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Corporate Social Responsibility in South Africa's Mining Industry: An Assessment

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RECOMMENDATIONS

- Mining companies should think more critically about the relevance of CSR practice to their business. Enhancing 'socially responsible investment' should be central to their corporate strategy.
- Mining companies should work closely with non-governmental organisations and civil society in order to ascertain context-specific diagnoses of the social and development challenges facing near-mine communities.
- There should be stronger engagement with and alignment between CSR practice and development policy frameworks such as the NDP 2030, LED plans and IDPs.
- There should be consistent review, monitoring and evaluation of CSR programmes to ensure that they remain relevant and meet the objectives of delivering socio-economic development plans. This will place emphasis on the importance of 'corporate accountability' and 'sustainable development'.

EXECUTIVE SUMMARY

The corporate social responsibility (CSR) agenda has been a part of the global debate on socio-economic development for many decades. Countless claims have been made that CSR can contribute towards more inclusive development and the alleviation of poverty. This briefing examines the concept and role of CSR in the mining industry of South Africa. The mining case study reviewed here demonstrates that key implementation challenges are a lack of co-ordination and alignment with the government's development plans, at both national and local level, coupled with weak monitoring and evaluation. Too frequently CSR programmes are centred on business-orientated objectives that are not fully integrated with broader, country-level development plans. This briefing highlights how the current CSR agenda and its practice may be unsuited to effectively addressing social problems and delivering socio-economic development plans in South Africa.

INTRODUCTION

It has been argued that CSR can contribute to the alleviation of poverty and address other socio-economic development challenges such as those related to health and education, particularly in developing countries.[2] Policymakers increasingly see the corporate sector as an important partner in meeting development challenges, ranging from support for economic growth objectives to poverty reduction and the development of human capital. However, a recent study has shown that CSR practices do not necessarily fulfil these ambitions. The interrogation of economic growth and developmental impact is an issue of growing importance, particularly in Africa. Emerging evidence suggests that mining companies should work to align their CSR policies and engagement with national and local development plans.

Hamann argues that companies have approached corporate social responsibility programmes as 'ad hoc charitable donations to good causes'.[3] Mining companies' CSR policies generally focus on education and health initiatives in the communities they operate in.[4] Key challenges are encountered mainly in the implementation process, and this is indicative of poor policy formulation. These challenges include a lack of co-ordination and co-operation with relevant government departments – at national, provincial and local levels – and weak policy alignment with key development plans. The lack of monitoring and evaluation has also hindered the CSR initiatives indicated in the case study reviewed here.

The development policy framework at national level aims to eliminate poverty by reducing the number of people living in households with a monthly income of ZAR[5] 419 ($42.20) (at 2009 rates) per person from 39% to 0%, and reduce inequality from a Gini coefficient[6] of 0.69 to 0.6 by 2030.[7] Local development policy frameworks focus on municipalities preparing their own integrated development plans (IDPs) for a five-year period while promoting sustainable economic growth through local economic development (LED) plans.

CSR IN THE GLOBAL CONTEXT

The link between business ethics and social obligations has grown over recent decades, although corporate social responsibility is a fairly recent concept. Fundamentally, CSR was shaped by earlier debates regarding the role of business in society. CSR as a concept has since been moulded into taking development, the environment and human rights into greater consideration.[8]

In addition, debates on the role of business and society have included new terms such as 'corporate accountability', 'socially responsible investment' and 'sustainable development', all of which aim to redefine the concept of CSR. Subsequently, CSR is understood and interpreted differently at individual and institutional levels and also varies across national contexts.

From a global perspective, the World Business Council for Sustainable Development (WBCSD) has revised its definition of CSR over time. Initially, CSR was referred to as 'the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large'.[9] Later on, the WBCSD changed this to 'the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life'.[10]

This definition is designed to encourage business to genuinely improve the quality of life of both their workers and society at large. It is evident in the new WBCSD definition of CSR that development and the environment are important features to incorporate into any definition or legislative framework related to the CSR agenda and its practice. Alongside the WBCSD, the International Council on Mining and Metals encourages its members to support 'sustainable development' in order to promote shareholder value.

CSR IN SOUTH AFRICA'S MINING INDUSTRY

Prior to 1994, mining in South Africa embodied some of the most socially destructive practices of that era. In the post-1994 democratic dispensation, CSR has been treated as a vehicle for restorative justice to redress the legacy of apartheid. For this reason, the mining industry has become a leader in implementing CSR initiatives and has made the greatest financial contribution as a sector.[11]

South Africa's transition to democracy brought wholesale political, institutional and social changes. These changes affected the concept and role of CSR in two ways.

First, South Africa's capital markets became closely linked to international markets, predominantly through the listing of mining companies on international stock exchanges, particularly on the London Stock Exchange. This resulted in these mining companies being pressured to meet international CSR expectations, in accordance with corporate governance guidelines. These listed companies were thus incentivised to increase their CSR commitments in order to attract investors. Due to these rising international expectations, policies at a local level also changed.

Second, the post-1994 dispensation saw the newly elected government assume custodianship of the country's mineral resources on behalf of all South African citizens. Private investors were still entitled to apply for mining licences and concessions. The Mineral and Petroleum Resources Development Act (MPRDA) enacted in June 2002 represents a legislative commitment to achieving equitable access to, and the sustainable development of, South Africa's mineral and petroleum resources.[12] Black Economic Empowerment (BEE) policy has been enhanced by certain elements of the MPRDA; the MPRDA obliges mining companies to convert their old rights under the Minerals Act 50 of 1991 to new rights under the MPRDA condition that they enact suitable BEE deals.[13] Corporate social investment (CSI) programmes are action plan-led interventions to implement a CSR policy framework, and the term CSI 'is a peculiarly South African development'.[14] The MPRDA also requires companies to construct social and labour plans (SLPs).

Yet the MPRDA does not clearly and specifically stipulate how this objective should be achieved: the mining houses are left with immense discretionary power to comply with the act according to their own interpretation. In addition, the way in which mining houses choose to comply with the act is voluntary; meaning that how they apply the act is a reflection of the degree of their CSR compliance.[15] This indicates the poor formulation of the MPRDA.

This weakness should be addressed through the application of legislative frameworks on development such as the National Development Plan (NDP) 2030, LEDs and IDPs. This could be achieved through having CSR policies strongly aligned with development plans, given that the broader CSR agenda also aims to promote sustainable development and economic growth. Thus, development policy frameworks may be of value in both directing and achieving the MPRDA's objective regarding CSR engagement.

KEY IMPLEMENTATION CHALLENGES OF CSR PROGRAMMES

Co-ordination and co-operation

There is a lack of co-ordination and co-operation between mining companies and other relevant stakeholders at the local level. One of the major reasons for the implementation of CSI projects, as expressed by most company interviewees, is competition – to improve the relevant company's image and reputation. In practice, this competition-driven approach has obstructed joint planning and implementation efforts among stakeholders.[16] This implementation challenge was observed in Besharati's case study of Anglo American Platinum's CSI education projects in the Limpopo and North West provinces.[17] Being motivated by competition may not necessarily have negative consequences for implementing CSI projects. However, this drive needs to be harnessed in a way that avoids mere implementation in the absence of coherent, integrated action involving all relevant stakeholders.

Alignment with development policy frameworks

Companies have generally failed to consult, co-ordinate and align their actions with those of the government, particularly the planning processes of the national and provincial departments of Education. The procedure undertaken by the company is typically to sign a Memorandum of Understanding (MoU) with the member of the executive council (MEC) or the head of department (HOD) of provincial departments. The expectation is that more comprehensive planning and consultation will occur at the lower level between company officials and local education authorities. However, district and circuit managers in mining areas were not aware of, nor did they see, the MoUs signed with the MEC or HOD.[18] This further indicates the lack of an inclusive partnership involving all relevant stakeholders.

Monitoring and evaluation of CSR programmes

In the area of education interventions, most schools and education officials did not know the purpose, principles and strategy of companies' CSI education projects. In the case of Anglo American Platinum, implementation of its infrastructure projects at the schools had not necessarily been thought through or had been implemented incorrectly. For instance, new science laboratories, libraries and toilets were rendered unusable due to no provision being made for running water. The provision of basic services such as water and electricity is the responsibility of local municipalities. This challenge may have been addressed had the company engaged in shared planning ahead of implementing the project, and undertaken the necessary follow-up with the municipal authorities responsible for providing water to the schools. However, at times local municipalities lack capacity to carry out their own key functions, such as providing water to communities.[19]

CONCLUSION

CSR has great potential in assisting with addressing socio-economic challenges and meeting the development goals of a developing nation. The large CSR budgets of major mining companies testify to this. From 2012 to 2014 Anglo American Platinum spent ZAR 100 million ($9.4 million) on education programmes in Limpopo and North West provinces.[20] This demonstrates the significant financial capacity that mining companies have to contribute towards developing the education sector, among many other causes they support. However, their CSR agenda and practices face many challenges that militate against the effective realisation of their stated CSR objectives. These challenges include the lack of co-ordination and co-operation with relevant stakeholders, weak policy alignment with key official development plans, and poor monitoring and evaluation once the projects have been initiated. Given these challenges, this briefing has highlighted how the current CSR agenda and practice may be unsuitable for effectively addressing social problems and supporting the objectives of socio-economic development plans. In light of the above, specific recommendations pointed to in this analysis can help to better direct the conduct of CSR towards effectively and efficiently helping South Africa meet its socio-economic development targets and transformation objectives.

ENDNOTES

1 Busisipho Siyobi is a KAS Scholar and SAIIA student intern with GARP.

2 Blowfield M & JG Frynas, 'Setting new agendas: Critical perspectives on corporate social responsibility in the developing world', *The Royal Institute of International Affairs*, 81, 3, 2005, pp. 499–513.

3 Hamann R, 'Corporate social responsibility, partnerships and institutional change: The case of mining companies in South Africa', *Natural Resources Forum*, 28, 2004.

4 Besharati NA, 'Platinum and Passes: The Impact of Mining Investments on Education Outcomes in South Africa', Research Report, 16. Johannesburg: SAIIA (South African Institute of International Affairs), 2014.

5 Three-letter currency code for the South African rand.

6 Gini coefficient: a measure of statistical dispersion intended to represent income distribution of the country's residents. It ranges between 0 in the case of perfect equality and 1 in the case of perfect inequality.

7 National Planning Commission, National Development Plan 2030: Our Future – make it work, 2011.

8 Fabig H & R Boele, 'The changing nature of NGO activity in a globalising world: Publishing the corporate responsibility agenda', *IDS Bulletin*, 30, 3, 1995.

9 WBCSD (World Business Council for Sustainable Development), *Corporate Social Responsibility: Making Good Business Sense*. Geneva: WBCSD, 2000.

10 WBCSD, *Corporate Social Responsibility: Meeting Changing Expectations*. Geneva: WBCSD, 2002.

11 Busacca M, 'Corporate Social Responsibility in South Africa's Mining Industry: Redressing the Legacy of Apartheid', CMC Senior Theses, Paper 632, 2013.

12 South Africa, Mineral and Petroleum Resources Development Act of 2002 (Act 28 of 2002), Government Gazette, 2002.

13 South Africa, Mineral and Petroleum Resources Development (Act of 2002) Government Gazette, 2002.

14 Skinner C & GM Mersham, 'Corporate social responsibility in South Africa: Emerging trends', *Society and Business Review*, 3, 3, 2008, pp. 239–255.

15 Busacca M, *op. cit.*, p. 26.

16 Hamann R, *op. cit.*, p. 283.

17 Besharati NA, *op. cit.*, p. 41.

18 *Ibid*.

19 Rajak D, *In Good Company: An Anatomy of Corporate Social Responsibility*. Redwood City: Stanford University Press, 2011.

20 Besharati NA, *op. cit.*, p. 7.

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