that economic responsibility is the 'bottom line' because without it there can be no social or environmental considerations. Others acknowledge the importance of a balance between ethics and economics, and suggest that corporations must have a dual or triple bottom line (Chryssides & Kaler, 2005).

If corporations are to be considered “moral agents” then the degree to which they should be held morally responsible must be raised (De George, 1987). The author said that general ethical theory does not address important questions such as the moral-entity status of business organizations. De George argued that general ethical theory which traditionally has been “concerned with the actions of human individuals.” He suggested that more consideration must be given to an understanding of collective moral and legal accountability.

Corporations are often faced with individualized conceptions of legal liability (Alston, 2004). Religious and secular perspectives influence ideas about the character of corporations

and what is considered an acceptable business practice. Jewish business ethics has traditionally drawn upon legalistic codes and aspirations such as Man's ownership of the earth and his mandate to keep and serve it (Pava, 1998). Islamic principles of social responsibility, social conduct, and economics strongly influence business practices in Muslim countries (Cone, 2003). Chryssides and Kaler (2005) found that the Roman Catholic Church in medieval times had business practices such as fair wages and prices and Buddhism has codes about perfect livelihoods.

It is generally agreed that businesses have a responsibility that goes beyond making a profit to helping to alleviate social and ecological problems (Hamann & Acutt, 2003). Although it is expected that CSR practices will vary regionally and geographically, there is a lack of diversity in applications among organizations. The authors say that despite the importance of universal CSR principles for both companies and stakeholders, local challenges and opportunities continue to present a challenge to universal principles.

Piedade and Thomas (2006) identified many emerging CSR issues in South Africa such as: alleviation of poverty, improvement of governance, improvement of education, tackling of corruption, enforcement of labor standards, prevention of resource depletion, controlling of industrial pollution, promotion of environmental conservation, upholding of business ethics, addressing HIV/AIDS, developing human capital, and promotion of economic development. Visser, Middleton, and McIntosh (2005) noted that business should form a multilateral partnership with government and civil society with a focus on "aiding development towards a more participative, rule-of-law-based society where basic human rights and needs are met". Piedade and Thomas (2006), advocated the need for corporations in

Africa to proactively, productively, and in collaboration, to develop a web of partners who will be involved in sustainable development. In this regard, Visser et al. (2005) view a corporate citizenship or corporate responsibility debate as being integral to any debate on the future of Africa.

Hamann (2003) referring to corporate social responsibility in South Africa, said that it “is meant to link the market economy to sustainable development”. Hamann noted that sustainable development cannot be isolated from economic development, and that philanthropic investment initiatives must include developmental initiatives due to “the country’s history of apartheid and lack of previous state support for social development”. The unique challenge to South African organizations is to generate profits while addressing broader societal needs (Visser et al., 2005).

United Nations Global Compact (UNGC) and CSR

This section describes what the UNGC is and discusses the CSR aspects of the code. The UNGC (United Nations Global Compact) was initiated by the United Nations to encourage businesses across the world to adopt and implement socially responsible and sustainable policies (United Nations, 1999). Based on basic principles of human rights, the framework covers areas of labor, anti-corruption, the environment, and human rights. The Global Compact brings together UN agencies, civil rights groups, labor, and businesses...and even cities. The GC initiative has over 10,000 corporate participants and stakeholders from over 130 countries. U.N. Secretary General Kofi Annan announced the U.N. Global Compact on January 31, 1999 at the World Economic Forum, and opened the initiative on July 26, 2000 at the U.N. Headquarters in New York (Cetindamar, 2007).

The UN Global Compact was initially launched with nine Principles in 1999, and a tenth was added on June 24, 2004. The Global Compact has two objectives: (1) Assure the incorporation of the 10 principles in international business, and (2) Use the GC actions to support other U.N. initiatives. The Global Compact Office is supported by seven UN agencies.

The UNGC code covers four main areas and ten principles (Compact, 2014):

<u>Area</u>	<u>Principles</u>
Human Rights	<ol style="list-style-type: none"> 1. Support and respect the protection of internationally proclaimed human rights; 2. Make sure that they are not complicit in human rights abuses;
Labor Standards	<ol style="list-style-type: none"> 3. The freedom of association and the effective recognition of the right to collective bargaining; 4. The elimination of all forms of forced and compulsory labor; 5. The effective abolition of child labor; and 6. The elimination of discrimination in employment and occupation.
Environment challenges responsibility;	<ol style="list-style-type: none"> 7. Support a precautionary approach to environmental 8. Undertake initiatives to promote environmental 9. Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption 10. Businesses should work against corruption in all its forms, including extortion and bribery.

The UN Global Compact is not a regulatory agency, but a discussion forum for participants that represent the stakeholders. UNGC membership does not signify certification or recognition that stakeholder companies are in conformance with the code or principles of the Compact. The UNGC goals and policies are broad and vague in order to provide the flexibility that is essential across the diversity in application among industries and commercial enterprises. The compact has no legal mechanism for penalizing members for non-compliance or for lack of progress. There is also no mechanism for screening and excluding companies with a dubious history of performance.

Problem Statement

The problem is that multinational corporations tend to exploit natural resources in developing countries such as Guinea, to the detriment of the local population (Amaeshi et al., 2007). The problem is further compounded because government officials in such countries often do not work in the better interests of the citizens due to corruption and other factors (Ayoade, 2011).

Research Questions

1. What is the social, economic, and environmental impact of selective mining companies on the local population in Guinea?
2. In what ways and to what extent do Guinea government actions compound adverse effects on the local population?

3. What are the writer's recommendations for improving the interests of the natives in Guinea based on the Corporate Social Responsibility model of the United Nations Global Compact.

Methodology

The writer used a qualitative exploratory library research method to compile data and information on the social, economic, and environmental impact of selective mining companies and Government actions on the local population in Guinea.

Social, Economic, and Environmental Impact

This section contains information on the social, economic, and environmental impact of the activities of the mining companies within the last 5 years (2010-2015). The narrative discusses compliance/non-compliance with the UNGC principles. It also discusses the Mining Code of 2011.

Mining corporations in developing countries have had a dubious reputation for social responsibility. In 2010-12 mining corporations in developing countries came under more scrutiny and pressure from environmentalists who have investigated them for their treatment of their local workers and analyzed their work ethics (Industri ALL Global Union, 2012). Many mining businesses have responded by developing global corporate social responsibility (UNGC) strategies and tactics in Africa. But, due to the abstract nature of the principles they do not have an equal measure of human rights practices and only comply with the UNGC principles in some parts of the world where there are stricter and punitive governments (Slack, 2012). Due to their huge economic resources and profits, the mining industry can do much to

contribute toward poverty alleviation, but that is possible only if those corporations meet the requirements set by the UNGC and comply completely with its four principles.

According to Slack (2012), mining corporations state their commitment to CSR (corporate social responsibility) principles but they are deficient in their actual practice and implementation of the principles, especially in developing countries. He said that the contradiction between rhetoric and practice may be attributed to the fact that those companies have not fully incorporated the principles into their business models. Poor countries considered mining as a blessing and a way to alleviate poverty. Countries in Africa such as Guinea, have huge reserves of natural resources, and have given incentives to foreign mining interests to extract those resources and provide employment to the locals. Unfortunately as Weber-Fahr, Strongman, Kunanayagam, McMahon, and Sheldon (2001) indicated, there has been some progress in Guinea, but social, economic, and environmental gains for the majority have been deficient.

Mining could in many ways help to reduce poverty through producing income and generating prospects or opportunities for growth for businesses in Guinea and other developing countries. Mining operations could also help by making direct investments in shared infrastructure, empowering and developing the poor, and providing them with better social services, quality of life and health care.

Weber-Fahr et al. (2001) reported that the workers in Guinea lived in poverty and they did not get any financial help from their government or the corporations. Ironically, the financial condition of the workers was sometimes worse than that of those who were unemployed. The authors observed that in areas that were being mined as well as where

mining has ceased (where it has become uneconomic) there was a rise in poverty. They concluded that “mining operations can adversely affect the living conditions of the poor and other vulnerable groups”. The majority of mine workers do not benefit from the investments, profits, and economic benefits of the global mining industries. Workers in fact, face a huge risk as they deal with issues such uranium mining environmental and health hazards (Industri ALL Global Union, 2012).

Mining corporation giant Rio Tinto has made significant investments in Guinea, and the country has experienced a mining boom in recently years. Although the country has benefitted economically, unfortunately the benefits have not trickled down to the population in the country (Edwards et al., 2014). The society, economy, and environment in Conakry, Guinea, and in other parts of Africa, have not improved significantly in the last 5 years. There has been a lack of responsiveness and awareness on the part of the mining companies. The indigenous societies and their environments have been neglected and exposed to the harmful and damaging effects of pollution (Africa, 2011).

Very little money has been spent in improvements to the lives of the people or their land, and subsequently little progress has been made (Mongabay, 2015). The author reports that most of the houses in the bauxite and diamond mining regions are dilapidated, have no electricity, and have no wells. Residents draw their water from murky pools of water that find their origins in open sources in the jungle. Pollution from mining operations at or near the water sources finds its way into the drinking water and is a serious health concern.

Guinea is known to have half of the world’s bauxite reserves and many other natural resources. Civic groups in the country are aware of the huge revenues from the mining

operations, and advocate for increases in taxes Rio Tinto and other such companies should be paying, that could go towards social development in the villages.

But, there is yet no evidence of the creating of an infrastructure for social development. The population lacks jobs and dies from pollution. According to Akoumba Diallo, a mining sector researcher... instead of making the lives of the population better, mining has made them more miserable and poorer. He stated “It polluted their environments so they can’t grow crops or let animals feed near mining sites. And it is hard to get water anywhere because it’s contaminated” (Mongabay, 2015).

Mining companies have a moral and legal obligation to pay taxes to their host countries, and be an agency of care to the people they employ. The common mores of Corporate Social Responsibility in current times expect companies to be stewards of wellbeing of their workers, and the environment. Studies show that mining companies in Guinea are not engaged in CSR. Helage Suriba Sylla, president of the rural development regulation committee in Mambia which is 80 km from Conakry, said that companies had been mining there for 36 years, yet they (the local authorities) had never received taxes in all that time (Mongabay, 2015)

Rapid deforestation and incursion has had negative consequences on the environment such as water pollution in Guinea and other African countries. Exploratory mining operations near Birrimian, Mali and Conakry, Guinea are some of those affected areas (Bokar et al., 2011). According to Sylla, president of the rural development committee (CRD) in Mambia, Guinea, “Mining here has impoverished us. They took our fertile land for the mining so we have to grow our crops here and there between rocks” (Mongabay, 2015).

Complexities of Local Government Actions

This section contains information on the complexities of the local government actions within the last 5 years. The narrative discusses compliance/non-compliance with the UNGC principles. It also discusses the Mining Code of 2011.

The UNGC ethics principle states “Businesses should work against corruption in all its forms, including extortion and bribery”. The governments of third world countries and Guinea in particular, illustrate their irresponsibility, corruption, greed, and lack of concern for humanity. Many natural resource rich countries in Africa have suffered from economic underdevelopment, political malpractice, misconduct of the leaders and conflict. In many cases the finding of oil or mineral resources has not led to sustainable prosperity but to overwhelming and demoralizing political conflict, economic delays, and endless obstacles (Forstater et al., 2010). The multi-national companies and local government have been negligent in their obligations to the local communities because their primary goal is to increase economic profits.

Governments have made contracts with the multi-national mining companies but have been negligent in holding those MNCs accountable for non-compliance at a later point in time. The *Espoused Theory* critically holds corporations responsible for adhering to promises made in the original agreement, but studies show that in practice, MNCs have consistently not followed through on the agreements (Ikein, Alamieyeseigha, & Azaiki, 2008). Non-delivery on promises and agreements have caused political and social turmoil in developing countries. But, according to Meeran (2011), global CSR consciousness in recent years has led to conventional tort lawsuits that have been successful in finding MNCs in violation of agreements and in contravention of human rights in developing countries such as Guinea.

The government should not be exclusively blamed for the situation. The mining companies have played a key role in the exploitation of Guinea and other countries in Africa, and it is difficult for local governments to oversee all of their activities. If mining companies adopted more corporate social responsibility, they would meaningfully improve the lives of the workers, the environment, and the economy. Mining causes ground and water pollution, exposure to toxic chemicals, and dangerous work conditions. Those factors affect people's health, and subsequently thousands of women give birth to children with physical defects.

Local authorities find it difficult to demand change from companies whose headquarters are in other countries, and who wield financial power and political influence. According to Meeran (2011), a parent company is a legal entity and therefore responsible for the operations and functions of its foreign subsidiaries and also liable for damage caused by those subsidiaries. But, the primary advocates of the workers and citizens of those developing countries are their leaders who should take up their plight with the corporations.

Political instability is one of the main risk factors for foreign investment in Guinea. According to the Central Intelligence Agency (2015), "The biggest threats to Guinea's economy are political instability". Consecutive governments have failed to address the country's collapsing infrastructure, which is needed for economic growth. The legislative election that was planned for 2011, was postponed and held in September 2013 due to protests of irregularities in polling methods. The ruling party of M. Conde won the elections. Government development of rail transport in Guinea, Liberia, and Sierra Leone in 2011 resulted in pouring in of foreign investment and the opening of mines. J. P. Morgan Chase estimated that 4,900 km in new railways were under construction while a dozen ports would

be constructed in West Africa by 2020. Although \$150 billion goods were exported from West Africa in 2011, only 25% of it was related to the mining sector...due to the risk in the political climate (KPMG, 2014)

In 2011, the Guinea government passed a Mining Code that was intended to make the foreign mining companies more responsible and accountable and benefit local communities. The new code required the companies to invest 15% of the mining revenues in poor communities affected by the extraction and to create quotas for Guinean workers and businesses. A year later in 2012, no progress had been made due to problems with interpretation of the code and difficulties in implementation (Austin, 2012). The mining code contains a clause which grants the government the option of purchasing an additional 20%, to the initial 15%, stake in mining projects (KPMG, 2012).

In 2012, African nations began to invoke “resource nationalism” as a means by governments and communities to assert control over their natural resources, such as the minerals mined and exported by foreign corporations. The success of nationalized companies in countries such as Brazil and China, rise in world commodity prices, and failings of the capitalist system were the primary reasons for the resurgence in resource nationalism. To global mining companies however, it represented a huge risk, followed by a shortage of skilled labor, and absence of a durable infrastructure in African countries such as Guinea. Others argue that the risk of resource nationalism in supply chains is less than that posed by geo-political conflict to oil in the middle-east (KPMG, 2012).

Significant reforms regarding the environment include the NEAP (National Action Plan for the Environment), and the FAP (Forest Action Plan) for the restoration of the

mangrove forests. The government introduced several codes such as the Environmental Code, the Water Code, and the Forest Code. It also signed on to several international conventions or agreements at the Rio Conference and the Copenhagen Accord. The government also created several institutions for enforcing or overseeing compliance with environmental laws and regulations such as the Ministry of Environment, and existing municipal ministries in charge of water, forests and waste (KPMG, 2012).

The new mining code requires applicants for mining rights to do an assessment of the social and environmental impact of their operations, during the feasibility stage. The code requires full compliance with the environmental protection provisions and the legal and regulatory implications of the mining code. Applicants must also do an assessment of the environmental and social impact of their proposed operations according to Guinea's environmental code and international standards such as the UNGC (KPMG, 2015).

Global economic demand trends for minerals look positive to 2020. The positive outlook applies to many African countries but less to Guinea where the general operating environment and political risk factors would affect the outcome. In 2012, the Transparency International Corruption Perceptions Index gave Guinea a rating of 154 out of a total of 176 for perceived corruption. Years of political instability and the political climate continue to plague Guinea and hamper foreign investments and progress (KPMG, 2012).

Guinea's ethnic diversity contributes towards difficulties with literacy and political stability. Ethnic groups include: Peuhl (40%), Malinke (30%), Soussou (20%), and smaller groups (10%). The national language is French but each ethnic group has its own language. Illiteracy and the lack of a properly qualified workforce are major constraints in the mining

sector in Guinea. In 2012, 72.2% of the Guinean population was uneducated, 10% had completed primary or secondary schooling, and 8% had completed university or professional training. Only 34% of those over the age of 15 were literate (KPMG, 2015).

Economic development in Guinea is challenged by a poor transport network, erratic electricity supply, and very poor information and communications technology (KPMG, 2012). There have been improvements in recent years. In 2014, the World Bank Doing Business Index ranked Guinea 175 among the 189 countries in the index, which was an improvement of four spots compared with 2013 rankings.

Government initiatives in facilitating property registration and starting a business helped to improve the rankings. Guinea imposed high tax rates on mining concessions, import and export duties, and various product and production taxes and surtaxes. There are also several business and other licenses, personal property, and other local taxes. (Encyclopedia Britannica, 2000). In 2010, the new government reduced notary fees, reduced the property transfer tax, and improved port management systems. Major improvements were made in processing construction permits and getting electricity, but little progress was made in paying taxes, protecting investors, and getting credit categories (KPMG, 2015).

Opportunities and Recommendations

This section discusses the opportunities that exist considering the impact of the mining companies' operations within the last 5 years in terms of the UNGC. The 2011 mining code is discussed. The writer also provides recommendations for improvement of the situation.

It is estimated that Guinea has more than 25% of global bauxite reserves, and large amounts of high grade iron ore. Those deposits have not been tapped and present a huge economic opportunity to mining companies and the country. Guinea will be the world's

fourth-largest bauxite producer by 2017. Foreign companies have been cautious in investing in Guinea but since 2009, foreign investment has grown to \$2.5 billion.

The Guinean government has many changes to make in order to alleviate poverty in the country and to improve the livelihood of its population. The government could build schools, an infrastructure, hospitals and health services, and work in the better interest of its population and protect the environment. The government should work on eliminating corruption that is dissuading foreign investments, work on the stability of the country by promoting peace, and create jobs. It should pass legislation that will make Guinea totally compliant with the Extractive Industries Transparency Initiative and the UNGC. To make transaction processes more efficient, the government should review its mining and revenue codes permitting mining companies to enter into an advance transfer pricing approach with Guinea's finance department and ensure deals are made at fair market prices.

In the early 1990s, Africa was receiving only 5% of global exploration and mining development expenditure. The World Bank studied the deficiencies in African territories as perceived by mining companies, such as the need for infrastructure, stability of legal and political systems, fiscal responsibility and predictability, guarantees of profit repatriation, and access to foreign exchange. As a result of the study and subsequent initiatives, global exploration expenditures in Africa increased to 15% in 2011. The economist magazine reported that Africa had changed from "the hopeless continent" in 2000 to the continent "where the sun shines bright" in 2011 (KPMG, 2012). Guinea should continue with its economic, social, and environmental initiatives.

The world economy expanded 4% per annum in 2004-2011, with a lesser growth rate through 2014. Some economists project that the growth rate will be 4.6% from 2015-2020, although others are not as optimistic (KPMG, 2012). Africa, and Guinea's, continued growth will depend on continuing demand from China which was responsible for 60% of mineral exports from African harbors in 2013. African nations have been more receptive towards Chinese investment due to their (the Chinese) reputation for little interference in their host countries they invest in, and the construction of hospitals and other value-added investments. (KPMG, 2014).

In 2012 mining contribution towards GDP was 21.6%; mining contribution to total exports was 90%; and Guinea was the 6th largest bauxite producer. There has been a growing optimism in the business climate in Guinea since the successful election in 2013. International mining firms are showing a renewed interest, and the mining sector is expected to experience unprecedented growth in the next five years as further gains are made to the political and infrastructure areas. Guinea is expected to become the world's fourth-largest bauxite producer by 2017. The Simandou mine is expected to become the world's largest iron ore mine of its kind, and at full capacity could produce 95 million tonnes per annum (KPMG, 2014).

Despite not being a signatory to the UNGC, Guinea has adopted the UNGC principles in its revised Mining Code, and had implemented many improvements to its infrastructure, environmental, and social welfare. Since 2013, five NGOs have been associated with the UNGC in Guinea: (1) Association des Volontaires pour l'Assistance au Developpement en Guinee, (2) ONG Developpement Pour Tous, (3) Nicotram Sarl, (4) ONG Carbone Guinee,

and (5) CERIDA (Centre d'Etude et de Recherche pour l'Integration Regionale et le Developpement de l'Afrique) . No foreign mining interests in Guinea are signatories to the UNGC, although their parent companies may be (KPMG, 2015).

The Guinean government adopted several priorities relative to MDGs (Millenium Development Goals) by 2015 which included: reduction of poverty and hunger, and provision of primary education for all groups. The new Mining Code places responsibility with holders of mining permits to implement a “convention development” with the community in their area of operation. The purpose of the convention is to ensure proper management of the funds contributed to the communities, but to ensure the local people are involved in the plans and initiatives for the communities. The government plans to integrate sustainable development into the country’s goals and policies, and to introduce programs that will reverse environmental damage. The MDGs are projected to be sustained through 2020 and beyond (KPMG, 2014).

According to a Central Intelligence Agency (2015) report international investors are greatly interested in Guinea’s untapped mineral resources, and any subsequent exploration would give an impetus to economic growth. The change in government in 2010 and stakeholder confidence in the pledges and progress made by the new government, spurred further investment by investors. The government’s first step in creating a better investment environment was to amend its mining code and reduce its taxes and royalties in April 2013. Guinea complied with other mining investor requirements by publishing its mining contracts of the Extractive Industries Transparency Initiative in 2014 (Central Intelligence Agency, 2015).

In 2015, international commodity prices, the persistence of the Ebola epidemic, and fears of political unrest posed threats to Guinea's economic progress. The Ebola virus threat continues into 2016 with a certainty of stagnation, unless the threat is eradicated. Donor investment and government efforts may help to offset the adverse effects of the Ebola crisis. Significant adverse effects on the economy are the halting of the Simandou iron ore project and the offshore oil exploration project. Conversely the 240 MW Kaleta Dam, inaugurated in 2015, greatly increased access to electricity to residents of Conakry.

Much work still has to be done to address corruption, inefficiency, and lack of transparency on the part of government (Central Intelligence Agency, 2015). Guinean governments through the years have ignored maintenance of the country's infrastructure. Energy and transportation and clean water access plagues the economic, social, and environmental progress of the country. The country's current leadership continues to solicit foreign investment even as it battles the Ebola epidemic and advances slowly on its road to development (Central Intelligence Agency 2015)

Conclusion

Guinea has vast untapped viable mineral resources such as bauxite, iron ore, diamonds, gold, and uranium. Despite having 25% of the global bauxite reserves and very high grade iron ore reserves, Guineans have not benefitted economically, socially, or environmentally. Corporate Social Ir-responsibility by both the mining companies and the government brought no improvements to the lives of the people.

The companies blame sustained instability, political risks, corruption, and lack of infrastructure for the lack of investment in development. The government and the people say

that the companies are indifferent to the plight and care only for their economic gains. Little progress had been made in the 1990s-early 2000s. Increased worldwide demand for minerals brought a renewed interest from mining investors in 2009. A World Bank study highlighted areas of deficiency or opportunity for improvement.

The government responded by building schools, developing critical transportation and infrastructure, and easing business development and taxes. The government developed a Mining Code and “resource nationalism” which gave it and the local people greater control over their resources but increased the concern of foreign investors. The positive governmental actions boosted foreign investor confidence and since 2009, they invested an estimated \$2.5 billion in the transportation, electricity, and infrastructure of Guinea. By the end of 2012 Guinea became the 6th largest producer of bauxite and 21.6% of GDP was from mining contributions. Positive changes in the business and political climate in Africa resulted in an increased investment to 15% of global mining investment by investors.

Guinea’s continued progress in CSR will depend on continuing demand from China which accounted for 60% of mineral exports from African harbors in 2013. The Chinese have supplemented their mining investments with the construction of hospitals and other value-added investments (e.g., the building of hospitals, schools, roads, etc.). Guinea is expected to become the world’s fourth-largest bauxite producer by 2017. Worldwide demand for Guinea’s mineral resources is projected to grow through 2020 and beyond, and continued CSR reforms will ensure progress is sustained.

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