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Mining and Corporate Social Responsibility Partnerships in South Africa

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In the light of challenges associated with sustainable development in the developing world, the mining industry, as is the case with other industries, has been compelled to relook issues pertinent to sustainable development and the role it can play in it. This arises due to various reasons, including but not limited to globalisation and heightened stakeholder awareness and expectations. The outcomes of the World Summit on Sustainable Development (WSSD) held in 2002 espoused calls for strengthened partnerships in the Johannesburg Plan of Implementation (JPOI). For mining, this call includes the need to contribute towards sustainable development throughout all the stages of mining (i.e. from prospecting and operations through to closure and post closure). These commitments are also evident in the International Council on Mining and Metals' (ICMM) objective of "continual improvement in performance and contribution to sustainable development so as to enhance shareholder value" (www.icmm.com). In order for mines to fulfil the socio-economic aspects of sustainability, they need to contribute first and foremost towards improvement of the quality of life of the communities in which they operate. This paper provides background to Corporate Social Responsibility (CSR) and associated partnerships and their implementation in South Africa, and proposes ways in which current practice could be improved in a manner that best supports local economic development and, ultimately, sustainable development.

Background to the Need for CSR

The JPOI, one of the key outcomes of the WSSD, encourages the establishment of public-private partnerships and other forms of partnership that give priority to addressing the needs of the poor. Specifically, it also endorses that industry be encouraged to improve social and environmental performance through voluntary initiatives, and encourages dialogue between industry and communities. Governments are also encouraged to support these partnerships to help with the

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implementation of the JPOI's objectives. The JPOI also encourages capacity building and training to assist authorities (and relevant stakeholders) to implement its objectives.[1]

In South Africa, local government (the 3rd tier of government after national and provincial) is responsible for local socio-economic development. However, due to limited resources and other pressing needs requiring local government's attention, government is not in a position to, and cannot be solely expected to, address socio-economic development. Hence, there is the need to create partnerships with the private sector and other relevant stakeholders, such as civil society, non-governmental organisations (NGOs) and academia. It is widely recognised that partnerships are critical in contributing to meeting socio-economic development needs in the areas within which mines (and other industries) operate. Partnerships promote cooperation rather than competition. For partnerships to work effectively, all the relevant stakeholders must get involved and play their respective parts in meeting the objectives of these partnerships.

In the second decade of democracy (2005 – 2014), the South African government has identified Local Economic Development (LED) interventions that include the recognition that LED interventions be based on the real needs of the communities and actual development of district and metropolitan areas.[2]

Introduction to CSR Initiatives in Mining in South Africa

The mining industry in South Africa has been involved in communities for many decades. Mining companies found themselves in the 'spotlight' for the conditions linked to the migrant labour system they adopted. Simultaneously, it is important to note that mining in South Africa has formed the pillar of economic growth, given the country's endowment of mineral resources. To deal with the negative perception of mines, the mines responded by trying to mend their tarnished images through engaging in various CSR-linked initiatives, although then such actions were seen as mere philanthropic acts. In the 1970s, for example, Anglo American set up the Urban Foundation intended to help upgrade infrastructure and education in townships, and the Sullivan code was developed in 1977 largely to enhance or affect human rights in American companies operating in South Africa. The listing of some companies in overseas stock markets also catalysed a more definite move towards CSR on the part of many mining companies in South Africa. This was later strengthened by a proliferation of domestic legislation mandating 'CSR-linked' support for local socio-economic development.[3]

Since the 'new' democracy in South Africa in 1994, various pieces of legislation and policy documents were developed to deal with, *inter alia*, local economic development. The South African government has put legislative frameworks in place, such as Social Labour Plans and balanced Black Economic Empowerment (BEE) scorecards to motivate mining companies to participate actively in CSR partnerships. Other legislation aimed at transforming different sectors (mining included) are the Preferential Procurement Framework Act (Act No. 5 of 2000), which calls on industry to procure materials and services from companies owned and managed by previously disadvantaged individuals (PDI); the Employment Equity Act (Act no. 35 of 1998), which calls on the sectors to employ previously disadvantaged individuals (PDIs) across the company spectrum, in particular in job categories where they were not previously employed in large numbers (e.g. technical and managerial jobs); and the Skills Development Act (Act 97 of 1998), which is geared towards advancing skills training among PDIs. In the mining sector, skills development is facilitated by the Mining Qualification Authority, a mining sector based education and training authority (SETA).

The South African constitution and its ancillary Bill of Rights emphasises socio-economic rights and bestows a multi-faceted responsibility on government, business and other groups to ensure that these rights are upheld. Local government is responsible for the coordinated implementation of government programmes, and is mandated to fulfil the main planning and development arm of government; provinces play a supportive and monitoring role; and national government creates the enabling policy. The most relevant is the Integrated Development Plan (IDP). According to Chapter 7 of the South African Constitution, the objectives of local government include the following:

- To promote social and economic development;
- To ensure service provision in a sustainable manner; and
- To provide safe and healthy environment.

It is generally accepted that mining is a finite activity. In order to ensure that the social environment needs are addressed during the life of the mines, as well as after the mines have closed, mines have to contribute towards social and economic development in areas where they operate, and in areas where they source most of their labour. The Social Labour Plans provide a framework for socio-economic contribution of mines under the Minerals and Petroleum Development Act, 2002 (Act 28 of 2002), which summarises the objectives of social and labour plans, as follows:

- Promote employment and advance the social and economic welfare of all South Africans;
- Contribute to the transformation of the mining industry; and
- Ensure that holders of mining/production rights contribute towards the socio-economic development of the areas in which they are operating, as well as the areas from which the majority of the workforce is sourced.

The following section provides a discussion on current partnerships and identifies challenges in their implementation.

Current Partnerships and their Implementation Challenges

There are a number of partnerships between mining houses and different stakeholders, such as local government, local community structures and labour organisations. A few are mentioned below. Since 2002, Anglo American, for example, has incorporated its HIV/AIDS programme, providing free anti-retroviral treatment for all employees who need it. This partnership benefits Anglo American in terms of productivity and employees' health and social well-being, and the employees in terms of their health. This initiative is supported by the largest labour trade union in South Africa, Congress of South African Trade Unions (COSATU).

Various mining companies are involved in a variety of Corporate Social Investment (CSI) initiatives, where they have been rendering financial support to a miscellany of focal areas. Largely, the companies actively undertaking CSI initiatives are often big multi-national companies. Examples of these include Anglo American, De Beers, BHP Billiton and Kumba Resources. Some of the companies incorporate CSI as part of their core business function, while some are using external implementation agents, who administer their funds on their behalf. Focal areas of investment include health and welfare, education, skills development, sports, crime prevention and many others. Mining houses have, for example, been involved in the 'adopt a school campaign,' which ensures that the school's management, financial, administrative, infrastructural and academic needs are met.

Another initiative is the TEBA Development, which is a non-profit NGO established in 2001 at the request of the mining industry and its stakeholders to facilitate development in rural areas where mines are situated, or in rural communities that have provided labour to mines. TEBA Development also supports entrepreneurial and other job creating initiatives by ex-miners who have been retrenched or have retired.

It is generally unanimously noted that current partnerships have not yielded significant impact, for various reasons to be explored hereafter. Hamann[5] mentions that mining companies in South Africa have shown a lack of willingness to collaborate (at least initially), but rather engage in 'single-handed' CSR efforts to maximise publicity 'mileage' to boost their reputations, although there are some moves now towards more collaboration amongst companies.[6] Some of the most critical challenges with current partnerships in mining in South Africa are discussed, although they are not prioritised.

Poor understanding of CSR and related terms

The world over is equally baffled by CSR and related terms. This results in lack of objectivity where any donation or CSI will be treated as CSR initiatives. This does not help implement CSR smoothly, as each partner will have different interpretations and expectations of CSR. Even the legislation itself does not clearly spell out what CSR is, but merely provides guidelines of what is expected as a contribution from the mines in terms of socio-economic development in the scorecard linked to the Mineral Resources and Petroleum Development Act. The multi-variate nature of terms such as CSR, Corporate Citizenship and CSI creates confusion amongst partners, and this leads to hampered implementation of CSR initiatives.

Pedersen[7] observes accurately that CSR is an abstract term and is not easy to operationalise, and that there is a chasm between CSR rhetoric and actual practice on the ground due to difficulties in making CSR operational. Pederson also correctly observes that "CSR means different things to different people at different times…" The monitoring of CSR along the mining value chain is also problematic and may be linked to the following point about small-scale mines.

Funding constraints

It is not always possible for CSR initiatives to be funded. The rand-dollar exchange affects mining considerably and some mines may only be operating on the margins. There is also a tendency for smaller-scale mines to not want to engage in CSR, citing poor affordability. However, this may also be due to the fact that most mining companies have only seen CSR as an 'add-on,' or no more than philanthropic acts. Often, CSR initiatives will not accord with the core functions of the business (mining), for example, when mines sponsor unrelated (non-mining) activities.

Misuse of CSR by mining companies

There is a potential for CSR to be misused by companies to increase publicity and boost their reputations, although very little might have been done on the ground, and this is difficult to monitor or eliminate.

Lack of empowerment of stakeholders to engage meaningfully with mines

This is a serious issue that results in the locals' and local government's failure to engage mines on CSR matters in a meaningful, gainful or mutually beneficial manner. This is also true of local government officials in municipalities where there are already serious human resources and capacity issues. Pedersen[8] opines appropriately that the level of engagement is important as "low levels of freedom and equality in the dialogue indicate low levels of commitment and imbalances of power."

Other Factors Related to Local Municipalities where Mines Operate

Complex relations between traditional leadership, communities and municipalities and related power struggles

Processes are often duplicated with poor cooperative governance. This results in a lack of coordination in CSR initiatives and subsequent failure as project 'buy in' - where it is unclear who should do what and how - becomes a hurdle to implementing CSR initiatives. It is also likely that mines with 'weak' CSR input can take advantage of any apparent disorder, either in local government or political upheaval within communities.

Commitment

Often commitment to CSR partnerships in areas of mine operation is not evident. Business does not often support the local IDP process and that is the reason that CSR programmes are not often aligned to the future planning documents of the local municipalities.

Skills scarcity

The lack of skills makes participation of locals in mining business, for example through beneficiation, minimal. Often locals are reduced to playing a very minimal role in the mining business, and mining houses focus their CSI on short term initiatives, such as meeting local school needs, setting up unrelated business ventures for locals (such as sewing projects), and poultry farming, which removes the mines from their core business functions, nor is it a 'value-add' to their core business; and this is unlikely to receive support from the mine's governing structures (Boards). Additionally, often initiatives not related to mining do not succeed.

Monitoring of CSR

Without empowerment, stakeholders cannot validate whether mining houses are paying 'lip-service' to CSR or are, indeed, committed to it. CSR reporting in South Africa is still at nascent stages and is voluntary, however, with mounting pressure for reporting and implementation of new legislation, this might change.

Recommendations

Certain key recommendations can be made for successful partnership approaches:

- Alignment of mines' CSR programmes to municipal planning structures, such as the IDP, to ensure that issues considered to be of importance to municipalities are included.
- Empower local communities to engage with mines effectively around CSR issues, and participate meaningfully in the mining activities and associated benefits; this should look ahead to mine closure and not merely focus on the short term while mines are still operational.
- Linked to this point, skills transfer to locals is critical, e.g. business skills needed to run sustainable projects related to the business of mining. Perhaps ongoing investment in business schooling for the youth in these communities should be considered.
- Encourage true partnership based on 'equality' principles between locals and external entrepreneurs engaging in mining in the areas of operation.
- Continuous review, monitoring and evaluation of CSR projects need to be considered. However, this may be eased by mining houses moving away from just meeting minimum requirements to being committed to sustainable local socio-economic development and CSR, and showing this by their unwavering support and fully embracing and implementing CSR.
- There should be ongoing dialogue between the various partners in CSR to ensure that all

parties are satisfied with processes and, therefore, own whatever decisions that are undertaken in the process.
- National government as a key party in policy formulation needs to 'de-clutter' the key terms and be specific about what is expected.
- Local government should actively create an enabling environment for CSR partnerships to be formed, and also be an active participant in these partnerships.
- Mining houses should always consult and involve government and the communities in the CSR projects.
- Mining houses should understand the relevance of CSR for the business. It should be core to the corporate strategy and not be seen as an 'add-on'/'*ad hoc*' process.
- Outsource the management of CSR projects, but not the responsibility.

According to DPLG (2005), for CSR partnerships to be effective, the projects supported should be
- relevant to local stakeholders;
- comprehensible; and
- effective in the local context.

It is important that an exit strategy (in particular related to funding) should be developed to ensure that the LED intervention is sustainable after the mining house has pulled out of it.

The main nationwide priority for the South African government is employment creation and poverty eradication, and mining can contribute significantly to this by forming CSR partnerships with the relevant stakeholders.

Roles of the Different Partners

- Local government: to provide an enabling environment for the partnership to occur (DPLG, 2005). The municipal role in LED related to mining CSR can be on establishing forums to build partnerships and to network with a range of stakeholders, and not necessarily to run programmes themselves (DPLG, 2005).
- Local environmental organisations and NGOs: to identify and communicate the socio-environment priorities of the local communities related to mining.
- Mines to take cognisance of IDPs and other local planning frameworks/documents and engage with local economic/business organisations in order to identify the economic needs (ranging from employment to preferential procurement) and priorities of the local communities, and to work with other stakeholders to address these.
- Mining houses to initiate and implement the LED interventions (in partnership with stakeholders) as part of the requirement of the social and labour plans.

Conclusion

Pre-1994, the mines' contribution to local economic development was '*ad hoc*.' The mines' focus was economic or financial sustainability, and mines tended to exist as islands and made no attempts to integrate themselves into the communities in which they found themselves, hence the legacy of 'ghost towns' when mines ceased to operate.

Now, CSR provides mines with the 'social licence' to mine/operate.[9] In order for CSR to be effective in the mining sector it should be viewed as a 'must have' and not as an 'add-on' or afterthought. There should be willingness on the part of the mine to go beyond the minimum legal and voluntary requirements, and to show a motivation to be a partner and move away from 'donor mentality,' i.e. doing things for the community which more often than not are not sustainable, to a partner mentality, i.e. 'doing things with the community.'

A focus on stronger partnerships in mining in South Africa would help with coordination and ensuring that CSR initiatives achieve their set goals and 'win-win situations' for all relevant stakeholders.

Notes and References

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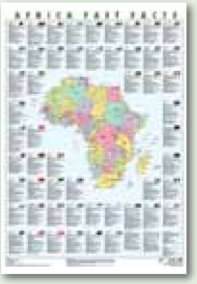

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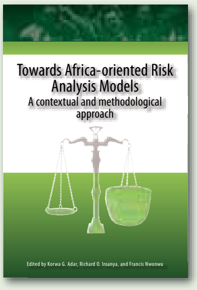

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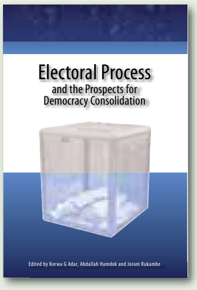

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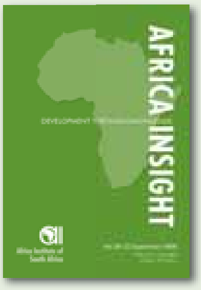

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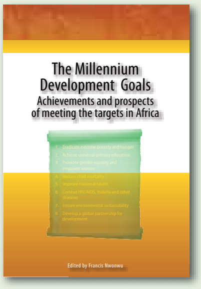

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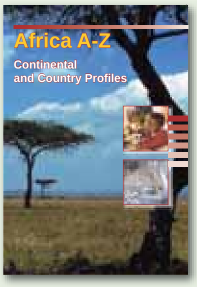

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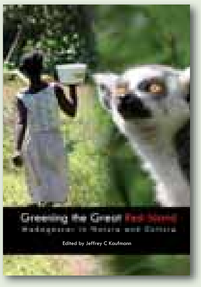

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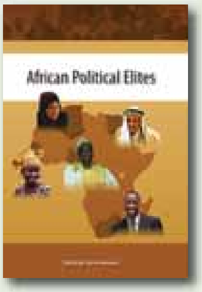

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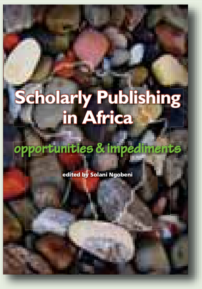

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