Mining companies’ role in sustainable development: the ‘why’ and ‘how’ of corporate social responsibility from a business perspective

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This article – the first in a pair of articles on corporate social responsibility (CSR) – provides an overview of mining companies’ role in sustainable development, from a business perspective and in the South African context. It argues that companies’ social and environmental responsibilities are increasing, due to global changes in the way the role of business is perceived, South African policy developments, as well as a strong ‘business case’ for companies to actively support sustainable development – beyond philanthropy and impact mitigation. Partnerships between companies, the government and civil society are introduced as a potentially effective and efficient strategy for CSR. They are no panacea, however, and require a commitment to local communities’ rights to informed prior consent and authentic participation. CSR hence presents mining companies with significant challenges. Given committed leadership and the right approach, it can entail important opportunities as well. Particular attention will need to be given to potential tensions between the international debate surrounding CSR, on the one hand, and local South African development challenges and companies’ responses to them, on the other.

1. RESPONSIBILITY FOR SUSTAINABLE DEVELOPMENT

Mining’s role in sustainable development is under scrutiny. Spurred by criticism from non-governmental organisations (NGOs) and the government of what is perceived to be mining companies’ irresponsible treatment of communities and the environment, the industry’s Global Mining Initiative, for instance, is investigating ‘how the mining and minerals sector can contribute to the global transition to sustainable development’ (MMSD, 2001). Although it is often pointed out that much of the responsibility for sustainable development in the mining sector remains with the government (e.g. Danielson & Lagos, 2001), the responsibility of mining companies is increasing in scope and in depth.

This responsibility, framed in terms of corporate social responsibility (CSR) or corporate citizenship, entails maximising the positive and minimising the negative social and environmental impacts of mining, while maintaining profits: in short,

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contributing to sustainable development. CSR calls for a company to respond not only to its shareholders, but also to other stakeholders, including employees, customers, affected communities and the general public, on issues such as human rights, employee welfare and climate change. Crucially, CSR is particularly apposite in South Africa, where there is a vital need for profitable enterprise, emphasis by the government on economic inclusion of the poor, the constitutional requirement of civic participation and environmental protection (Hamann et al, 2000), and a strong tradition of local self-help and social networks (O’Riordan et al, 2000). CSR seeks to provide a vital impetus that links these strands together for self-sustaining, integrated and fair socio-economic development.

The evolving CSR agenda is driven by a global shift in the way the role of business is perceived. In the context of globalisation and the challenges of sustainable development, business is increasingly seen as a crucial element in the process of social transformation, for the benefit of society in general, as well as business itself. This shift is characterised, for instance, by the following developments.

- There is growing emphasis amongst United Nations (UN) and other government organisations on the need for ‘partnerships’ with business, in order to achieve common objectives. The UN’s Global Compact (see http://www.unglobalcompact.org) is a case in point, as is the European Commission’s CSR initiative (http://www.ebnsc.org) and that of the United Kingdom (http://www.societyandbusiness.gov.uk).
- A number of business associations and other organisations now argue that CSR represents businesses’ enlightened self-interest. Prominent examples include the World Business Council for Sustainable Development (http://www.wbcsd.com) and Business for Social Responsibility (http://www.bsr.org).
- A plethora of CSR principles and reporting guidelines have been established, such as the Global Compact, the Global Reporting Initiative (http://www.globalreporting.org) and AA1000 (http://www.accountability.org.uk).
- There is increasing emphasis on the importance of CSR amongst employees, consumers, social and environmental activists and investors. Socially responsible investing, particularly, is an important driving force for change, and will be considered in more detail below.

Globally, companies are finding it increasingly important to respond to these challenges. A number of companies have emerged as leaders in the field of sustainability reporting, including Shell, Novo Nordisk, WMC and, in South Africa, Eskom (Elkington et al, 2001). Even these leaders, however, face many more challenges, illustrating the level of commitment required. Meanwhile, the majority of companies have yet to develop a coherent response. Many are still emphasising only the environmental agenda of the early 1990s and the view that CSR is primarily about philanthropy.

In this context, three key elements of the evolving CSR definition are as follows.

- CSR goes beyond philanthropic community investment and environmental impact mitigation. This point is particularly important in South Africa, where there is a very strong emphasis on Corporate Social Investment (CSI), as a result of South Africa’s historical and developmental circumstances. Companies need to acknowledge that CSR is not just about how some percentage of after-tax profit is invested in social development (although these benefits are important), but also how profits are made in the first place.
• To embrace economic, social and environmental aspects of sustainability in a holistic manner, and to provide maximum development benefit, CSR must be integrated into the core activities and decision making of a company. Hence, sustainability needs to be seen as a key concern by top management.

• CSR entails a mind-shift away from confrontation and towards constructive engagement. This is a key element in the changing stance taken by many NGOs, agreeing to work with business to achieve common objectives. Hence, as the former chairman of BP America argues, companies embarking on a responsible pathway ‘will be surprised who might come to [their] aid’ (Percy, 2000: 202). This changing relationship, in the context of the shift towards social partnership, is illustrated in Figure 1.

Figure 1: The evolving CSR agenda from philanthropy and impact mitigation to social partnership
Sources: Adapted from Pinney (2001) and O’Riordan (2001).

It should be noted, however, that this shift towards constructive engagement is by no means generally accepted. Many NGOs prefer to maintain a critical stance: ‘The concept of partnership and stakeholders perpetuates the myth that there is a collective endeavour, and that all players are equal and conflicts of interest can be resolved by roundtables seeking consensus’ (TWN et al, 2002). Such critiques often characterise CSR as ‘greenwash’ and an attempt to improve companies’ image, without real changes on the ground. This critical stance is considered in more detail in the second article of this pair (Hamann & Acutt, this edition; see also Hamann et al, 2003), while this article will consider CSR more from a company perspective.

CSR is particularly relevant in the mining sector. Warhurst (2001) notes that many of the environmental disasters or human rights incidents that have contributed to the growing public concern about CSR over the last 40 years took place in the mining or petroleum industries (Table 1). These incidents also occurred in both developed and developing countries, indicating that, while public policy plays an important role, it is ‘corporate strategy that can make the difference between disaster and prevention’ (Warhurst, 2001: 58; see also Warhurst & Mitchell, 2000). The social and environmental impacts of mining are, of course, particularly significant in South Africa, where mining has dominated the economy for so long (e.g. Wilson, 2001; South Africa, 1998).

For all stakeholders in the mining industry, it is hence crucial to learn how the evolving
Table 1: Selected incidents or controversies contributing to public concern about CSR

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<td>Critical incidents/controversies (international)</td>
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<td>- Amoco Cadiz, 1978 (oil spill-off in France)</td>
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<td>- Ok Tedi mine, Papua New Guinea, 1994</td>
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<td>- Harmony Mine, 1994</td>
<td>- Cape plc asbestos, ongoing</td>
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<td>- Hostel conflicts in most South African gold mines</td>
<td>- Proposed mine at Wavecrest in the Eastern Cape</td>
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Source: Adapted from Warhurst (2001).

sustainability agenda will affect corporate strategy. The proposed heavy minerals mine at Wavecrest in the Eastern Cape is a case in point. The consultant study team that prepared the strategic assessment highlighted a number of key conditions that needed to be met before a final decision on mining could be taken, one of the most important being an in-depth community participation effort conducted by independent facilitators (Coastal and Environmental Services, 2000). These conditions place a great deal of responsibility on the corporate proponent: the crucial question is whether this is justified.

2. WHY A COMPANY’S RESPONSIBILITY SHOULD GO BEYOND THE BOTTOM LINE
2.1 Refuting Friedman’s argument
Milton Friedman famously exclaimed in 1962: ‘Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate
officials of a social responsibility other than to make as much money for their stockholders as possible’ (quoted in Carroll, 1999: 277). The basic premise of this argument is that taking on social responsibilities leads to distortions of the market, interferes with the effective and efficient economic activity of firms, and interferes with the government fulfilling its responsibilities. In any case, ‘corporate officials’ are not (generally) trained or, for that matter, motivated to represent the public interest or contribute to community development. Friedman summed this up thus: ‘The business of business is business’ (quoted in Marsden, 2000: 10; see also Henderson, 2001).

This is, in fact, an argument that is frequently encountered amongst mining company managers, not so much in corporate communications to the public, but in connection with the day-to-day functioning of corporate activity. For instance, this was the strongly held view of the site manager at a large-scale prospecting site in Mozambique, personal communication during research for an environmental impact assessment. Such managers are concerned that any activity that goes beyond the immediate goals of the company may lead to the company becoming enmeshed in local political struggles or community conflict. Further, they argue, it is the state that needs to represent the public interest and it is likely to neglect this responsibility if companies take it on. Marsden (2000: 11) states in this respect:

Friedman’s argument is perfectly reasonable in a well-ordered, strong governance context, where whole system needs such as law and order, social justice and conservation, and market failure issues such as monopoly and externalities are relatively well controlled. In such circumstances, corporate citizenship is mainly about running a business well, obeying the law, paying taxes, and being a good neighbour like any responsible citizen.

But Friedman’s argument can be criticised along the following lines.

- **Globalisation and company power**: Obviously, the ‘well-ordered, strong governance context’ referred to by Marsden is not the usual state of affairs. In the context of globalisation, the power of nation states is widely perceived to be diminishing relative to that of big companies in the wake of technological developments and global trade connections that create huge companies, and government policies that often decrease the extent to which companies are regulated. Friedman’s view of economic activity is hence rendered inapplicable by widespread poverty and illiteracy, weak and corrupt national governments, monopolisation, and inadequate international regulatory bodies. In important ways, this is particularly pertinent to the context of mining, which often takes place in remote areas inhabited (if at all) by poor and marginalised communities, where ‘the mining company becomes a sort of de facto government’ (Banerjee, 2001: 52).

- **The sustainability challenge**: A second rebuttal of Friedman’s views relates to the evolving sustainability agenda. This agenda contains a number of important challenges that require an integrated awareness and management of social and ecological systems. They also frequently defy political and administrative jurisdictions. These challenges make it difficult to clearly delineate spheres of responsibility between the state, civil society and the private sector. Furthermore, companies are increasingly held to account for more indirect and cumulative impacts of their actions.

- **The business case**: The third reason why Friedman’s view is out of fashion is because big business has itself rejected it – albeit to varying degrees. Witness, for instance, the proliferation of business sponsored CSR initiatives. The underlying
incentive for this is the ‘business case’ for CSR, i.e. CSR is good for profits. This relationship between CSR and profits will be discussed in more detail below.

- **Ethics in business**: Finally, an important critique of Friedman’s view relates to ethics and its role in business-people’s motivations and decision making. Sen (1999) has argued that the conventional view of economic self-interest being the primary or even only motivation for business is out of place. Indeed, economic transactions themselves rely to a large extent on social norms and values, which emphasises the importance of adopting an ethical approach to business. In a related fashion, a common critique of Friedman is that ‘he, like so many neoclassical economists, separated business from society’ (Clarkson, 1995: 103).

### 2.2 The business case

The business case for CSR, i.e. the notion that acting in a responsible manner is good for profits, lies at the heart of the CSR debate and is seen by many as the main (even only) reason why meaningful change in business behaviour may be expected. The initial argument of this sort was the hypothesis that effective environmental management would increase the efficiency of the production process – in terms of less energy and material needs – and hence increase bottom line profits (e.g. Utting, 2000). It is apparent that this concept of so-called ‘ecological modernisation’ has limitations when applied to the community and human rights dimensions of CSR. Hence, it has been argued that ‘environmental issues are bottom line sensitive, but the bottom line implications of social issues are not clear’ (UK pension fund representative quoted in Elkington, 2001: 35).

However, particularly in the mining industry, social responsibility may have direct implications for bottom line profits. Rio Tinto’s chief economist, David Humphreys (2000) convincingly shows how relations between mining companies and local communities play a crucial role in the economic and competitive strength of a mine.

- Local community opposition, ranging from protest to sabotage, can cause costly delays in production or even termination of production. Such production delays are particularly problematic in the context of increasingly demanding customers in just-in-time supply chains.
- Customers of raw materials are becoming more and more concerned about the production conditions of the materials and increasingly demand certification (e.g. ISO 14001) and apply social sustainability standards.
- Good community relations are crucial for a company’s reputation, which, in turn, is vital to the company’s access to financial resources, government permits and highly qualified and motivated staff.

Reputation, of course, is a key concern for mining companies. It has direct and potentially far-reaching impacts on project and company competitiveness, as evidenced in a number of ‘disasters’, such as the Ok Tedi mine in Papua New Guinea. Importantly, a good reputation will enhance a company’s performance from the local project level, through improved community and worker relations, right up to the international level, through improved access to mining concessions and finances.

Linking the local and the global levels is an increasingly organised network of NGOs, who carefully scrutinise mining projects and, via the Internet, allow local events to quickly become global news. ‘Everything a company now does it does in the public gaze’, states Humphreys (2000: 129). The recent controversy surrounding Tiomin’s
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In this context, an important issue for research will be the impact of the emerging field of socially responsible investment (SRI) on the mining sector, including indexes such as the Dow Jones Sustainability Index and the FTSE4Good, and increasing demands set by fund managers and large institutional investors. Hutton et al (1998) provide an international overview of SRI, concluding that ‘there is little doubt that socially responsible investing is in the growth phase of its life cycle’. This should have important implications for mining companies. For instance, when Rio Tinto failed to reach its earlier position on the Dow Jones Sustainability Index in 2001, the chairman reportedly took a real personal interest in the reasons for this (Argust, 2001). Here in South Africa, the significance of SRI is set to grow in connection with the recent establishment of the FTSE/JSE Social Responsibility Index for the JSE Securities Exchange (FTSE/JSE, 2002), and mining companies are prominent contenders in the current first round of index measurement (Newton-King, 2002).

In conclusion, however, it should be stated that – as yet – the business case for CSR in mining is ill defined and wrought with contingencies and uncertainties. An international survey of 32 large mining companies conducted by PriceWaterhouseCoopers for the Mining, Minerals and Sustainable Development Project (MMSD & PWC, 2001: 16) found that:

Three-quarters of respondents stated that the key factors influencing their company to address sustainable development were enhanced shareholder value and survival of the business in the long term. [...] At the same time, almost 80 per cent of organisations cited the ‘ability to link sustainable development to financial success’ as one of the key obstacles to embedding the concept within their organisation.

Establishing a better understanding of how corporate social performance will affect financial performance is one of the key challenges in the next few years, both for business and research. Two specific aspects of this challenge stand out. Firstly, the metrics of sustainable development may require a review of traditional financial accounting concepts. Improved trust and relationships with key stakeholders, and their benefit to business, cannot be measured by short-term profit margins. A second, related point pertains to the time frame of business decision making. Some of the most important business case arguments emphasise medium- to long-term benefits of social and environmental responsibility. How this time frame competes with short-term incentives and imperatives, and how it relates to the ongoing spate of mergers and acquisitions, should be an important field of investigation.

Finally, the point made above that CSR is fundamentally about how social, environmental and ethical values are incorporated in the core business of a company – rather than ‘add-on’ philanthropy – has special significance in the mining sector, and the extent to which mining companies can benefit from SRI funds. This is explicit, for instance, in the sustainability matrix applied by Morley Fund Management for its SRI fund, whereby the concept of business sustainability measures the position of a company on a scale between ‘providing a sustainability solution to major environmental or social issues’ and ‘a business fundamentally incompatible with sustainable development’ (Morley Fund Management, 2002: 2). Importantly, mining companies are automatically ranked second lowest on this scale, in accordance with the generally low ‘image’ of the industry. In this light, current efforts by some mining companies to redirect parts of
their investments into other, more ‘sustainable’ activities take on added significance. Gold Fields’ recent investment in growing roses for export, based on a project initially designed to make use of cooling water, is one example (Bridge, 2002).

3. THE ‘HOW’ OF CORPORATE SOCIAL RESPONSIBILITY

How, then, can a mining company best embark on its transition towards CSR? Firstly, it needs to be aware of the many initiatives surrounding corporate sustainability and responsibility. Chief amongst these, in the mining sector, is the international Mining, Minerals and Sustainable Development Project (MMSD, 2002a), whose regional component has produced an important report on the role of mining in the region (MMSD, 2002b). The importance of this initiative lies in its stated independence (although there was some controversy about this), its inclusion of a wide variety of stakeholder interests, and the international commitment made by industry, primarily in the form of the International Council of Minerals and Metals, to implement its recommendations (see http://www.gmiconference.com). The approach aspired to by the MMSD project, i.e. widespread and transparent stakeholder consultation, provides a model for each company wanting to escape the trap of acrimonious community relations and bad publicity. However, as the MMSD Project showed, this by itself is not sufficient to guard against criticism (see Sweeney, 2002; Tauli-Copruz & Kennedy, 2001). To some extent, consultancies such as KPMG and PriceWaterhouseCoopers are beginning to cater to this need, as are more specialised organisations, such as the African Institute for Corporate Citizenship (http://www.corporatecitizenship-africa.com, 2002).

Secondly, a key starting point is the development of a corporate policy supported by top management. Such a policy should, at least, contain the following:

- a set of principles and policies (these should implement international standards, such as the Universal Declaration of Human Rights);
- a set of targets linked to measurable performance indicators; such indicators provide a vital tool for the company – ‘you can’t manage what you don’t measure’ – but they should be established and audited in consultation with key stakeholders; and
- clear management, accounting and reporting structures to ensure ongoing improvement in the implementation of the policy at site level.

Public reporting, in particular, is emerging as a key tool for companies to demonstrate their sustainability efforts and to respond to public and shareholder demands for transparency. The Global Reporting Initiative is currently trying to standardise recommendations for corporate reporting, and their guidelines are directly applied here in South Africa, for instance, by Eskom and South African Breweries (see http://www.globalreporting.com). At a KPMG seminar on sustainability reporting in Johannesburg, where a number of mining companies received awards for their reports, all company representatives maintained that publishing environmental and social reports was a challenging but vital component of their company’s business strategy. The Anglo American plc representative, for instance, noted that public reporting has become crucial due to increased stakeholder expectations in the wake of their listing in London, as well as increased peer pressure. Significantly, the preparation of a public report entailed a number of ‘unintended benefits’, such as integrating the management systems of the corporation and its divisions, accelerating corporate change, and raising the performance levels of group companies to a minimum level (Courtnage, 2001).
Another key agreement surrounding corporate reporting pertains to the importance of external verification (KPMG, 2001).

However, reporting is only one aspect of CSR, and indeed a common criticism holds that there is too much emphasis on reporting and too little on performance. It is with respect to social performance where most of the CSR challenges lie, and where the company will need to make important choices. In what follows, the scope for tri-sector partnerships between a company, the government and civil society groups as a mechanism for improving social performance will be discussed in more detail.

3.1 Partnerships

Partnerships are touted as a more efficient and effective way for companies to contribute to sustainable development (Business Partners for Development, 2002). According to this argument, conventional ways of ameliorating negative impacts and implementing social investment projects (e.g. through company foundations) have been bogged down by an emphasis on quantity, not quality. Establishing tri-sector partnerships between the company, the government and civil society, it is argued, represents a more intelligent way of fulfilling CSR.

The key principle of partnerships is ‘complementary core competencies’. Instead of establishing facilities akin to a development agency, mining companies should concentrate on doing what they do best: providing engineering services and project management skills, for instance. In the context of a partnership, these capabilities can be used to maximum effect, as they complement and are guided by the input and resources of the other partners. So, for instance, the government may provide a regional planning framework and bulk infrastructure, local communities may supply labour and building materials, and NGOs can provide expertise and external auditing. The following section describes two case studies of how a partnership approach was implemented by mining companies in order to manage social issues. In the first case, the partnership was established prior to mining, while in the second the partnership’s objective was to facilitate responsible mine closure.

3.2 Two examples of a partnership approach to CSR

The following case study descriptions are each derived from Tull et al (2001) and Hamann (2002), respectively.

3.2.1 Las Cristinas, Venezuela

In 1991, Placer Dome made preparations to mine the Las Cristinas gold deposit in south-eastern Venezuela. From the outset, social issues were to play a crucial role in the project, particularly with respect to the small-scale miners, who had previously been operating in the concession area and who were displaced in the process of establishing mining rights. From the mid-1990s, Placer Dome worked in partnership with the small-scale miners in order for them to secure access to mining areas both within and outside of the Las Cristinas concession area. This entailed the creation of representative organisations for the small-scale miners and the establishment of a formalised legal framework for small-scale mining, which had previously been an unregulated and environmentally detrimental activity. In mid-1999, in the wake of decreasing gold prices, Placer Dome suspended construction of the mine (no gold has yet been mined). While the need for social development in the area had increased in
the absence of the expected mining jobs, Placer Dome’s resources for this had diminished.

It was decided to implement a tri-sector partnership approach, linking the government, local communities, external NGOs, aid organisations and the company into formal partnership agreements. One such agreement continued the development programme for small-scale miners, while another was the community health partnership. As part of the latter, an existing building was donated by the government and upgraded with Placer Dome’s support and voluntary labour from the communities, while an international NGO was incorporated to supply medical equipment and training. Less than a year later, the service-ready community health centre was inaugurated. Further key outcomes of the process include improved communication channels between local communities and government departments, and enhanced conflict resolution and organisation skills amongst local community representatives.

3.2.2 Kelian Equatorial Mining, Indonesia

The Kelian Equatorial Mining (KEM) gold mine in East Kalimantan (owned primarily by Rio Tinto) is due to close down operations in 2004. The company understood that in order to manage the many significant and complex social and environmental issues related to mine closure, such as community dependency and dam safety, it was important to involve all relevant stakeholders, and hence it initiated a tri-sector partnership. However, early attempts to implement such a partnership were hampered by the troubled relationship between KEM and local stakeholders, which mainly centred on grievances related to land compensation. It was therefore necessary first to implement a dedicated and mutually agreed upon grievance resolution process. The dispute did not need to be resolved entirely, but what was required was the initiation of a sincere and respected process that all parties believed would eventually lead to the resolution of the grievances. This allowed all stakeholders to come together – guided by an external facilitator – to explore and design the partnership structure.

The result was the Mine Closure Steering Committee (MCSC), whose constitution, objectives and consensus-based decision-making rules were formalised in the MCSC Charter. Within two years, this partnership elicited the buy-in of all relevant stakeholders and created an accountable and transparent framework for making consensus-based decisions. This allows for the collective ownership of decisions and actions taken with respect to mine closure. This is particularly significant, considering the highly dynamic and difficult operating environment faced by the company. The case study therefore shows that partnership may be an effective, even necessary, approach in challenging circumstances, but that it cannot be implemented half-heartedly. Far-reaching commitments were required particularly from the company in order to establish the trust and buy-in from other stakeholders. Other important success factors include:

- the assistance of external, trusted facilitators;
- dedication early in the process to negotiating and determining jointly agreed upon processes and decision-making principles;
- demonstrated commitment from top-level stakeholder representatives; and
- persistent dedication to involving local stakeholders and supporting stakeholder representatives in their role as intermediaries for their constituents.
3.2.3 Benefits of a partnership approach

The Las Cristinas and KEM case studies are among several focus projects of Business Partners for Development, an organisation developing and testing the tri-sector partnership concept. (See http://www.bpdweb.org for a general overview and http://www.bpd-naturalresources.org for mining-specific research.) These case studies suggest that, when implemented sincerely and with the necessary commitment, the partnership approach can have important benefits (Acutt et al, 2001; Business Partners for Development, 2002; Hamann, 2002).

- Relationships between all role-players are improved, with higher levels of trust and better channels of communication. This is particularly beneficial to company–community relations, whereby successful partnerships have enhanced the company’s ‘social licence to operate’ at the local level and have diminished risk to investment.
- There is high developmental impact, in terms of tangible results such as infrastructure provision, training or land access, with comparatively low costs for all role-players.
- Due to increased participation in the development process and higher levels of skills development, local communities are less dependent on the mining company. This is particularly important in the context of mine decommissioning.
- The company’s reputation is enhanced at the local, national and international level, resulting from tangible development benefits and improved community relations.

4. CHALLENGES

Partnerships are no panacea. In particular, partnerships may require certain circumstances and conditions. As Banerjee (2001: 45) puts it:

‘Partners’ in resource development assumes two things: first, both parties are relatively equal in their power and access to resources and, second, all indigenous communities are in favour of mining on their lands. Neither assumption is valid in all cases.

The role of power in the partnering process is obviously crucial. Some argue that partnerships cannot succeed without a level playing field created by the state. Others maintain that a balance of power is not necessary, arguing that the partnership need only benefit each partner more than is possible by any other means: ‘The parties do not have to be equal in power – but they do have to recognise each other as capable of imposing significant costs or providing valuable benefits’ (Covey & Brown, 2001: 8; Hamann & Acutt in this edition consider this issue in more detail). Most agree, however, that partnerships cannot succeed if companies misuse their significant advantage.

One sensitive issue in this respect is the relationship between the company and the state. Partnerships are often implemented in circumstances where state institutions are weak; yet control, facilitation and monitoring of the partnering and development process need to be secured by the legitimacy of the state. Hence, mining companies have to learn to ‘lead from behind’ (Kapelus, 2001), providing resources and building capacity for the state to play an active managerial role, and at the same time ‘taking a back seat’ when accepting benefits or credit.
4.1 The temptation of power: company–community relations

In developing countries throughout the world, and especially in southern Africa, the attraction of investment for resource and industrial development – for job creation and revenues – is one of the government’s main priorities. This is exemplified in South Africa’s Growth, Employment and Redistribution (GEAR) policy. However, the perceived benefits of mining to the ‘national interest’ are often juxtaposed with potential detrimental impacts on local communities, who are usually vulnerable and ill equipped to deal with rapid change. Protection of local communities’ interests, meanwhile, has been a key element of sustainable development from the outset (UNCED, 1992; see Hamann et al, 2002, for a discussion of this issue with respect to the 2002 World Summit on Sustainable Development). Therefore, the danger is that mining companies, over and above their already substantial financial and human resources, play the ‘GEAR card’ to further increase the power imbalance between themselves and local communities.

Company–community relations are hence at the heart of sustainable development in mining, and this is where some of the key challenges for the future lie. It is also one of the key areas of conflict in the debate surrounding mining. Whereas most companies are happy to declare a commitment that communities’ ‘well-being is safeguarded and where possible enhanced’ (Rio Tinto, 2000: 7), many commentators agree that ‘without exception, the social, cultural, economic and environmental impacts on [indigenous] communities have been devastating’ (Banerjee, 2001: 43).

Some of this conflict has to do with differing perceptions of what is ‘development’. For instance, to what extent is culture something that should be conserved in its own right (McIntosh & Maybury-Lewis, 2001)? Should indigenous communities be integrated into the modern economy or should they be left in their ‘pristine’ state (Banerjee, 2001)? These are long-standing issues that defy resolution. However, some recent developments supported by the mining industry, such as research on social sustainability indicators (Uglow, 2000), may show the way to ameliorating these conflicting perspectives. An important lesson is that performance indicators need to incorporate and respect the views of those affected by the mining company – a schematic set of indicators applied in all circumstances may well prove counterproductive.

Another important step forward for responsible companies would be to bridge the cultural divide between the corporation and local communities. These cultural differences are at the heart of company–community conflicts (Banerjee, 2001: 48):

[The] relationship [of indigenous communities] with the land … cannot be expressed in the language of Western economic theory or property rights. It is this relationship with the land, incompatible with mining interests, that is often the cause of conflicts between land development and indigenous rights, and has given rise to deep divisions within communities and between communities and companies.

In an effort to sensitise its employees to such cultural issues, Rio Tinto has its Australian staff spend time with Aborigine communities (Argust, 2001). Yet, the degree to which profit-driven mining companies can understand and respect values so different to their own will probably be a litmus test for the evolving CSR agenda.

4.2 The ‘community voice’

The above discussion is premised on the principle of prior informed consent, i.e. ‘if the
local community does not want a project, they should have the power to stop it, or, at a minimum, to have an active involvement in its definition’ (Moser & Miller, 2001: 222). The notion of community consent, however, is a complex and problematic one. The Wavecrest case study illustrates how varying interests and conflict within communities are a common characteristic of mining controversies.

One of the key principles underlying the consultants’ assessment of the proposed mine at Wavecrest was the importance of local community participation in the decision-making process, implying some degree of self-determination. The complex and problematic character of identifying the ‘community’s voice’, however, became one of the key constraints of the strategic assessment process. Opposition to the proposed mine was particularly fervent amongst elderly males – those who owned most of the cattle and were accorded greatest authority in the villages. They felt they had the most to lose if the mine were to be constructed (loss of grazing land, changes in lifestyle, and diminished authority in the community). Other community members, particularly young people and women, were more open to the idea of mining, because they felt it might create job opportunities and keep young men from emigrating to towns. However, the elderly men forbid the study team from speaking to anyone but themselves and, on account of their authority, prevented anyone from speaking to the study team about the mine.

This was a difficult dilemma: ‘How can a conclusive report be written about the perceptions and views of the local communities if the study team is prevented from speaking to people? Should the traditional authority vested in the elders be accepted as the “community voice”?’ (Hamann, 2001: 24).

Again, these are difficult questions that defy easy resolution. The implication is that CSR cannot be proven overnight – it requires companies to acknowledge these challenges and engage sincerely with key stakeholders in an ongoing dialogue. By minimising opposition and conflict, sincerity and trust hence become vital resources for companies.

The Wavecrest example represents a crucial challenge to CSR. Can a mining company be expected to:

1. Keep its own immediate business interests on hold and recognise statutory and human rights of local communities?
2. Provide resources to enable a community to come to an informed and inclusive stance on a proposed project, with the aid of independent facilitators?
3. Respect the stance taken by local communities, even if this means the abandonment or limitation of the project?

It is apparent that the crux of CSR is where it impacts on fundamental business decisions regarding project go-ahead. In this respect, instances where companies have refused or abandoned involvement in a project, and their reasons for doing so, deserve careful scrutiny.

5. SOUTH AFRICAN PROSPECTS

As mentioned above, South Africa presents a number of unique challenges and opportunities to CSR in mining. The history of apartheid and, until 1994, the absence of committed state support for social development has required that companies embrace broader developmental objectives by means of social investment initiatives. A prominent example is Anglo American’s Chairman’s Fund. On the one hand, this emphasis
on ‘add-on’ strategic philanthropy (as evidenced in the current National Business Initiative, see http://www.nbi.org.za) might constrain the ability of South African companies to respond to international demands for incorporating sustainability into core strategy. On the other hand, while trailing international trends in the practice of sustainability reporting, South African companies have led the way in terms of social reporting (Adams, 2001), drawing on their experience with social investment initiatives. South African companies may have a unique understanding of the challenges related to doing business, supporting local development and providing for black economic empowerment in the national and local context. It is important that this understanding be communicated to international observers, analysts and investors, who might otherwise tend to apply universal standards or ‘Northern’ expectations.

The social development challenges faced by South Africa are well known, chief amongst which are unemployment and HIV/AIDS. In terms of both issues, mining companies can, and do, have significant impacts, whether positive or negative. Interestingly, efforts at maximising economic development impacts of corporate activity, in order to fight unemployment – as implemented, for instance, by Old Mutual (Marsden, 2001) – represent a significant South African emphasis that does not yet find widespread support in international CSR initiatives, such as the Global Reporting Initiative or FTSE4Good.

Finally, three recent or current developments need to be considered in terms of their implications for CSR in mining in the region and in South Africa in particular.

- There are a number of important recommendations in the regional MMSD report (MMSD, 2002b), many of which may guide companies in their assessment of what is expected of them in areas ranging from water quality to involuntary resettlement. In order to implement these recommendations, the report suggests the establishment of a Regional Multistakeholder Forum, which would formulate and implement a regional ‘concord’ for the industry in conjunction with similar forums at a national level. A process of facilitating the formation of these national forums has been conducted in Botswana, Mozambique, Namibia, South Africa, Tanzania, Zambia and Zimbabwe, and in a number of countries of the Southern African Development Community (SADC) there is a keen interest amongst key stakeholders to implement a prioritised set of recommendations from the regional MMSD report. To date, the most promising committee to be established has been in Zambia and regular correspondence has been received from the convenors of the committee at the University of Zambia (Hoadley, 2002).

- South Africa’s new mining law, the Minerals and Petroleum Resources Development Act (No. 28 of 2002) will have a significant impact on mining companies operating in South Africa. A predominant incentive, brought about by changes to the system of mining rights, will be for companies to demonstrate their contribution to black economic empowerment (BEE). Following a controversial and at times acrimonious negotiation process, these BEE requirements were agreed upon in the ‘Broad-Based Socio-Economic Empowerment Charter’ and subsequently specified in the mining charter ‘scorecard’ (both the charter and the scorecard can be accessed via the department’s website under http://www.dme.gov.za). An important characteristic of the charter and its scorecard is that companies’ BEE requirements pertain not only to black equity ownership and employment equity, but also to employee share ownership schemes, human resource development, affirmative procurement,
beneficiation, and local economic and social development in mining and labour-sending areas. The state imperative of BEE has thus converged with the international pressures for CSR, creating increasingly powerful incentives for mining companies. The process of negotiating the mining charter also relates closely to the cross-sectoral negotiation criteria considered in Hamann & Acutt (this edition).

- The King Report on Corporate Governance for South Africa, commonly known as King 2, was published last year (KCCG, 2002). Its requirements for systematic risk management (as a reflection of the UK’s Turnbull Report), the incorporation of non-financial issues in management and reporting, and increased emphasis on stakeholder engagement and inclusion in decision making will have a significant impact on mining companies wishing to demonstrate good corporate governance. The extent to which changes to corporate governance will actually improve social performance is yet another important area of investigation.

6. CONCLUSION

It is apparent that this overview of the challenges and opportunities for CSR in mining has presented more questions than solutions. This reflects the position in which the mining industry finds itself, both in terms of increased expectations at the international level, and in terms of changing policies and social circumstances in South Africa. Hence, perhaps the most important lesson that should be drawn from this is that there is much learning to be done by mining companies, and that they should acknowledge and confront their CSR challenges in an honest and transparent manner.

In summary, five main points were made in this article.

1. Globally, business wants to be seen as taking on a more responsible and interactive role in social transformation and sustainable development. Responding to this challenge presents companies with significant challenges, as well as opportunities. Companies ignoring these developments risk losing their licence to operate and their international competitiveness.

2. There are better and worse ways for mining companies to become socially responsible. One mechanism that holds much promise is tri-sector partnerships between the private sector, the government and civil society. Supporting South Africa’s rich tradition of social networks and linking with the government’s explicit developmental objectives provides a unique South African opportunity for making partnerships work.

3. Mining companies face important challenges, particularly with respect to company–community relations. While resisting the temptation to misuse their power advantage, they need to support communities’ right to prior informed consent, and acknowledge and respect the culture gap between the corporation and indigenous communities. One implication of this is that CSR strategies cannot be taken ‘off the shelf’: they need to be established within the local African context and in continual dialogue with key stakeholders.

4. CSR cannot rely on companies alone. For partnerships to be effective, government and civil society organisations must also play their part. The government will be called upon to provide security and a robust legal framework that ensures property and land rights and facilitates support from international funding bodies. Civil society organisations, meanwhile, will also need to respond to calls for greater accountability. How civil society organisations should respond to the CSR discourse is the subject of the next article (Hamann & Acutt, this edition).
5. Finally, the unique challenges and opportunities present in South Africa may create some tension between the local context and international demands made on, and expectations for, CSR. International analysts and investors need to be made aware of these South African peculiarities, as well as some of the innovative ways in which local companies have tried to deal with them. At the same time, South African companies need to engage directly with the international debate surrounding CSR.

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