

**ASSESSING CORPORATE SOCIAL  
RESPONSIBILITY IN TERMS OF ITS IMPACT ON  
SUSTAINABLE COMMUNITY DEVELOPMENT :  
ANGLO AMERICAN PLC PROGRAMMES AS CASE  
STUDY**



Thesis in partial fulfillment of the requirement for the degree of Master for  
Philosophy in Community and Development at the University of Stellenbosh

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## Declaration

I, the undersigned, hereby declare that the work contained in this thesis is my own original work and that I have not previously in its entirety or in part submitted it at any university for a degree.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

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## **Abstract**

Mining industries significantly influence the societies within which they operate. They have been responsible for causing a wide range of negative environmental and social impacts at local, regional and global levels. Disruption of river flows, degradation of land and forest resources, negative impacts on the livelihoods of local communities near mines and disturbance of traditional lifestyles of indigenous people are some examples.

Historically, the mining industry has taken a 'devil may care' attitude toward the impacts of its operations, *inter alia* by operating in areas without social legitimacy, by causing local devastation, and by leaving when an area has been exhausted of its economically valuable resources. Cost benefit language has often been used to justify damage caused in one place by arguing that it is outweighed by overall financial benefits. In recent years however the global mining industry has started to address its social and environmental responsibilities, visible in current debates about social and environmental sustainability. As a result, various mining companies have launched corporate social responsibility (CSR) programmes that tend to focus on local community initiatives as their impact in economic, social and environmental terms, they believe, is felt most at local level. Yet the question remains, can CSR on its own make a substantial contribution to local sustainable community development?

The World Business Council for Sustainable Development (WBCSD) defined CSR 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 the local community and society at large...” (WBCSD, 2003). Despite this clear definition, there is still great diversity within the mining sector in perceptions of what CSR constitutes and what its key tenets should be. Without a consistent definition or understanding of CSR and sustainable community development, planned efforts and programmes will do little to contribute to the overall improvement and well-being of the intended beneficiaries.

The research focuses on defining sustainable community development and how it relates CSR. It identifies three characteristics of sustainable community development and uses these to assess the CSR programmes of Anglo American Plc, as case study company, to determine whether the company’s programmes have the potential to contribute to the sustainability of the communities associated with its operations.

The research results in three main conclusions drawn from the case study – in a phrase that CSR is able under certain conditions to contribute positively to community sustainability. The conclusion also offers a few suggestions regarding ways companies can increase the contribution their CSR programmes make to local sustainable development.

## Opsomming

Mynbou industrie het 'n definitiewe en sigbare impak op die gemeenskappe waar mynbou aktiwiteite bedryf word. Hierdie industrie is verantwoordelik vir 'n groot hoeveelheid negatiewe omgewings- en sosiale impakte op plaaslike, distriks en provinsiale vlak. Die versteuring van tradisionele lewenswyses van inheemse bevolkingsgroepe, natuurlike vloei van riviere, grond en water besoedeling, asook tradisionele bestaans praktyke is almal areas wat negatief deur mynbou industrie beïnvloed is.

Die mynbou industrie het deur die geskiedenis nie baie aandag gegee aan die negatiewe impakte wat mynbou aktiwiteite op gemeenskappe het nie. Die positiewe ekonomiese impak is afgespeel en as belangriker en van meer waarde beskou, as die negatiewe sosiale en omgewingsimpakte wat dit veroorsaak. Dit is maar onlangs dat die mynbou industrie begin het om die negatiewe impakte wat mynbou aktiwiteite op gemeenskappe en die omgewing het aan te spreek. Dit is ook 'n onderwerp wat meer prominent geraak het in huidige internasionale debatte rakende volhoubare ontwikkeling en die impak wat mynbou op die volhoubaarheid van die omgewing en sy mense het. Verskeie mynbou maatskappye het korporatiewe sosiale investerings (KSI) programme in plaaslike gemeenskappe begin om as mitigerende aksie vir die negatiewe impakte dien. Die vraag is egter of hierdie programme enigsins sal kan bydrae to die langtermyn volhoubare ontwikkeling in hierdie geaffekteerde gemeenskappe?

Die Wêreld Besigheids Forum vir Volhoubare Ontwikkeling beskryf KSI as die voortgesette onderneming deur die besigheidsektor om te alle tye besigheidaktiwiteite op 'n etiese wyse te bedryf om 'n daadwerklike bydrae tot die ekonomie te lewer en daar deur nie net 'n positiewe impak te hê op die lewens kwaliteit van hul werknemers nie, maar ook die van die plaaslike en ander gemeenskappe. Alhoewel die definisie baie eenvoudig en self-verduidelikend is, is daar nog baie verskillende interpretasies binne die mynbou industrie oor wat presies korporatiewe sosiale investering is en wat die kern aktiwiteite binne die veld moet wees. Sonder 'n konstante definisie en die eenvormige interpretasie daarvan, wat ook die begrip volhoubare gemeenskapsonwikkeling (VGO) insluit, sal initiatiewe en programme wat ten doel het om die lewenskwaliteit van geïdentifiseerde begunstigdes te verbeter, weinig effek hê.

Die navorsing fokus op daarop om VGO beter te definieer, asook die verwantskap daarvan met KSI. Dit identifiseer drie kern eienskappe van VGO en gebruik dit as basis om die KSI programme van Anglo American Plc, as gevalle studie maatskappy, te evalueer om te bepaal of die betrokke programme wel 'n bydrae lewer tot VGO in die gemeenskappe in en om die maatskappy se myne wat deur die mynbou aktiwiteite beïnvloed word.

Die navorsing lewer drie kern gevolgtrekkings vanuit die gevalle studie – KSI onder seker omstandighede kan wel 'n positiewe bydra lewer tot VGO. Die

gevolgtrekking word verder toegelig met 'n paar aanbevelings aan maatskappy rakende moontlike aksies om die impak van KSI programme op VGO te vergroot.

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## List of Acronyms

ACF	Anglo Chairman's Fund
ANGLO	Anglo American Plc Group
BEE	Black Economic Empowerment
BMF	Bench Mark Foundation
BILL	Draft Mineral Development Bill 2000
CEG	Community Engagement Guidelines
CEO	Chief Executive Officer
CSI	Corporate Social Investment
HDSA	Historically Disadvantage South Africans
IDP	Integrated Development Plan
LED	Local Economic Development
MMSDR	Mining, Minerals and Sustainable Development Report
MPRDA	Minerals and Petroleum Resources Development
NGO	None-Governmental Organization
SAMIR	South African Minerals Industry Report
SCD	Sustainable Community Development
SD	Sustainable Development
SEAT	Socio Economic Assessment Toolbox

SLP Social and Labour Plan

SME Small Medium Enterprises

## CHAPTER 1

### INTRODUCTION AND RESEARCH DESIGN

#### 1.1 Introduction

The interest in this study arose from the researcher's own personal experience working within the mining environment, as a community development practitioner for more than twelve years, both at the business unit and head office level. Most of the communities surrounding South African mines are faced with social problems that include poverty, poor health, unemployment, adult illiteracy, poor housing, family disorganization and high influx of unaccompanied migrant labour. The research is driven by a passion to find solutions to these social problems. It is hoped that this study will contribute to a better understanding of exactly what constitutes sustainable community development and how to apply this understanding in the development of corporate social responsibility (CSR) programmes that could contribute in addressing social development needs and adding value to the lives of the people living in communities adjacent to mining operations.

Before embarking on this study, it is important to briefly explore the discourse that exists within the components of the study, namely the mining and minerals legislative framework, CSR and sustainable community development (SCD). The following section is therefore dedicated to contextualizing the study in terms of broader conceptual terms.

## **1.2 Contextual background regarding mining and mineral legislation, corporate social responsibility and sustainable community development**

According to the South African Minerals Industry report (SAMI), 2006, South Africa's mineral industry, largely supported by gold, diamond, coal and platinum group metals production, has made an important contribution to the South African economy. Mining is South Africa's largest industry in the primary economic sector, followed by agriculture. It has provided the impetus for the development of an extensive and efficient physical infrastructure and has contributed greatly to the establishment of the country's secondary industries. The mineral industry is a well-established and resourceful sector of the economy, has a high degree of technical expertise and the ability to mobilize capital for new development.

The Mining Mineral Sustainable Development Report (2002) states that mining industries significantly influence societies in which they operate. It however, is also demonstrably responsible for causing a wide range of negative environmental and social impacts at local, regional and global levels such as disruption of river flows, degradation of land and forest resources, impacts on livelihood of local communities near mines and disturbance of traditional lifestyles of indigenous people. Mining companies are constantly faced with challenges to improve their environmental and social performances, to ensure integration of the concept of sustainable development and to deliver on their corporate social and

environmental responsibilities in reaction to increasing pressure from international organizations, national governments, consumers, employees, local communities, NGO's and the wider public.

The mining sector in South Africa has enjoyed decades of profiteering and unchecked neglect of developmental needs of surrounding communities. Most of the communities surrounding South African mines are therefore associated with social problems that include poverty, poor health, unemployment, adult illiteracy, poor housing, family disorganization and high influx of unaccompanied migrant labour. Recently, external forces, including globalization, the government through the *Mining Charter and the MPRDA*, and communities have put pressure on mining organizations in South Africa to start behaving like corporate citizens, taking social responsibility and work towards sustainable development in the areas that they operate (Chronje and Changa, 2003).

The Minerals and Petroleum Resource Development Act (MPRDA) No.28 of 2002 reads as follows;

*“to make provision for equitable access to and sustainable development of the nation’s mineral and petroleum resources; and to provide for matters connected therewith”.*



The preamble of the MPRDA states the following; “Recognizing that minerals and petroleum are non-renewable natural resources; acknowledging that South Africa’s mineral and petroleum resources belong to the nation and that the State is the custodian thereof. Affirming the State’s obligation to protect the environment for the benefit of present and future generations, to ensure ecologically sustainable development of mineral and petroleum resources and to promote economic and social development. Recognising the need to promote local and rural development and the social upliftment of communities affected by mining. Reaffirming the State’s commitment to reform and to bring about equitable access to South Africa’s mineral and petroleum resources. Being committed to eradicating all forms of discriminatory practices in the mineral and petroleum industries. Considering the State’s obligation under the constitution to take legislative and other measures to redress the results of past racial discrimination. Reaffirming the State’s commitment to guaranteeing security of tenure in respect of prospecting and mining operations and emphasizing the need to create an internationally competitive and efficient administrative and regulatory regime”(MPRDA, 2002).

In a report by the Bench Mark Foundation (BMF) on CSR within South African mining companies, it states that the South African mining industry is undergoing transformation. The adoption of the Mining Charter, the functioning of the Balanced Scorecard and the associated Social and Labour Plans, all indicate a commitment by the industry to function within the ambit of a new and radically different legislative framework. To a large extent the mining companies are

already including communities in the ownership of operations, in their health programmes, particularly HIV and AIDS advocacy and treatment programmes and in sharing in the wealth that is generated by mining. However, these policy interventions have their own limitations, and the fact that many mining operations still confuse corporate social responsibility with philanthropy and/or hand outs to communities, has resulted in numerous problems associated with omissions, deliberate cutting of corners, and overt and covert misrepresentations.

What the MPRDA has done with the Mining Charter is to put issues of CSR and sustainable community development in the hands of the mining industry at national level, but what it has not done, is to spell out what this means in practical terms. The result is that the voluntary nature of these concepts still exist in terms of how companies choose, and to what extent, they implement their CSR programmes. Ultimately, the government hasn't got a measuring tool or benchmark to ascertain to what extent companies are implementing their CSR and how it contributes to sustainable community development (Yakovleva, 2007).

### **1.3 Purpose of research**

As an answer to the demands of the MPRDA regarding community focused development, many South African mining companies have introduced sustainable community development projects as part of their CSR programmes. This response has reignited an old debate about CSR, and has sparked an interesting new discussion of the concept. The old debate focused on whether or

not mining companies ought to engage in activities outside of their own business, while the new debate centres on how much of an impact CSR programs can actually have on people and the environment. The normative question of whether or not mining companies should be engaging in CSR activities is interesting and important; however, the purpose of this research is not to question whether mining companies should be contributing to sustainable community development through CSR, but whether the CSR programmes implemented by mining can.

There is also an inconsistency in the definition, usage, and general understanding of what sustainable community development represents. To some it is synonymous with economic development and is characterized by efforts to recruit industry and services. To others community development serves to enhance the social realm that economies and other structures exist in. Without a consistent definition or understanding of sustainable community development, focused efforts and programs will do little to contribute to the overall improvement and well-being of the intended beneficiaries.

#### **1.4 Research question**

The study of CSR is of central importance to the study of sustainable community development. The motivations for companies to develop CSR programmes and invest in local communities vary from company to company, and industry to industry. Extractive industry companies, because of their large social, physical, and environmental footprint, have an obvious powerful incentive to invest in their

host communities. Consequently, the role of mining and CSR in particular, in sustainable community development requires a more systematic analysis (Bendall, 2005:363). To this end, the present research seeks to answer the following question:

Do the corporate social responsibility programmes implemented by mining contribute to sustainable community development?

## **1.5 Research methodology**

Mouton (2000) refers to a research method as a technique for collecting data and highlights the importance of methodology as a procedure that a researcher uses to condense, organize and analyze data in the process of undertaking scientific research in social science. At present there are two well-known and recognized approaches to research namely the qualitative paradigm and the quantitative paradigm (De Vos, et al., 2002:79). It was decided to make use of the qualitative paradigm, which stems from an antipositivistic, interpretative approach, is idiographic and thus holistic in nature, and mainly aim to understand social life and the meaning that people attach to every day life (De Vos, et al., 2002:79; Berg, 2004:7). In essence qualitative research can give data meaning and context.

The study is an exploratory research project to help all stakeholders concerned with, and affected by CSR to understand the potential impact of CSR programmes on sustainable community development in a mining environment.

The research methodology that will be used in this study is one of theoretical analysis of different sources. The study will aim to present a theoretical framework that facilitates the understanding of the topic. From this understanding the study will assess Anglo American Plc's corporate social responsibility programmes in terms of their impact on sustainable community development.

The use of a case study as a secondary research method is to get to a better understanding of the objectives of these programmes and to what extent these objectives have been realized. Case study research excels at bringing us to an understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research. Case studies emphasize detailed contextual analysis of a limited number of events or conditions and their relationships. Researchers have used the case study research method for many years across a variety of disciplines. Social scientists, in particular, have made wide use of this qualitative research method to examine contemporary real-life situations and provide the basis for the application of ideas and extension of methods (Yin, 1984:23).

The research methodology followed to fulfill the objectives of this study incorporates the following aspects: a literature study (to gain theoretical knowledge of the phenomenon under investigation), and case study (assessing Anglo American Plc's corporate social responsibility programmes to determine the impact on sustainable community development). Each of the three selected

programmes will be measured against their impact on sustainable community development. This will be done by looking at the objectives of each programme, the geographical scope of implementation, capacity building of local communities through active participation in the decision making process within these programmes and lastly the value added that the beneficiaries receive, whether it be social, human, or financial capital (de Coning and Günther, 2009).

In the literature study attention will be given to:

- Contextualizing the fundamental characteristics of sustainable community development by giving an overview of the theories that influences these characteristics.
- A macro overview of corporate social responsibility.
- The CSR debate.
- Role of CSR in development.
- A description of corporate social responsibility in South Africa.
- Contested role of mining in development.
- A macro overview of the South African mining legislative environment within which South African mining companies needs to operate and the demands that it place on sustainable community development of those communities affected by mining.

## **1.6 Restrictions to which the study is subjected**

Qualitative research is subjective in nature. It leaves much of the measurement process to the discretion of the researcher (Zikmund, 2003:132). The qualitative researcher is concerned with the understanding rather than the explanation; naturalistic observations rather than controlled measurement; and subjective exploration of reality from the perspective of an insider as opposed to the outsider perspective that is predominant in the quantitative paradigm (De Vos, et al., 2002:79).

The impact of insider epistemology has been considered by qualitative researchers who are insiders to the population under study and by those who are outsiders. In examining staff development research, Asselin (2003) has suggested that it is best for the insider researcher to gather data with her or his “eyes open” but assuming that she or he knows nothing about the phenomenon being studied. She pointed out that although the researcher might be part of the culture under study, he or she might not understand the subculture, which points to the need for bracketing assumptions. Rose (1985) concurred, “There is no neutrality. There is only greater or less awareness of one’s biases. And if you do not appreciate the force of what you’re leaving out, you are not fully in command of what you’re doing” (Rose, 1985).

## **1.7 Selection of case study area**

A preliminary study was done to determine the main role-players within the mining and mineral sector in South Africa. The website of the Chamber of Mines was used to determine which mining and mineral companies have published sustainable development reports during the period 2002 to 2006. Only a small number of mining and metals companies have produced reports that can be used to assess their progress towards sustainable development. These companies are the frontrunners, and are creating the benchmarks for sustainable development reporting. This research will focus on an assessment of the sustainable development programmes and reports published by one of these companies namely, Anglo American PLC, a diversified global mining company whose principal interests are mining and metals. The data used in this study has been extracted from reports and programme documentation obtained from the company.

Anglo American is a global leader in mining and comprises business covering platinum, coal, base metals and ferrous metals and industrial minerals. The company operates in Africa, Europe and South America and is committed to adding value for shareholders, customers, employees and the communities in which it operates.

Anglo American further demonstrates its commitment to sustainability causes through membership of the UN Global Compact, the Extractive Industries Transparency Initiative and the Voluntary Principles on Security and Human



Rights. Its Chairman also chairs the Global Business Coalition on HIV/AIDS and Anglo was the first company to commit funding to the public/private partnership, the Investment Climate Facility for Africa. The Anglo American Chairman's fund has been recognized as South Africa's strongest and most consistent corporate social investor by non-profit organizations and peer group companies in South Africa (Trialog, 2007). Anglo's Socio-Economic Assessment Toolkit was hailed as "industry best practice" according to Business for Social Responsibility, North America's foremost corporate responsibility NGO.

## **1.8 Research design**

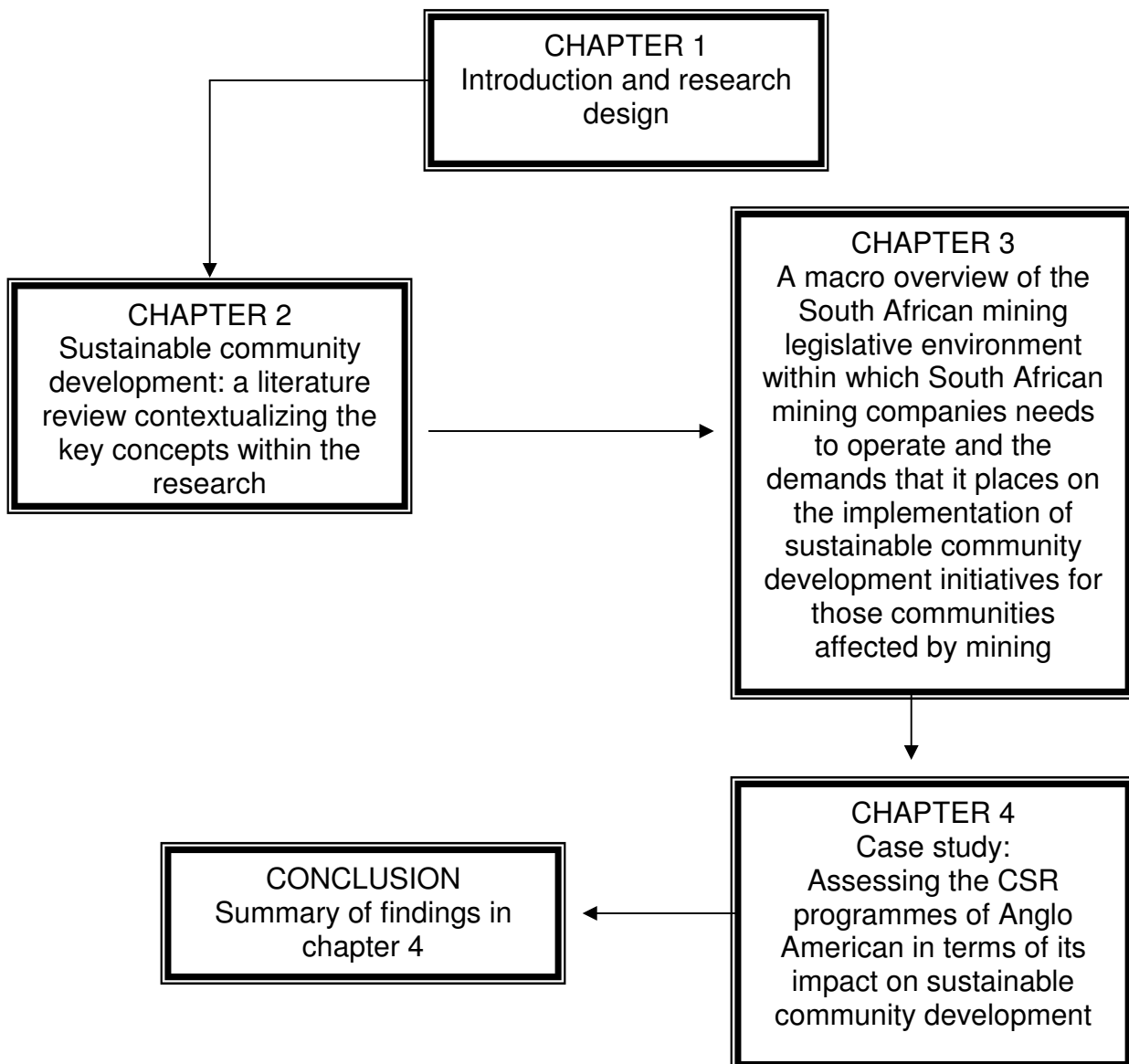
A research design provides the framework for the collection and analysis of data. The choice of a research design reflects decisions about priorities relating to a range of dimensions of the research process (Mouton, 2000).

In this study the research is designed on a qualitative basis. Data was collected in two stages namely, a literature review and an empirical study. The two stages are discussed in detail below.

- The literature review based on the aims and objectives of the study, by contextualizing the fundamental characteristics of sustainable community development by giving an overview of the theories that influenced these characteristics.

The empirical study was done focusing on qualitative research methods whereby the first would inform the second. The first being a document analysis to determine the possible impact of the CSR programmes of Anglo American PLC on sustainable community development as case study company. The second, being clarificatory interviews derived from the findings of the document analysis, with the corporate social and sustainable development managers of the identified mining company.

### 1.9 Structure of the thesis



## **CHAPTER 2**

### **SUSTAINABLE COMMUNITY DEVELOPMENT: A LITERATURE REVIEW**

#### **CONTEXTUALIZING THE KEY CONCEPTS WITHIN THE RESEARCH**

### **2.1 Introduction**

The purpose of this chapter is to conceptualize the fundamental characteristics of sustainable community development and corporate social responsibility. This will be used to do an assessment of the corporate social responsibility programmes of Anglo American Plc, as case study Company, in terms of its impact on sustainable community development. In doing so, the chapter outlines global sustainable development thinking and conceptualizes it within a mining and minerals context. It is crucial for any development programme to be guided by a theory or vision. It is thus very important to, in the theoretical framework investigate the development theories and development practices from which sustainable community development theory and practice originate.

The second part of the chapter focuses on describing the context in which CSR, as a concept and practice, has emerged, and by providing a brief explanation of the term CSR and the evolution of its meaning. Following is a review of the landscape of the debate about the role of CSR initiatives in community development. This is necessary for the reader of the study which does not have a theoretical or practical background to the concept of sustainable community

development and CSR and to be able to follow and understand arguments in later chapters.

## **2.2 Contextualizing of Concepts Community, Development and Community Development**

### **2.2.1 Community**

What is community? A critical examination of the theory and practice of community and sustainable community development depends upon an understanding of the concept of community.

Since the late 19<sup>th</sup> century, the use of the term community has remained to some extent associated with the hope and wish of reviving once more the closer, warmer, more harmonious type of bonds between people vaguely attributed to past ages (Hoggett, 1997:5, as cited in Smith, 2002). Before 1910 there was little social science literature concerning 'community' and it was really only in 1915 that the first clear sociological definition emerged. This was coined by C.J Galpin in relation to delineating rural communities in terms of the trade and service areas surrounding a central village (Harper and Dunham 1959:19, as cited in Smith, 2002). A number of competing definitions of community quickly followed (Smith, 2001).

When the term community is used, the first notion that typically comes to mind is a place in which people know and care for one another. Communities speak to us in moral voices and indeed, they are the most important sustaining source of moral voices.

Wilmot (as cited in Popple and Quinney, 2002) states that community exists in three broad categories; one is defined in terms of locality or territory; another as community of interest or interest group, such as Black Community; and thirdly, a community composed of people sharing a common condition, such as alcohol dependency, or a common bond, like working for the same employer.

German sociologist Ferdinand Tönnies (2001) differentiated between the terms “community” and “society” or “Gemeinschaft und Gesellschaft”. Tönnies argued that “community is perceived to be a tighter and more cohesive social entity within the context of the larger society, due to the presence of a “unity of will”. He added that family and kinship were the perfect expression of community, but that the other shared characteristics, such as place or belief, could also result in *gemeinschaft* (Tönnies, 2001:22-54).

Fred Cox, and his co-authors (1984) suggest that there are three kinds of human communities; communities of geographical location, communities as organizations and communities of shared culture. Cox states that different

strategies are required depending upon the nature of the community with which one is dealing. Such communities can also be nested, one inside the other.

In some contexts, "*community*" indicates a group of people with a common identity other than location. Members often interact regularly. Common examples in everyday usage include; a professional community (a group of people with the same or related occupations) or a virtual community (a group of people primarily or initially communicating or interacting with each other by means of information technologies). Some communities share both location and other attributes. Members choose to live near each other because of one or more common interests.

Roberts (as cited in De Beer and Swanepoel, 1998) argues that clues for community development lay in the perceptions of the problems facing the people and the groupings of people who are conscious of such problems and not on the geographical factors unless such factors are creating the problems (mining impacting on communities). According to Roberts, this collective perception of the problems and how to address it, is what is important in identifying a community. Therefore, group identity is an important element and crucial in the movement towards development of a community.

A common thread, running through these definitions, and considered essential to the above definition of community, is that in each case there is a grouping of people who reside in a specific locality with a full range of daily felt needs. In this

regard, a community is a socially, culturally and ecologically bounded group of inhabitants who have potential and hold the right to make decisions in any kind of development activity for the mutual benefit of its members (community located close to or affected by mining operations).

What is important in defining community, within a South African context, is the fact that although communities share certain common attributes, there is a wide diversity among them. Differences are visible between rural and urban communities and also due to levels of modernization. On the one extreme, there are traditional and less affluent communities who still live in personalized relationships, whilst on the other extreme there are affluent and less traditional communities whose lives are largely formalized.

A key stakeholder for all mining companies, and therefore a strong focus of their CSR initiatives, is 'the community'. Mining has a huge impact on local communities; positive effects include the creation of new communities and wealth, income from export revenues and royalties; technology transfer, skilled employment and training for local populations and improvements in infrastructure such as roads, schools, and health clinics (CAFOD, 2006; MMSD, 2002:200).

The Mining Minerals and Sustainable Development Report (MMSD 2002:200) defines communities by differentiating categories in terms of how they have been affected by mining operations. Three categories are identified namely; *occupational communities* (households or families who derive all or most of their

income from mining), *residential communities* (households or families who live within the geographical area affected by mining) and *indigenous communities* (households or families with an ancient and cultural attachment to the land where mining occurs or has an impact on).

These 'types of community' are not mutually exclusive and are more neatly delineated here than the reality on the ground. 'The community' has proved a difficult concept to define, possibly because, as Cohen (1985) notes, the community exists in the minds of its members, and should not be confused with geographic or sociographic assertions of fact. Corporate communication literature persistently refer to how companies perceive community as a complex task; any definition of community is construct, an imposing of order that does not necessarily fit the lived experience of the people in question (Kapelus, 2002). Companies often see a situation framed in scientific fact, whereas many of the communities that they perceive themselves to be part of base their view on beliefs and perceptions. This may be of particular relevance to indigenous peoples, where radically different world-views may clash with corporations' scientific 'development' rational (Wheeler et al., 2002). Companies must be sensitive to these differences when structuring community involvement plans.



### **2.2.2 Development**

The concept of development has evolved over many years and it is a term that means different things to different people. What is called 'development' has not always been an effort to overcome poverty. The first development theory that was followed by many industrialized countries between 1950 and 1960, after World War II, was the Modernization theory. "Historically, modernization is the process of change towards those types of social, economic, and political systems that have developed in Western Europe and North America from the seventeenth century to the nineteenth and have then spread to other European countries and in the nineteenth and twentieth centuries to the South American, Asian, and African continents" (Eisenstadt, 1969:30). During the 1950's, its initial focus was placed on the mass media as a modernizing force in the Underdeveloped World. Economically, the mass media was viewed as integral to the diffusion of modern forms of social organizations and technology over traditional economies, with literacy playing an especial cultural role in this. Modernization theorists also maintained that this would serve to promote a diffusion of liberal-democratic political ideals within less developed countries. The essence of the theory is that the developed and industrialized Western World represented the ultimate civilization and that people in traditional societies should adopt the characteristics of modern societies in order to modernize their social, political and economic institutions (Foster-Carter, 1985; Davids, Theron and Maphunye, 2005; Swanepoel and De Beer, 1997).

In the Modernization theory, problems that held back the industrialization of poor countries were related to the “irrational” way in which resources were allocated in a traditional society. Traditional societies became modern by rationalizing resource allocation, and by the elimination of cultural, institutional and organizational roadblocks that did not allow countries to develop. Developing countries with traditional societies could evolve by starting in a stage with an undeveloped and traditional society, and through an evolutionary linear process change its society by rationalizing it, becoming a country in a stage with a modern and developed society (Rostow, 1960). The theory identified different stages, variables and process through which a society develops. Positivist evolution implied that all societies would pass through the same set of stages that the western society had passed: from a traditional to a modern society. The modernization stages were: 1) the traditional society, 2) preconditions for take-off, 3) take-off, 4) the drive to maturity, and 5) the age of high mass consumption. These five stages of modernization were known as Rostow's stage theory (Rostow, 1960).

The modernization theory is thus seen as indiscriminative and simplistic; it requires little remolding to adapt from one culture to the other, because there is no real substance to modify (Swanepoel and De Beer, 1997: 19; Foster-Carter, 1985:12). This means that civilization during the mentioned era was determined and evaluated against the level of economic development. The practical manner, in which development would be instigated, is that, through the development of

industries, the economy of the country will grow and will result in developed people. People would be developed through money created by industries that would trickle down to the masses. Through the same principle money that would be generated in industrialized countries would flow down to those countries participating in the industrial development through, for example supplying raw materials to the industries for processing (Foster-Carter, 1985; Davids, Theron and Maphunye, 2005; Sawanepoel and De Beer, 1997:22-23). Several branches of the theory exist today, and it is generally viewed as a model whereby the Third and Second World are seen to benefit (with aid and guidance by the First World) economically, politically, culturally and demographically through the acculturation of the modern policies and values of the Western World (Davids, Theron and Maphunye, 2005).

A theory antithetical to the Modernization model which emerged largely as a response to it was the Dependency theory. One of its earliest and most critical of Modernization theory branches was the one developed by Immanuel Wallerstein. Wallerstein (as cited in David, Theron and Maphunye, 2005) argued that the 'periphery' localities are, in fact, exploited and kept in a state of backwardness by the developed core; a core which profits from the 'peripheries' cheap, unskilled labour and raw materials (*i.e from those nations' lack of a skilled workforce and industries that can process raw materials locally*).

The Dependency theory developed in the late 1960's under the guidance of the Director of United Nations Economic Commission for Latin America, Paul Prebisch. Prebisch (as cited in Swanepoel and Beer, 1997:22-23) focused on the fact that economic growth in the advanced industrialized countries did not necessarily lead to growth in the poorer countries. His studies suggested that economic activity in the richer countries often led to serious economic problems in the poorer countries. His explanation for the phenomenon was very straightforward: poorer countries exported primary commodities to the rich countries that then manufactured products out of those commodities and sold them back to the poorer countries. The 'Value Added' by manufacturing a usable product always cost more than the primary products used to create those products. Therefore, poorer countries would never be earning enough from their exports to pay for their imports (Swanepoel and De Beer' 1997: 22-23). This is also evident in the history of mining in SA, that most of the natural resources are still owned by, mined and exported to western countries, and value added usable products sold back at high costs. Very little beneficiation is done in South Africa.

The success of the Modernization and Dependency theory is measured focusing on external factors indicated by economic growth. Economic growth or development, in most instances, did not lead to social development; neither did the transfer of technology erase underdevelopment. Economic growth may bring economic benefits to people, but development is about much more than this, being a process of betterment in every aspect of live. Development is not a

condition or state defined by what people have. “It is a capacity defined by what they can do with whatever they have to improve their quality of life and that of others” (Ackoff,1984:195).

The third concept of development to be investigated is that of the ‘Basic Needs theory’. The basic needs approach to development became current in the late 1970’s and entailed a movement from grand theory to approaches directed at alleviation of poverty through services such as education, health and social welfare programmes (Swanepoel and De Beer, 1997: 27). The basic needs approach insisted that each person must have the minimum requirements for existence. Its focus “was not to achieve a utopia, but to present a pragmatic poverty alleviation agenda which includes economic growth, job creation, service provision, and income transfer policies” (Ghosh, 1994:iii).

### **2.2.3 Community Development**

In order to understand community development in the correct perspective it is important to briefly describe its origin. Community development has been part of the development field for a number of decades, and is characterized by both success and failure. Both governments, as well as the United Nations promoted it as part of the independence and decolonization movements, and to alleviate poverty in the developing countries. The term community development became prominent in the 1960’s after the Second World War, as part of the heydays of

the modernization theory. Its early efforts were top down as they took place in the form of industrialized state programmes that the poor were encourage to participate in (Prinsloo, 1982:15; Swanepoel and De Beer, 1997:25). In this context, participation therefore, did not mean involvement of people in programmes they have initiated, but in government initiated programmes.

In 1956 the United Nations Administrative Committee on Co-ordination defined community development as the process by which “the efforts of the people themselves are united with those of governmental authorities to improve the economic, social and cultural conditions of communities, to integrate these communities into the life of the nation, and to enable them to contribute fully to national progress” (United Nations Administrative Committee on Co-ordination, 1956). Community development programmes were established with the aim to mobilize people in their local communities as an integral part of medium term plans masterminded by national planners, and operated under centralized management and fund allocations (Campfens, 1997:106). Community development programmes was one of the most significant social forces in the process of planned change and as such it was widely accepted as a model for development, by Western planners, in the so-called “Third World”.

Bhattacharyya (2004) defined community development as the process of creating or increasing solidarity and agency. He stated that solidarity is about building a deeply shared identity and a code for conduct. Community developers sort

through conflicting visions and definitions of a problem among ethnically and ideologically plural populations to help groups and communities build a sense of solidarity. Bhattacharyya argues that community development is also agency, meaning the capacity of people to order their world. According to Giddens, agency is "the capacity to intervene in the world or to refrain from intervention, with the effect of influencing a process or the state of affairs" (Giddens, 1984:14). There are complex forces that work against agency. However, community development has the intention to build capacity, and that is what makes it different from other professions focused on social assistance. Community developers build the capacity of people when they encourage or teach others to create their own dreams, to learn new skills and knowledge. Agency or capacity building occurs when practitioners assist or initiate community reflection on the lessons they have learned through their actions. Agency is about building the capacity to understand, to create and act, and to reflect (Hustedde & Ganowicz, 2002).

Following this definition of community development, three major concerns involve solidarity and agency building: (1) structure; (2) power; and (3) shared meaning.

- Structure refers to the social practices or to organizations and groups that have a role to play in solidarity and capacity building and their relationship to one another. Some of these social practices and organizations may have a limited role and there may be a need to build new organizations or expand the mission of existing organizations for solidarity and agency to occur.

- Power refers to relationships with those who control resources such as land, labour, capital, and knowledge or those who have greater access to those resources than others. If community development is about building the capacity for social and economic change, the concept of power is essential.
- Shared meaning refers to social meaning, especially symbols, that people give to a place, physical things, behaviour, events, or action. In essence, solidarity needs to be built within a cultural context. Individuals and groups give different meanings to objects, deeds, and matters. For example, one community might see the construction of an industrial plant as a godsend that will bring prosperity to the town, while another community might see a similar construction as the destruction of their quality of life. Community developers need to pay attention to these meanings if they wish to build a sense of solidarity in a particular community or between communities (Hustedde & Ganowicz, 2002).

In essence structure, power and shared meaning are integral aspects of solidarity and capacity building. These three aspects of community development form the basis for community development theory.

Community development in South Africa was adopted as a development approach in the late 70's in the then Department of Cooperation and Development. However, community development was not popular with the South African government, mainly as they did not believe that it had the potential to



bring about political change (De Beer & Swanepoel, 1998:10). It did however become a powerful instrument in the hands of those in power as a means to implement the apartheid policy. The often widely publicized community development programmes were internationally challenged for their apparent contradictory and culturally biased nature.

Due to practical necessities, views on community development have altered over the years, with the outcome that there are presently very different thoughts on community development than a few decades ago. De Beer and Swanepoel (1998) believe the evolutionary development of community development to be a classic example of theory development, and that the "views on community development have also altered over the years, mostly because practice has shown the necessity for such changes. The shifting of views has followed the main trends in development thinking in general (De Beer and Swanepoel, 1998:10). One can view community development in a very restricted manner, or regard it as "a comprehensive term including modern trends such as people centered development and the learning process" (De Beer & Swanepoel, 1998:10). They are of the opinion that such a comprehensive approach better reflects the situation, and that for community development today important issues are reaching of the poor, the participation of the intended beneficiaries, that human values are met and the development efforts are environment friendly, which link closely to the aims of sustainable development.

This renewed interest in community development is also apparent in South Africa. De Beer and Swanepoel (1998) feels strongly that the Reconstruction and Development Programme will be best implemented through community development, and state the aim of community development as *“to empower people to determine their own needs, decide on action and take control and ownership of their own affairs”* (De Beer and Swanepoel, 1998:12). The White Paper for Social Welfare (1997:9) states that *“community development strategies will address material, physical and psychosocial needs. The community development approach, philosophy, process, methods and skills will be used in strategies at local level to meet needs. The community development approach will also inform the reorientation of social welfare programmes towards comprehensive, integrated and developmental strategies”*.

According to Swanepoel and De Beer (2006), community development is primarily directed at alleviating poverty. They state that people in poverty have basic physical needs that have to be met. However people trapped in poverty also have abstract needs, such as the need for human dignity. People’s physical and abstract needs go hand in hand and the one should never be met at the cost of the other (Swanepoel and De Beer, 2006). The most important abstract need is dignity. Dignity is promoted by giving people recognition; by recognizing them as capable people making their own decisions. This means that in efforts to address poverty, development should be humanistic and holistic and not only focused on the expressed need.

## **2.3 Contextualizing sustainable development and sustainable community development**

### **2.3.1 Sustainable Development**

One of the greatest challenges facing the world today is integrating economic activity with environmental integrity and social concerns. The total of that integration can be seen as sustainable development (MMSD, 2002:16). There is no precise definition of sustainable development. To some, it simply means balancing economic growth with environmental-protection goals, a relatively uncontroversial position. But to others, it means something different: dramatic reductions in economic growth in the industrialized countries coupled with massive international income redistribution. The most influential definitions of the term “sustainable development” are that of the World Commission on Environment and Development. In its 1987 report, entitled *Our Common Future*, The Brundtland Report (1987), sustainable development is defined as development that...

*“... meets the needs of the present without compromising the ability of future generations to meet their own needs.”*

(source: MMSD, 2002:21)

The use of the term “sustainable development” during the past decade or so appears to have become a growth industry. It has been recognized that the sources of conceptual confusion surrounding the expression are linked closely to

the lack of agreement regarding exactly what is to be sustained, for whom, and by what means. The goal of sustainability at times refers to the resource base itself, while at other times has been used to refer to the human livelihoods and benefits that are based on ecosystem goods and services derived from the resource base. Although the concept is often used as if consensus exists concerning its precise meaning and application, ecologists, developmentalists, planners, economists and environmental activists very often mean different things when they use the term. This is a reflection of disciplinary biases, distinctive paradigms and ideological disputes (Hounsome and Ashton, as cited in the MMSD 2002).

The International Council for Local Environmental Initiatives (ICLEI) emphasizes environmental, social and economic concerns as three distinct, but interrelated, components of sustainable development: "*Sustainable development is a programme to change the process of economic development so that it ensures a basic quality of life for all people, and protects the ecosystems and community systems that make life possible and worthwhile* (Van der Merwe & Van der Merwe, 1999:5. MMSD, 2002:24).

There are three interrelated elements in most definitions. Firstly, the core objective of sustainable development is optimizing human welfare. Human welfare includes income and material consumption, along with education, health, equality of opportunity and human rights. The second objective is that all physical

and economic activity should be compatible with the surrounding biosphere. This element focuses on non-renewable resources, and emphasizes that these resources should not be used at a rate that exceeds the rate at which they can be substituted by sustainable renewable resources. Thus, there should be no net degradation of the wide range of indispensable services provided by the natural environment. The third element is the equitable distribution of bio-spherically compatible improvements in human well-being, both today and tomorrow (MMSD, 2002: 24; Hoff, 1998:6).

The MMSD adds a fourth element to the above namely governance, whereby sustainable development includes participatory decision making, encouraging free enterprise within a system of clear and fair rules and incentives, transparency through providing all stakeholders with access to relevant and accurate information, ensuring accountability for decisions and actions. Sustainability, in this context, implies both intergenerational equity and intra generational equity. Human betterment on the part of any group should not come at the expense of other groups today or generations in the future.

As many developing countries become more industrialized as a result of globalization, major challenges such as migration, unemployment, homelessness and poverty become more pressing. Consequently, the South African government in partnership with other concerned structures has made it one of its primary objectives to alleviate poverty and destitution among its people (Sekwati,

Hirschowitz and Orkin, as cited in Marais, 2001:23). In post-apartheid South Africa, the government has made it one of its prime responsibilities to bring about sustainable development among its people. This it seeks to achieve through correcting the imbalances that resulted from the numerous policies of the previous dispensation, which had a major impact on people's lives (Marais, 2001:23).

The Brundtland Report (1987) highlights three fundamental components of sustainable development: environmental protection, economic growth and social equity. These in turn are linked to the idea of intergenerational responsibility. The report defines sustainable development as the right of the present generation to meet its need for development with respect for future generations' rights and opportunities to develop. Thus, the essence of sustainable development has been identified as the rule of solidarity between generations (Rudnicki, 2000). The report also calls for the development and expansion of international institutions for co-operation and legal mechanisms to confront common concerns; most importantly, for increased co-operation with industry. Thus, participation and responsibility by the whole society may be viewed as key element in achieving sustainable development, which indicates that social responsibility is itself closely connected with the concept of sustainable development (Bertinelli, 2008). The perception of social responsibility as providing a major means of achieving long-term economic success is favoured by a number of commentators, including SustainAbility (1999).

### **2.3.2 Sustainable community development**

To advocate a strategy of sustainable development based on sustainable community development is one thing. To define and describe the elements involved in achieving sustainable community development is another matter entirely (Bridger and Luloff). For the most part, definitions of sustainable community development parallel the definitions of sustainable development discussed above. The main difference involves the obvious reduction in geographic scope: sustainable community development has a local focus (Bridger and Luloff). Sustainable community development integrates the practice of community economic development with sustainable development. Sustainable community development encompasses the processes by which communities initiate and generate strategies for creating dynamic, enduring and renewable community structures that balance economic, social and environmental needs. Sustainable communities recognize that their economic and social structures and health of the local environment are intertwined (Roseland, 2000).

Hoff states that there is no single definition of sustainable community development because every community has its own unique characteristics and challenges. Sustainable development that is focused on community development as the process of developing active and sustainable communities based on social justice and mutual respect (Hoff, 1998: 229). It is about influencing power structures to remove the barriers that prevent people from participating in the issues that affect their lives.

SCD aims to integrate economic, social and environmental objectives in community development. SCD is based on a consideration of the relationship between economic factors and other community elements such as housing, education, the natural environment, health, accessibility and the arts. SCD has emerged as a compelling alternative to conventional approaches to development: a participatory, holistic and inclusive process that leads to positive, concrete changes in communities by creating employment, reducing poverty, restoring the health of the natural environment, stabilizing local economies, and increasing community control.

The concept of a "sustainable community" does not describe just one type of neighborhood, town, city or region. Activities that the environment can sustain and that citizen's want and can afford may be quite different from community to community. Rather than being a fixed thing, a sustainable community is continually adjusting to meet the social and economic needs of its residents while preserving the environment's ability to support it.

A sustainable community uses its resources to meet current needs while ensuring that adequate resources are available for future generations. It seeks a better quality of life for all its residents while maintaining nature's ability to function over time by minimizing waste, preventing pollution, promoting efficiency and developing local resources to revitalize the local economy. Decision-making



in a sustainable community stems from a rich civic life and shared information among community members. A sustainable community resembles a living system in which human, natural and economic elements are interdependent and draw strength from each other.

Out of the above four key factors can be identified for sustainable community development namely; 1) sharing the vision of sustainable community, 2) making the process democratic with participation of a variety of stakeholders, 3) sharing information needed for appropriate decision making and 4) empowering communities to make their own decisions. In order to implement actions towards sustainable community development, members of a community must believe that they have the capacity to resolve their own problems and shape their own future.

Drawing upon a discussion in "Economic Development Digest" from January 1997, regarding sustainable community development, Halseth and Booth argues that sustainable community development is multi-faceted and includes at least 4 central components. These components include: economic, political, social and environmental aspects (Halseth and Booth, 1998). They further elaborated on the four elements as follow; that in terms of Sustainable Economic Development, the emphasis is upon enhancing existing local assets without degrading their quality. Political sustainability hinges upon the support of the majority of the community and must be effective over the long term. Social sustainability means that a project or initiative must be integrated into, and connected with, a community's particular social structure. Finally, Environmental sustainability links with the

impact of a project or proposal on the local environment. Enhancement rather than degradation is identified as being the important outcome (Halseth and Booth, 1998).

Bauen, Baker and Johnson (as cited in Hoff, 1998) sees sustainable community development as a long-term process that includes the aforesaid focus areas, supported by what they see as six principles for sustainable community development. These principles include, and I quote:

- fostering a commitment to place;
- promoting a community vitality;
- building local capacity to support resilience and adaptability when confronted with change;
- promote a sense of responsibility as “stewardship”;
- reinforce the importance of connections and partnerships at a local level;
- to promote equity within the social structure.

Most definitions of sustainable community development focus on striking a balance between environmental concerns and development objectives; sustainable communities not only protect and enhance the environment, they also promote more humane local societies. In all cited definitions a lot of emphasis is placed on community involvement in decisions that affect communities directly (Roseland, 2000: 43).

Taking all the above into consideration, community development can thus be, according to the researcher, seen as the process of increasing the strength and effectiveness of communities, improving people's quality of life, and enabling people to participate in the decision making to achieve greater long-term control over their lives. Sustainable community development initiatives are those that contribute to the long-term sustainability of community viability.

When looking at sustainable community development within a mining environment the relationship needs to be clearly defined as mining involves temporary land use and is intrinsically unsustainable. An essential element of sustainable community development projects or programs, within mining, is that it can survive without the continuous input from a mining company. Sustainable community development can thus be supported by mining through practices that help convert one local asset, a non renewable resource capital, into another local asset, sustainable human-, social- and financial capital.

The characteristics of sustainable community development can, according to the researcher, and based on the aforesaid, thus be seen as:

- Sustainable development that has a local focus, meaning that for the purpose of this study it should focus on communities participating in or affected by mining operations. This includes rural communities that serves as labour sending areas to mines;

- increasing the strength and effectiveness of communities, improving people's quality of life, and enabling people to participate in the decision making to achieve greater long-term control over their lives, thus stakeholder engagement;
- It should focus on practices that help convert one local asset, a non renewable resource capital, into another local asset, sustainable human-, social- and financial capital.

## **2.4 Contextualizing corporate social responsibility**

CSR is not a new issue. Its origins can be traced back as far as the industrial revolution (Cannon, 1992:2, Slabbert et al., 1998). During the early stages of the industrial revolution “a few enlightened factory owners introduced worker welfare funds and supported laws to regulate factory work, oversee health and safety, protect chimney sweepers from exploitation, and control working conditions for poor children” (Slabbert et al., 1998).

The first comprehensive approach to modern era social responsibility was ushered in during 1953 with the publication of Howard R. Bowen's book *Social Responsibilities of Businessman*. Bowen felt that, public responsibility, social obligations, and business morality were synonyms for CSR (Anderson, 1998:3).

While there is currently no universally accepted definition of CSR (Carroll, 1999; Blowfield & Frynas, 2005; IISD et al., 2004a; UNCTAD, 1999), the term is

generally used to refer to business's greater responsibility to society and the environment. For example, members of the business community define CSR 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" (WBCSD, 1999:3), whereas the UK government describes CSR as "how business takes account of its economic, social and environmental impacts in the way it operates – maximizing the benefits and minimizing the downsides" (UK Department of Trade and Industry, 2004:3). Further, prominent author on the topic, Archie B. Carroll, defines CSR as "the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive" (Carroll, 1999: 286).

There has always been a tension between the need for business to make profits and the needs of society. But the social responsibility of business has been considered more intensely than ever since the early 1990's, building on a trend that had been growing since the start of the twentieth century (Anon, 2000; Hopkins & Cowe, 2004). It is only in the last three decades that great emphasis has emerged in this area. This has resulted in growing interaction between government, business and society as a whole. In the past, business has had to concern itself primarily with the economic results of its decisions; today, business must also consider and weigh the legal, ethical, moral and social impact and repercussions of each of its decisions.

CSR encompasses an array of meanings and intended applications that have undergone substantial modifications over time. To date there has been no single, commonly accepted definition of CSR.

The present-day CSR (also called corporate responsibility, corporate citizenship, responsible business, sustainability business management and corporate social opportunity) is a concepts where by business organizations consider the interest of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders as well as their environment. This obligation shows that the organizations have to comply with legislation and voluntarily take initiatives to improve the well-being of their employees and their families as well as for the local community and society at large (Ismail, 2009).

To clarify these distinctions, one can consider economic and legal responsibilities to be those that society requires of organizations; ethical responsibilities to be expected for business; and voluntary responsibilities to be desired from business (Anderson, 1998:9; Bateman & Snell, 1999:164).

According to Anderson (1998:9) and Hopkins & Cowe (2000), CSR implies continuing commitment by organizations 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.

Cronje et al. (2000;273) feel that CSR has to do with the behavior of a business towards stakeholders such as consumer, suppliers, competitors, employees, owners or shareholders and the community at large. Being socially responsible essentially means that an organization tries to reconcile the interest of its different stakeholders with each other.

Business for Social Responsibility (BSR), an organization in the USA views CSR as a comprehensive set of policies, practices, and programmes that are integrated in to business operations, supply chains, and decision-making process throughout the organization – wherever the company does business – and includes responsibility for current and past actions as well as future impacts (Anon, 2000). According to BSR, the issues that represent an organization's CSR focus vary by business, by size, by sector and even by geographic region. In its broadest categories, CSR typically includes issues related to: business ethics, community investment, environment, governance, human rights, marketplace and workplace (Anon, 2000).

In South Africa different forms of CSR have been evident for many years. The nature and content given to these programmes were fundamentally shaped by apartheid. However, since the transition in the 1990's, and South Africa's reintegration into a global economy, new dynamics have come to the fore.

The foundation for CSR programmes in South Africa was laid in the 1970's. In 1972 Meyer Felderberg delivered his inaugural lecture as the first professor of business administration at the University of Cape Town on "business profits and social responsibility". Felderberg argued that business functions by public consent and its basic purpose are to serve constructively the needs of society – to all satisfaction of society (Slabbert et al., 1998; Fig, 2002:81)

A further development of the 1970's, which contribute more concretely to the proliferation of CSR programmes in South Africa, was the sanctions drive against the South African government. Of crucial importance was the Sullivan Principles, which multinational business organizations which did not disinvest had to adhere to. These principles, which were designed to encourage U.S. businesses in the RSA, to develop and enforce a policy of non-segregation and non-discrimination in the workplace, just as they were required to do back home. Additionally, the code of conduct offered U.S. companies CSI policy guidelines on training, employment, and promotion of non-white employees in their organizations, as well as on the welfare of their employees. The creation of the Sullivan Principles can be seen as a 'turning point' in terms of the "vocabulary" of CSR in South Africa (Slabbert et al., 1998; Fig, 2002:82).

If the 1980s were a decade of soul searching among locally owned companies, in particular, the 1990s could be described as the "take-off" decade, because sundry CSI initiatives sprang up, first, when it became apparent that apartheid



would be discontinued, and later, in the post-apartheid era, when the ANC-led unity government nudged the business community to do more. For example, Liberty Life Foundation pledged roughly \$50 million over a five-year period (1990-1995) to early childhood education, otherwise known as “educare investment.” Likewise, in 1991, the Joint Education Trust (JET) CSI initiative was formed by 15 of South Africa’s largest companies, including Anglo American and Standard Bank (Slabbert et al., 1998).

The 1990’s marked not only a new environment for business with the advent of a new political dispensation, but also a stronger trend towards expanded CSR programmes (Slabbert et al., 1998). Following the 1994 elections, the new government embarked on a program of legislative reform (Fig, 2002: 82). The language of the Reconstruction and Development Program (RDP) was used by organizations to describe their CSR programmes. By 1996 the RDP was sidelined in favour of the Growth, Employment and Redistribution strategy (GEAR) (Spicer, 2002; Denton & Vloedberghs, 2003:84).

As time went on government turned directly towards business to help compensate for its diminishing capacity in numerous fields. This led to government appeals to business to help the fight against crime, HIV/AIDS, tourism promotion and many more (Fig, 2002:82). Business in South Africa has become increasingly more involved in the solution of the social problems of the

country, and managers face growing demands concerning the corporate social responsibility of the private sector.

In their 2003 book, *Business and Society: Ethics and Stakeholder Management*, Carrol and Bucholtz describe CSR as the “economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time.” Carroll and Buchholtz's four-part definition of CSR makes explicit the multi-faceted nature of social responsibility (Carroll, 1999:269). The economic responsibilities cited in the definition refer to society's expectation that organizations will produce goods and services that are needed and desired by customers and sell those goods and services at a reasonable price. Organizations are expected to be efficient, profitable, and to keep shareholder interests in mind. The legal responsibilities relate to the expectation that organizations will comply with the laws set down by society to govern competition in the marketplace. Organizations have thousands of legal responsibilities governing almost every aspect of their operations, including consumer and product laws, environmental laws, and employment laws. The ethical responsibilities concern societal expectations that go beyond the law, such as the expectation that organizations will conduct their affairs in a fair and just way. This means that organizations are expected to do more than just comply with the law, but also make proactive efforts to anticipate and meet the norms of society even if those norms are not formally enacted in law. Finally, the discretionary responsibilities of corporations refer to society's expectation that organizations be

good citizens. This may involve such things as philanthropic support of programs benefiting a community or the nation. It may also involve donating employee expertise and time to worthy causes.

#### **2.4.1 Corporate social responsibility in the mining environment**

The literature on CSR is vast and spans numerous disciplines. However, few attempts have been made to study the specificities of industrial sectors when attempting to develop and implement CSR principles. Yet, given the distinctive characteristics of individual sectors, the requirements for CSR could vary significantly from sector to sector.

The extractive industries (mining) lies in the inherent non-renewability of minerals, on the one hand, and the expansive definition of sustainability, which includes social and economic variables, on the other hand (Ali & O’Faircheallaigh, 2007:6). Key to addressing this challenge is that physically non-renewable resources may be deemed ‘sustainable’ if there is an effective conversion of natural capital, represented by resources, to social capital that would allow for long-term livelihoods. This assumes that the resilience, of the natural environment is not compromised undermining social and economic sustainability (Ali & O’Faircheallaigh, 2007:6).

Historically, the mining industry has taken a ‘devil may care’ attitude on the impacts of its operations; operating in areas without social legitimacy, causing

devastation, and leaving when an area has been exhausted of all economically valuable resources. Cost benefit language has often been used to excuse the damage caused in one place because it is outweighed by the overall financial benefits (Jenkins, 2004:25). However, in recent year the global mining industry has addressed its social and environmental responsibilities; numerous factors have contributed to this, and the extractive industry is key in debates about social and environmental sustainability. The CSR programmes of mining companies tend to focus on community initiatives as their impact in economic, social and environmental terms is felt greatest at local level (Jenkins, 2004:25). Yet the question remains, can CSR on its own make a substantial contribution to local sustainable development? To help answer this, the case study in Chapter 4 looks at the CSR programmes of Anglo American in term of its impact on sustainable community development.

#### **2.4.2 Role of CSR in community development**

The role of CSR is essentially towards understanding what does the community gain from the various CSR initiatives.

Firstly, based on the finding in the literature review (section 2.2.1), community is defined as a group of people sharing common purpose, who are interdependent for the fulfillment of certain needs, who live in close proximity and interact on a regular basis. There are shared expectations for all members of the group and responsibility taken from those expectations. In a community there is a sense of

community which is defined as the feelings of cooperation, of commitment to the group welfare, of willingness to communicate openly, and of responsibility to and for others as well as to one's self.

Secondly, community development refers to initiatives undertaken by community with partnerships with external organizations or corporations to empower individuals and groups of people by providing these groups with the skills they need to effect change in their own communities. These skills are often concentrated around making use of local resources and building political power through the formation of large social groups working for a common agenda. Community developers must understand both how to work with individuals and how to affect communities' position within the context of larger social institutions.

Community development is a process of developing active and sustainable communities based on social justice and mutual respect. It is about influencing power structures to remove the barriers that prevent people from participating in the issues that affect their lives. Community workers facilitate the participation of people in this process. Community development expresses values of fairness, equality, accountability, opportunity, choice, participation, mutuality, reciprocity and continuous learning. Educating, enabling and empowering are at the core of community development (Federation of Community Development Learning, 2002)

Community development is the combined process, programmes and activities that make a community sustainable as compared to economic development which is the marketing of its potential growth followed by local efforts to act on opportunities.

Another term closely related to community development is community work, which is about the active involvement of people in the issues that affect their lives and focuses on the relation between individuals and groups and institutions which shape their everyday experiences. It is a developmental process that is both a collective and individual experience. It is a commitment to equal partnerships between all those involved to enable a sharing of skills, awareness, knowledge and experiences in order to bring about change.

From the above and the literature review on CSR, it is undeniable that CSR has implications on community development. It can be seen as direct and indirect benefits received by the community as a result of social commitment of business to the overall community and social system.

It is arguable whether mining companies are best place to decide what's best for the community, what will build social capital and what will deliver long-term sustainable development. CSR does not of itself solve the negative impacts of the mining industry on the environment, society, economy and local and national governance. Companies should not be put in the situation where they take on a

developmental role that should be provided by the government – they should work in partnership with the government and communities.

## **2.5 Summary**

The concept of sustainable development is emphasized as a process where all aspects of economic, social and environmental concerns are interrelated and can at no stage be seen as separate focus areas. It's about quality of life in the long run and balancing current practices with future needs. Due to practical necessities, views on community development have altered over the years, with views that are very different from the original development theories of the 1950 to 1980's. Sustainable community development encompasses the process by which communities initiate and generate strategies for creating dynamic, enduring and renewable community structures that balance economic, social and environmental needs. The three characteristics for sustainable community development was identified through the literature review.

Lastly the literature review focused on conceptualizing CSR and its role in sustainable community development. CSR is about business, government and civil society collaborating with the bottom line as the achievement of a win-win situation among the three entities. It is argued that CSR has implications on community development. It can be seen as direct and indirect benefits received

by the community as a result of social commitment of business to the overall community and social system



## **CHAPTER 3 SOUTH AFRICAN MINING INDUSTRY**

### **3.1 Introduction**

Mining is one of the world's major industrial sectors, in which some cases hold a dominant position in the socio-economic development of many nations and is rapidly expanding into remote areas of the world due to the liberalization of investment regimes in developing countries and economies in transition. Mining industries significantly influence societies in which they operate (Yakovleva, 2005: introduction). Metals and minerals mining industries contribute to regional and national economies in terms of providing budget and export revenues, employment and infrastructure development. It is also demonstrably responsible for causing a wide range of negative environmental and social impacts at local, regional and global levels such as disruption of river flows, degradation of land and forest resources, impacts on livelihood of local communities near mines and disturbance of traditional lifestyles of indigenous people.

### **3.2 History of Mining in South Africa**

The exploitation of mineral resources in South Africa has accelerated during the past century with the discovery of new ore bodies and the development of new mining and metallurgical technologies. These mineral resources hold the promise of exceptional long-term social and economic benefits (Hounsome & Ashton as cited in the MMSD, 2002). However, developments in the mining and minerals sector in the modern era have not benefited all. Historically neither the profits nor

the costs of the production of the minerals of the region have been distributed equitably among the people involved in or affected by their production. The mining and minerals sector is closely linked with a long history of instability and conflict that characterizes class and race relations in South Africa.

In order to better understand the content and intention of the MPRDA it is important to briefly look at the origin and political history of the mining sector and the subsequent power relations between mining corporations, government and communities in South Africa. Mbendi (as cited in Cronje en Chenga, 2002) suggests that in order to get a better understanding of the political history of the sector it is important to look at the historical background of migration in the mining industry.

During the mid nineteenth century the overall population of South Africa was predominantly involved in agricultural occupations, either tending cattle, or as in the British colonies, cultivating cash crops such as sugar and coffee. The mineral revolution began with the discovery of diamonds at the town of Kimberley in 1867. This led to an increase in the population of Kimberley, as large numbers of prospectors arrived to seek their fortune. As the surface mining decreased and a deeper pit had to be dug, the cost of mining and the amount of labourers needed increased. Most of the smaller diamond mines were quickly taken over by the mining capitalists who had access to credit, machinery and labour. In 1886 gold that was discovered at the Witwatersrand orefields triggered a gold rush which

greatly increased the demand for labour. The ore fields were quickly excavated of all surface deposits and a similar pattern to Kimberely emerged. This large-scale mining of high value commodities launched the region into industrialisation and paved the way for the emergence of a modern capitalist economy (Mbendi 2002, MMSD, 2002 ).

The mineral revolution had an immediate impact on the regional economy. Mining towns created an urban market for food and raw materials and became the targets for new railways linking the interior to the British colonial ports and Delagoa Bay (Maputo). It also created one of the fundamental features of a fast developing mining industry; a demand for low-paid, unskilled migratory labour. As the South African population was predominately black, the unskilled workers being contracted to the mines were overwhelmingly black. The industrial-scale mining forced mining corporations to import skilled white labour to operate and maintain machinery used at the mines. The white skilled workers were paid higher wages and saw the black workers as a threat to their relatively high wages. As an action to protect their higher wages the white unions forced industry and government to implement the 'colour bar', banning blacks from skilled jobs and preventing black families from permanently settling in mining towns.

The increased need for a fixed labour force resulted in the mining corporations introducing in a variety of schemes to keep workers on site for longer periods. In

1880 De Beers introduced corporate compounds, which were built in the style of open-air prisons. Mine workers were mainly housed in these compounds, which were notorious for diseases, malnutrition and death. In 1886 white workers from De Beers compound in Kimberly elected a local Member of Parliament who successfully campaigned for white employees to live in the town, but black workers, who had no vote, were forced to remain in the compounds (De Kiewiet, 1941; Mbendi 2002; MMSD, 2002).

The growth of mining towns across South Africa prompted changes in rural areas, as farms lost labourers to the mines as the demand for food and agricultural produce increased. Farmland was rapidly bought up by large commercial enterprises, which forced black farmers to seek employment at the mines. There were no housing for families of black workers at the mines, and a pattern developed where black mine workers' families were forced to move onto government reserves (De Kiewiet, 1941).

Mining companies increasingly separated black mine workers from their families in an effort to keep them on site for longer periods. This they did by abolishing vacation time and restricting mail contact. Black mine workers were thus forced to send their wages home to support their families. Cronje and Chenga identify these policies as the forerunners of the South African apartheid system. Ultimately the migratory labour system contributed to the steady impoverishment of rural black Africans. The migratory labour system evolved and stayed

unchanged for the next fifty years as the mining industry made no concrete effort to depart from the system (Clifford, 2008; Mbendi, 2002). This system was strengthened with the passing of various acts by government, for example the Glen Gray Act of 1893, the Natal Land Act of 1903 and ultimately the Natives' Land Act of 1913.

On the mines the grievances of black workers increased and although they did form trade unions they had no legal right to strike. Riots and strikes were forcibly suppressed by mining companies and government. The first serious challenges to the status quo came from the black unions, who began to organize black workers in the nineteen seventies (MMSD, 2002). Between 1975 and 1990 reform in the industrial labour relations in South Africa progressed steadily towards the extension of labour rights to all. The Colour Bar was lifted and black mineworkers' unions negotiated for better wages and conditions. In 1994 the first democratic elections in South Africa signaled the end of formal restrictions on employment.

### **3.3 Transformation of mining through the Minerals and Petroleum Resources Development Act**

#### **3.3.1 Background to the MPRDA**

Democratic change in South Africa during the 1990s resulted in the endorsement of the principles of private enterprise within a free-market system, offering equal opportunities for all the people. The state's influence in the mineral industry during this time was confined to orderly regulation and the promotion of equal opportunity for all citizens. Following the election of the new democratic government in 1994, the Department of Minerals and Energy started a policy review process, which coincided with the drafting of the Green Paper on Minerals and Mining (Kwaga Report). The review process had to take account of the problems and opportunities confronting the mining industry against the backdrop of changes in the country's policy and institutional environment. The primary inputs to the document came from government, business and labour, as these were the groups that formed the tripartite steering committee overseeing the process. At this stage no inputs were gathered from communities affected by mining. The Minister of Mineral and Energy questioned this action as new policies had to redress the imbalances of the past and ensure use of mineral resources in a sustainable and equitable manner. The South African Constitution also required that Government had to consult with the public on the development to of any policy and legislation.

The above mentioned consultation process brought the views of stakeholders such as small scale miners, environmental groups and communities into the process, which was also considered in the final editing of the document (Kwaga Report). The document was then rectified and signed by the Minister of Minerals

and Energy as the White Paper on Minerals and Energy Policy in 1998. The White Paper was structured into six main themes namely; 1) Business Climate and Mineral Development; 2) Participation in Ownership and Management; 3) People issues; 4) Environmental Management; 5) Regional co-operation and 6) Governance (Green Paper). The underlying objective of the White Paper was the change in ownership of mineral rights.

In late 2000, the draft Mineral Development Bill (Bill), which was based on the White Paper on Minerals and Mining Policy, was released for public comment. The Bill introduced a new era of mineral and mining law in South Africa (Mbendi, 2006). The core objectives were;

- Recognising that the mineral resources are the common heritage of all South Africans and collectively belong to all the peoples of South Africa;
- Ensure that a proactive social plan is implemented by all mining companies;
- Attract foreign direct investment;
- Ensure a vigorous beneficiation drive in the mining industry;
- Contribute to rural development and the support of communities surrounding mining operations;
- Redress the results of past racial discrimination and ensure that historically disadvantaged persons participate meaningfully in the mining industry;
- Guarantees security of tenure to existing prospecting and mining operations.

The Bill, 2000, addressed broader issues such as the transformation of the mineral industry, the promotion of equitable access to mineral resources, socio-

economic development and environmental sustainability. Previously South African mineral rights were owned either by the state or the private sector. This dual ownership system represented an entry barrier to potential new investors. The Bill's objective is for all mineral rights to be vested in the State, with due regard to constitutional ownership rights and security of tenure.

The MPRDA, 2002, further recognizes the need for government to promote local and rural development and the social uplifting of communities affected by mining. One objective is to ensure that holders of mining and production rights contribute towards the sustainable socio-economic development of the areas in which they are operating. A Mining Charter for broad based socioeconomic empowerment within the mining sector was mandated by the Act. The Charter sets out the major areas in which change is required, such as ownership, human resource development, employment equity, procurement, community and rural development and the beneficiation of minerals. It envisage to transform the industry in order that it may allow and provide for greater ownership participation; greater management control or participation; participation in procurement processes and the development of technical and managerial skills of HDSAs and the integrated sustainable socio-economic development of host communities, major labour sending areas, and of populate areas under threat of decline and abandonment as a result of past of current mining activities.

Section 4.4 of the charter refers specifically to the responsibility of all stakeholders, including government, to cooperate in the formulation of integrated



development plans for communities where mining takes place and for major labour sending areas. The Charter however does not have the force of the law, as it is published under section 100(2)(a) of the MPRDA, which sets the framework, targets and timetable for effecting the entry of HDSAs into the mining industry.

Social and Labour Plans are the legal instrument, flowing from the Charter, that the government uses to ensure that holders of mining or production rights contribute to the sustainable socio-economic development of the areas in which they are operating, as well as the areas from which the workforce is sourced. In this document the mining operation must make explicit the approaches to human resource development (workforce skills development, career progression and achieving employment equity target) and local economic development (enterprise and infrastructure development, workforce housing and living conditions, procurement progression and the social and economic development of local and labour sending areas). It states that the plan must be aligned with the integrated development plan of the district municipality where the mine is located and of the major labour sending areas, and the management of down-scaling and closure of mining operations and retrenchment of the workforce and its socio-economic impacts on individuals, communities and local and regional economies. The mine must indicate its commitment of financial resources to implement the plans.

### 3.3.2 Corporate social responsibility and South Africa's new mining dispensation

The MPRDA states the following;

*'to make provision for equitable access to and sustainable development of the nation's mineral and petroleum resources; and to provide for matters connected therewith.*

(MPRDA, 2002)

The preamble states the following;

*'Affirming the State's obligation to protect the environment for the benefit of present and future generations, to ensure ecologically sustainable development of mineral and petroleum resources and to promote economic and social development, recognizing the need to promote local and rural development and the social upliftment of communities affected by mining.'*

(MRPDA, 2002)

Chapter two of the Act, focuses on the fundamental principles of the Act, which starts with the objectives of the Act. Section 2 (d), (f) and (h) states the following;

(d) substantially and meaningfully expand opportunities for historically disadvantaged persons, including women, to enter the mineral and petroleum industries and to benefit from the exploitation of the nation's mineral and petroleum wealth;

(f) promote employment and advance social and economic welfare of all South Africans;

(h) give effect to section 24 of the Constitution by ensuring that the nation's mineral and petroleum resources are developed in an orderly and ecologically sustainable manner while promoting justifiable social and economic development.

The application process, whether applying for a new mining right or conversion of the 'old order' (pre-1994) mining right, ask for the completion and submitance of three documents, namely: mine works plan, environmental management plan and a social and labour plan. The mine works plan is a long term detailed strategic planning document describing the projected mining and production activities for the licensing period. The environmental management plan is a plan to indicating how the mining operations plan to manage and rehabilitate the environmental impact as a result of mining conducted under the authority of a mining permit. The social and labour plan is a long term strategic plan focusing on Human Resources Development and Local Economic Development (LED) programmes and processes to save jobs and manage downscaling and/or closure. The Act further prescribes that the last two documents must include a comprehensive stakeholder engagement process which includes local- , district- and provincial government, communities directly and indirectly affected by mining operations and labour sending areas. The plan also needs to be debated and aligned to the integrated development plans of the district authority.

Once mining rights have been granted, an SLP can only be amended or varied with the consent of the Minister of Minerals and Energy. An SLP must remain in place until a mine closure certificate is obtained. Mining operations are required to submit annual compliance reports to the relevant Regional Manager or designated agency. Most SLP's contain commitments that are expected to be delivered over a five year time horizon. Commitments will need to be updated, renewed and approved at the end of this period.

The primary objective of human resource development programmes, in the SLP, is to ensure the availability of mining specific skills and the training of employees with portable skills utilizable outside the industry. Operations must provide a detailed skills development plan, a portable skills programme and programmes to enable employees to become functionally literate and numerate. Career progression, mentorship and internship and bursary plans, which all operate in unison with the skills development plan, need to be outlined. Each mine is also required to detail how they will achieve 10% female and 40% HDSA participation in management by the end of 2009, as detailed by the Employment Equity Act.

The objective of an LED programme, in the SLP, is to ensure poverty eradication and community upliftment in both mining areas and areas from which the workforce is sourced (labour sending areas). A LED programme comprises sustainable community development projects which the mine will initiate, implement and support financially or otherwise.

### **3.4 Summary**

This chapter mainly focused on the South African mining industry and its associated regulatory environment. The chapter started with a brief overview of the history of mining in South Africa. It focused on the political history of the sector and how it influenced the formulation of the MPRDA.

The second part of the chapter looked at the formulation of the MPRDA and the intentions of the act. The section focused on the Social and Labour Plans as the legal instrument, flowing from the MPRDA, that government uses to ensure that holders of mining or production rights contribute to the sustainable socio-economic development of the areas in which they are operating.

## **CHAPTER 4 CASE STUDY ASSESSMENT**

### **4.1 Introduction**

There are three reasons why the case of Anglo American PLC was chosen to explore whether or not the CSR programs of mining companies can contribute to sustainable community development. Firstly, Anglo American Plc is one of the largest global mining companies with an extensive footprint in South Africa. Secondly, the company has demonstrates its commitment to sustainability causes through membership of the UN Global Compact, the Extractive Industries Transparency Initiative and the Voluntary Principles on Security and Human Rights. Its Chairman also chairs the Global Business Coalition on HIV/AIDS and Anglo was the first company to commit funding to the public/private partnership, The Investment Climate Facility for Africa. Thirdly, the Anglo American Chairman's fund has been recognized as South Africa's strongest and most consistent corporate social investor by non-profit organizations and peer group companies in South Africa (Trialog, 2007). Anglo's Socio-Economic Assessment Toolkit was hailed as "industry best practice" according to Business for Social Responsibility, North America's foremost corporate responsibility NGO.

According to Anglo American's CSI Report (2007), the company's development activities range widely; for the purpose of this research the three main CSR programmes of Anglo will be used for assessment, namely;

- Socio-Economic Assessment Toolkit (SEAT)

- Anglo Zimele
- Anglo Chairman's Fund

## **4.2 Research objectives**

The objective of this case study is to look for evidence whether the identified CSR programmes of Anglo are, or are not, likely to contribute to the sustainable community development of the communities in which the company operates. The impacts of the company's projects are analyzed on two levels: 1) the primary objective of the programme; 2) the programmes contributions to local development, thus, what do the communities gain from these programmes, how is capacity building achieved and are these communities involve in the decision making process of activities that impact on their lives?

## **4.3 Anglo American Plc**

Anglo American plc with its subsidiaries, joint ventures and associates is a global leader in the mining and natural resource sectors. The Anglo American Group represents a powerful world of resources. The company is listed on the London, Johannesburg, Botswana and Namibia stock exchange. It has significant and focused interests in gold, platinum, diamonds, coal, base metals, ferrous metals and industries, industrial minerals and forest products, as well as financial and technical strengths. The company announced in October 2005 that it would be undergoing a strategic realignment which would focus on mining as the Groups core business.

It is one of the largest private sector companies in South Africa. In 2007 the company contributed R11 billion in taxes alone to the South African economy and since its listing in 1999 has invested R197 billion in the country. The total corporate social investment spend in South Africa for 2007 was R288.5 million, with R69 million channeled through the Anglo Chairman's Fund.

#### **4.3.1 Socio-Economic Assessment Toolkit (SEAT)**

SEAT was developed, in partnership with ERM, to help Anglo American contribute to the "economic, social and educational well-being of the communities" surrounding their operations, by providing a framework for Anglo managers to promote training programs, community partnerships, and small business development, among others. Managers are also expected to share best practices for development at annual CSI forums.

The key driver for the development of SEAT was to maintain the companies 'social license to operate'. It is a tool to help Anglo to earn and retain the trust of communities in which it operates through improved management of its social and economic impacts, enhance partnerships and environmental stewardship. Key points in the SEAT process include profiling specific Anglo operations and communities and developing management responses to key issues, along with reporting the results of the assessment. Thus each SEAT Report evaluates its



program's effectiveness on measures including Total Indirect Employment, CSI Employment, and Total Employment Added.

SEAT is a significant investment by Anglo in helping its operations to live up to its goal of making "a contribution to the economic, social and educational well-being of the communities associated with our operations", as stated in the company's Good Citizenship Principles. It also has the capacity to enrich its Community Engagement Plans which Anglo is putting in place at all major operations and that are based on the importance of a regular dialogue with neighbors.

SEAT is specifically designed to build capacity in the management of social and economic issues in the mining sector. The SEAT process aims to provide a snapshot of local social and economic issues related to Anglo operations.

The key objectives of SEAT are to:

- Identify key social and economic impacts and issues that need to be managed;
- Assessing existing initiatives, provide feedback on their success and sustainability, and identify where improvements might be made;
- Be a useful resource in developing a Community Engagement Plan;
- Provide an analytical framework that enables operations to assess their overall sustainability, especially in balancing the extraction of natural resources with an enhancement of social and human capital;

- Ensure that “best practice” is captured and shared within Anglo;
- Provide a planning tool for managing the operation’s social and economic impacts, including social investment and mine closure;
- Gather and collate data for corporate social reporting purposes, as well as development indicators that are relevant to local communities.

The SEAT process is divided into four key stages, each comprising a number of steps and associated tools. These tools, or guidance notes, have been developed to guide operations through the process. The four key stages are:

Stage 1: Profiling of the Anglo operations and associated communities and identify key issues (positive and negative) and impacts (positive and negative), that the operation might have on the environment and the associated communities.

Stage 2: Identifying and assessing socio-economic impacts and sharing results with stakeholders and agreeing on management measure to address impacts. The process should include impacts that can be measured in both quantitative and qualitative terms. The key objective is to identify and assess the impacts of an operation (both positive and negative) and to assess the effectiveness of existing management measures and other initiatives (e.g. social investment).

Stage 3: Developing management responses to key issues, including planning for eventual closure. The main objective is to develop appropriate management responses to the issues identified and the preceding steps.

Stage 4: Reporting the assessment results. This involves the preparation of a socio-economic report and feedback to communities.

The benefits of SEAT can vary widely depending on the operation and the country in which it is implemented. Benefits reported to date, include amongst others:

- Better understanding of local communities;
- Improved stakeholder relationships;
- New and improved partnerships;
- Enhanced reputation for the company;
- Increasing availability of local suppliers;
- More vibrant communities;
- Strengthened license to operate.

By engaging with stakeholders, through the SEAT process, in a systematic and transparent manner (through the publication of SEAT Report), Anglo American is holding itself accountable and recognizing that the ongoing sustainability of its business rests with the communities in which it operates. Thus the SEAT process is contributing to behavioral change across the organization and enabling appropriate management responses to CSR-related issues.

### **4.3.2 Anglo Zimele**

Anglo Zimele is the enterprise development and empowerment initiative of Anglo American. The aim of this initiative is simple: to help emerging black businesses into South Africa's economic mainstream and the success rate speaks for itself.

The objective is to develop sustainable, commercially viable businesses, primarily in the SME sector. The Anglo American/De Beers Small Business Initiative (SBI) was established in 1989. It adopted the 'Anglo Zimele' brand in 2000. Derived from the Zulu and Xhosa language, 'Zimele' means "to be independent" or "to stand on one's own feet". Although, SBI had the social objective of stimulating the emergence of a black entrepreneurial class, its projects had to meet strict commercial criteria.

As small black economic empowerment (BEE) companies frequently have problems raising equity, business development officers (BDO's) based in Anglo American's operating divisions, assist in putting forward business plans to Zimele for approval. If the venture is viable, Zimele will take a minority equity stake and provide financial support and skills transfer.

The initiative adds further value through the hands-on transfer of business knowledge and skills and provides advice on strategy, markets, finance, systems and corporate governance. It uses an incubator approach to nurture investments and entrepreneurs, matching up partners and businesses, and complementing

technical skills. The approach also allows for a gradual reduction of dependence on Zimele.

Anglo Zimele's SME business development and empowerment model comprises four primary investment pillars: procurement; supply chain development; junior mining; and, most recently sustainable livelihoods related loans. The core model involves taking a time-limited equity stake and board representation, providing access to loans, supply chain opportunities on a competitive basis and to do mentoring.

The Small Business Start-up Fund, as part of Anglo's sustainable livelihood initiative, was launched in October 2007 and is based on a new network of regional hubs. Unlike the Supply Chain Fund, the Small Business Fund provides only loan funding (which is limited to R1 million per project). SME's must operate in Anglo American business unit areas and must comply with the BEE criteria as per the Mining Charter.

The Small Business Start-up Fund is currently 100% funded by the Anglo Zimele Supply Chain Fund; however the running and operational cost of the hubs are provided for by the dominant business unit in the area of operation. An entrepreneur will approach the local business hub for assistance and a memorandum of understanding will be entered into between the entrepreneur and the business hub. Once a proposal has gone through the assessment stages it is approved by the investment committee. Thereafter, enterprises are introduced to the local operations and assistance is given with any tender

processes. The types of business that have been funded to date include air conditioning maintenance, transport, brick-making, building construction, car washing, fencing and plumbing. Since the Fund was launched in October 2007, 457 loan transactions to the value of R111 million have been approved. These companies employ 4 285 people and have a collective turnover of R582 million. The pay back rate on the 457 approved loan transactions is approximately 90%.

Cyntia Carol states that Anglo Zimele is one of the Group's most effective social interventions (Report to Society, 2008). At the end of 2008 the 208 companies supported by the unit's funds were generating 10,419 jobs with a combined turnover of R1.3 billion. Anglo Zimele's incubator approach to enterprise development has been adopted by the World Bank and the United Nations Development Programme, and has been implemented by organisations including the International Finance Corporation in Kazakhstan, Sasol, Mondi South Africa and Barloworld.

In 20 years of operation, Zimele has created in excess of 600 BEE companies and has developed a successful model that helps a small business to survive through the difficult early stages, develop its ability to attract and manage capital and introduce the governance standards required by commercial banks. In line with its ethos of "independence through enterprise", Zimele has a clear exit strategy for all its investments, and any profit is re-invested in other businesses.

### 4.3.3 Anglo Chairman's Fund

**Objective:**

The Anglo Chairman's Fund (ACF) is a dedicated instrument through which Anglo American Plc channels its social investment giving in South Africa. Its broad mandate is to support development initiatives aimed at bringing new hope and opportunity to South Africa's disadvantaged communities. The Fund strives to make effective and sustainable use of limited resources to create an enabling environment in which ordinary people assume greater control of their lives.

The Fund is well known in South Africa for its giving in a number of priority societal need areas, broadly classified under education, HIV/Aids, health, welfare, entrepreneurial development, arts and culture, environment, and policy and advocacy. The Fund's size and experience allow it to work on a variety of projects ranging from small scale, grassroots initiatives to major capital building projects and large scale service delivery programmes.

The selection of funding recipients is largely handled by Tsikululu Investments; an independent non-profit consulting firm that works closely with NGO's nationwide. "The Chairman's Fund is responsive," says its Executive Director, "The initiative comes from the communities." Anglo American subsidiaries' contribute approximately R30 million to the fund annually, and the board of trustees meets quarterly to approve project funding. Project selection is "a done

by means of a combination of experience and judgment,” according to the website.

Margie Keeton, the Fund’s manager, in the Anglo Chairman’s Fund Review 2005, claims that the most distinguishing feature is the added value it is able to bring to the initiatives it is involved in. This added value is derived from the vast experience and expertise that the Fund has accumulated over many years and through countless engagements with community based initiatives. It takes a number of forms from guiding, advising and providing networking opportunities for community based organizations; to the formation of major public-private partnership initiatives, where the Fund plays the leading role in the provision of services and infrastructure to communities in need. For many years the Fund has been seen as setting the benchmark for the development of communities and its leading and innovative approach to CSI have lead many donors into areas that they may otherwise not have considered (Report to Society, 2006).

The key focus of the ACF is to, through their investment initiatives, not only financially support social development initiatives, but to physically get involved with the intended beneficiaries, mostly mine and rural communities, and to ensure value added and long-term sustainability through capacity building and skills transfer.



As stated in the fund brochure, the key to the successful assessment and implementation of any CSI project undertaken by ACF is the sustainability rather than the general return on investment for the company. Unlike return on investment, sustainability is intangible – so you need to be extremely circumspect when assessing, selecting and implementing a project in a community in the CSI environment. How you roll it out, manage it and measure the deliverables to determine its success is crucially important.

It is also stated that “A project isn’t necessarily only for the end-user: it’s also for the entire community where the deliverables are that much larger. So there needs to be ongoing collaboration between stakeholders. Through experience, the fund has recognized that energetic leaders and social entrepreneurs in communities, who are confident of their potential and capacity to initiate change and create opportunity, are indispensable resources in ensuring the success and sustainability of projects. Thus the Fund management strives to do their best to identify those true champions and partner with them to ensure communities rise to the challenge of realising their full potential.

#### **4.4 Findings from the case study**

##### Anglo SEAT

Social development requires insight into complex societal problems, which are in essence difficult to define, analyse and change. Knowledge and data are often missing and contradictory and the causes of the problem are vague and

ambiguous. Stakeholders change over time, each with a unique set of views about the problem, goals, power and emotion. The multiple disciplines associated with a problem, the impact on communities of these problems, and the numerous stakeholders involved, require mining companies to consider the process of contributing to social development as a group process. Further, the process requires two kinds of knowledge: content knowledge, and knowledge about problem handling. The content, or subject-matter, knowledge comes from content experts. The process knowledge comes from facilitators working in the field of complex societal problems (DeTombe, 2003).

A mining company should view the local community as a source of valuable human, natural and physical assets through out the mine-life-cycle and that the community must be able to articulate its own development aspirations, enabling it to be sustainable even after mine closure. Bucham (2003) argues that being sensitive to the existence of social impacts is more important than actually being able to identify them. An important outcome for all participants of any social assessment process is an awareness and understanding of how that specific community works. To understand the likely impacts of proposed actions, it is important that communities and decision makers understand how that specific community is organized and how it makes decision and how it adopts to change.

One of the characteristics of sustainable community development, as identified by the researcher through the literature review process, is to enable communities

to participate in the decision making process of decision impacting their lives, as to achieve greater long-term control over their quality of life. As stated by Cynthia Carol, Anglo CEO, in the foreword of the SEAT training manual; “Our Commitment to sustainable development means that whilst our operations may deplete a natural resource in a particular location, they should deliver a combination of improvements in the social and human capacities of the communities around them. SEAT provides a better understanding of the metrics involved in meeting this objective”.

The Anglo SEAT process enables Anglo to better understand the concerns, needs and priorities of the communities associated with their operations. It outlines concrete steps that can be taken to improve dialogue, to establish partnerships and to promote wider development.

The first two steps in the SEAT process comprehensively outline the process of stakeholder identification and engagement. It is specifically focused on communities falling within its “zone of influence”. These communities include communities adjacent to the mining operation as well as labour sending areas.

The SEAT process enables Anglo to effectively replace philanthropic spend in their communities with partnerships offering mutual benefits, sustainability, true accountability and continuous engagement. As stated by Cynthia Carol in the 2008 Anglo Report to Society, the SEAT process has resulted in the company

being able to become more strategic and proactive, in investing in fewer, but more well-defined areas of development, with long-term benefits, and opportunities for building of relationships and community capacity. The shift toward a stronger business case for social development has resulted in greater interaction with site functions, such as human resource, procurement and mine development project managers.

SEAT has also resulted in treating the cause rather than the symptoms. By making communities part of the solutions the company is indirectly capacitating communities to be involved and determine their own future.

The SEAT process effectively address all three of the characteristics of sustainable community development relating to development that has a local focus, being a process where by communities are actively participating in decision affecting their lives and successfully converting one non-renewable local assets into renewable sustainable human-, social and financial capital by making communities part of the solutions and the implementation of initiatives initiated as solutions to the identified impacts.

The level of participation or involvement of local community members, NGOs, and government in the design, development, and execution of community development initiatives greatly influences whether or not such programs will have a long-term development impact. As indicated earlier, one of the characteristics

of sustainable community development is the fact that communities participate in decisions that may affect their lives.

### Anglo Zimele

In the past decade, consensus has emerged among scholars and practitioners of development that “social capital “ – popularly defined as a local form of association that express trust and norms of reciprocity – can contribute significantly to the alleviation of poverty worldwide (World Bank web, 2002) Livelihood choices – employment and entrepreneurship – are constraint by a wide range of interdependent obstacles, ranging from geographic isolation to market failures, weak institutional and political exclusion. This suggests that when we think about eradicating poverty, we need to think broadly about creating economic opportunity. Economic opportunity should not be seen as a solution in itself; rather it is a context in which individuals can create their own solutions. It is a combination of factors that help the poor to manage their assets in ways that generates incomes and options (Leadership Dialogue, 2007).

The development of SME's is seen globally, and especially in developing countries, as a key strategy for economic growth, job generation and poverty reduction. Since 1994 South Africa has been promoting small businesses as an engine for economic growth and socio-economic integration. More recently, due to the growth of unemployment in South Africa there has been a renewed focus on the promotion of small businesses from both the government and the private

sector, not simply as an engine for growth but more importantly as the key to job generation and poverty reduction, especially among historically disadvantaged groups.

Anglo Zimele's supply chain work involves assisting procurement departments of the business units in identifying potential BEE suppliers and ensuring the channeling of business opportunities to black-empowered SME's. In parallel, the fund invests in equity and advances loans to these businesses.

As part of the Small Business Start-up Fund, eleven business hubs were established around Anglo operations with the primary aim of creating opportunities for these communities to own and grow sustainable business ventures. Local entrepreneurs are able to visit these hubs for assistance on business plan development and access to administrative facilities.

The junior mining element of Anglo Zimele is managed by the Anglo Khula Mining Fund. This is a joint initiative between Anglo American and Khula Enterprise Finance Limited, a government-owned entity that promotes SME development. The fund assists emerging, black-owned mining companies with equity and loan finance, as well as technical support during the high-risk exploration and pre-feasibility phases of mining projects, bringing them to a commercially bankable position. The fund provides similar support services to those offered by the Supply Chain Fund and relies on Anglo Zimele to raise finance from commercial financiers for mine development.

### Anglo Chairman's Fund

Social Funds were first introduced by the World Bank in the 1980s to address the social and economic crises then afflicting Latin America. Government layoffs and budgetary setbacks aggravated high unemployment and poverty and depressed the already unstable economic situation. Social Funds were then implemented to mitigate the negative impact of structural adjustment programmes on the poor (Tendler, 2000). They were, and continue to be used to respond to emergency situations such as natural disasters, economic crises or conflict. In Africa, the first Social Funds introduced in 1991, were aimed at addressing poverty and human development. Since then, Social Funds have targeted risk reduction, poverty reduction, employment creation, infrastructure development and decentralization modelling (Fridgenti & Harth, 1998).

Social Funds do not propose projects, rather they respond to those suggested by local groups and in turn aid in the implementation, monitoring and evaluation of these 'bottom up' projects. The key advantages of Social Funds for alleviating poverty and thus contributing to community development, are their size, their flexibility and their relationship with local government. By focusing on infrastructure and employment, training and productive projects, Social Funds are intended to encourage a demand-driven, participatory approach to project selection. Social Funds can target poor people by building social and economic

capital, and delivering services and projects in a decentralized, cost effective structure. Some Funds can also focus on specific marginalized groups and, by encouraging their input and participation in the project cycle, enable them to improve their livelihoods, contribute to their community and develop a permanent voice to influence their futures. This approach when applied correctly can promote a participatory environment that focuses on transparency and sustainability (World Bank Report, 1997).

Typically, Social Funds are financing mechanisms used for community development. They are not considered direct sources of investment, but “second tier” agencies used to finance, appraise and supervise investment carried out by NGOs (non-governmental organizations), local governments and line ministries. Broadly, Social Funds can be described as multi-sectoral, community or demand driven projects that work with, yet independent of, government to address pressing social and economic risks facing poverty stricken areas.

Social funds target the poor by building social and economic capital, delivering services and projects in a decentralized, cost effective structure. Some Funds focus on specific marginalized groups and encourage their input and participation in the project cycle. This process enables them to improve their livelihoods, contribute to their community and develop a permanent voice to influence their futures (Bigio, 1998).



A Social Fund's success depends on certain environmental and economic conditions to ensure that they reach the poorest communities and that these communities can support the project cycle. Two basic conditions are worth emphasizing: The first is that the donor, with aid from the government, must identify and assess the location or distribution of the poorest. To do this, government representation must exist in these areas so that project support and manager-government liaisons are established. These areas must also have road access to transport goods and resources (Batkin, 2001; Owen & Van Domelon, 1998).

Second, targeted areas should have the organizational and institutional capability, knowledge and resource capacity to prioritize community needs and assess expected project outcomes for pursuing community development. This requires a community organizing group or principal to voice community needs and priorities. While these two conditions are not required for Social Fund implementation, their satisfaction, however, raises the probability that the objectives of the Social Funds will be accomplished (Batkin, 2001; Owen & Van Domelon, 1998).

The key requirement, as already explained in chapter 2, for sustainable community development is based on the participation of communities in decision making process thus assisting them to build capacity to take long-term control and ensuring quality of life. It also identifies the importance of building social-

human- and financial capital to enable communities to be sustainable. Following is an outline of the Anglo Chairman's Fund activities in relation to the said characteristics

Geographical focus: The Fund aims to make 60% of its grants to projects surrounding Anglo operations or in major labour sending areas. The remaining 40% is made to 'Best Practice' projects nationally. These are usually made to well managed and financially stable organizations in support of projects that have sustainable results. These best practice projects generally fall outside of the Group's operating areas. The primary objective of Anglo American's socio-economic development programmes in the communities associated with its operations is to help empower local people with an appropriate mix of skills, education, economic opportunities and enhanced infrastructure in order for them to enjoy improved and sustainable livelihoods – now and beyond mine closure.

Community participation and collaboration:

The Chairman's Fund's mandate is to support development initiatives aimed at bringing new hope and opportunity to South Africa's disadvantaged communities. It is committed to making effective and sustainable use of resources to create an environment in which ordinary people assume greater control of their lives. The Chairman's Fund also works with government departments and provincial authorities to assist with the delivery of facilities to communities. The Fund and

the government share the cost of these projects while the Chairman's Fund provides expertise in implementation.

Engagement and collaboration is seen as the cornerstone of successful community development. The Fund management believes that through dialogue and discussion, both the Fund management and the community gain an understanding of the needs of and challenges facing a community as well as managing expectations. It is seen as the foundation for building a relationship of trust and equality (ACF Review, 2005).

The Fund management states that their experience has taught them that to eliminate socio-economic need in society, it is essential to uncover and develop the resources within society to address the identified needs, thus building social and human capital within communities. This process seeks to identify individuals or groups of people who are confident of their potential and capacity to initiate change and create opportunity.

- Development focus areas:

The Fund describes its focus areas as priority societal need areas, broadly classified under education, HIV/Aids, health, welfare, entrepreneurial development, arts and culture, environment, and policy and advocacy. As stated earlier, the Fund recognizes the importance of not only financially supporting social development initiatives, but physically getting involved with

the intended beneficiaries, mostly mine and rural communities, and to ensure value added and long-term sustainability through capacity building and skills transfer. Thus not only physical capital through infrastructure is transferred to the intended beneficiary communities, but also social and human capital.

If only focusing on the key characteristics identified for sustainable community development, it can be concluded that the way in which the activities for the identification, evaluation and implementation of social development projects have been structured, the Fund would be able to contribute to sustainable community development. There are however a point of concern when it comes to the ownership and maintenance of infrastructure projects. This concern is specifically related to the fact that the CSR program can do little to ensure the long-term sustainability of those communities that rely on the company's operations as their primary source of livelihood. A further concern is the sustainability of education and capacity building programmes provided by NGO's which is reliant on grant funding for their existence.

#### **4.5 Summary**

The chapter focused on the three main CSR programmes run by Anglo American Plc. Each of the three selected programmes was measured against their objectives for the desired impact on sustainable community development. This was done by looking at the objectives of each programme, the geographical scope of implementation, capacity building of local communities through active

participation in the decision making process within these programmes and lastly the value added that the beneficiaries receive, whether it be social, human, or financial capital (de Coning and Günther, 2009 ).

## **CHAPTER 5**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

The analysis provided in the previous chapter supports the understanding that companies' CSR programs can contribute to the sustainable development of the communities in which they operate. However, the analysis provided also suggests that the degree to which CSR initiatives can contribute to sustainable development depends largely on the way the initiatives are designed and how they respond to local circumstances. This chapter outlines three main conclusions that can be drawn from the case studies and related research and offers a few suggestions regarding ways companies can increase the contribution their CSR programs make to local sustainable development. The chapter will conclude by identifying some topics for future research that could offer practical solutions to some of the challenges companies face when trying to contribute to sustainable development through CSR initiatives.

#### **5.2 Conclusions**

No single text on a topic as complex, wide-ranging and dynamic as corporate social responsibility and sustainable community development can cover all issues or satisfy all needs. It is argued through the literature review that a framework for sustainable community development would encompass three elements, namely; sustainable development that has a local focus; increasing the strength and

effectiveness of communities and improving people's quality of life by enabling people to participate in the decision making to achieve greater long-term control over their lives, as well as practices that help convert one local asset, a non renewable resources capital, into another local asset, sustainable human-, social- and financial capital.

It is arguable whether mining companies are best placed to decide what's best for the community, what will build social capital and what will deliver long-term sustainable development. However, a lack of government presence can also mean that mining companies are required to undertake a role that they believe governments should perform. This blurring between state and corporate roles can lead to community dependency on badly planned and poorly consulted community development programmes that might not have been properly incorporated into overall government development plans for a specific community.

Sustainable community development projects and programmes are dependent on the inclusiveness and efficiency of the community consultation processes. The Anglo SEAT process would be able to significantly contribute towards long-term sustainable community development through continued interaction between the mining operations and affected communities. The SEAT process enables the company to better understand the concerns, needs and priorities of the communities associated with Anglo's mining operations, by means of continuous

engagement. This continued interaction builds capacity within communities and enable them to take the leading role in determining the sustainability of development initiatives aimed at improving or bettering their quality of life.

The primary objective of Anglo American's socio-economic development programmes in the communities associated with its operations, is to help empower local people with an appropriate mix of skills, education, economic opportunities and enhanced infrastructure in order for them to enjoy improved and sustainable livelihoods – now and beyond mine closure.

The way in which CSR projects implemented by the Anglo Chairmain's Fund strengthens the researcher's conclusion that CSR programs of mining companies has the potential to contribute to the sustainable development of the communities in which they operate. However, the analysis provided also suggests that the degree to which CSR initiatives can contribute to sustainable development depends largely on the way the initiatives are designed and how they respond to local circumstances. The company should where possible refrain from philanthropic donations as it has a short-term impact and may foster dependency which threatens communities long-term sustainability. To ensure long-term sustainability, capacity building should form part of all the social programmes as it helps communities to at a later stage help themselves.



Through the Anglo Zimele programmes, the company can assist communities in Cultivating economic activity at a local level, as well as a national level, thus helping communities to create a sustainable future for themselves.

### **5.3 Recommendations**

CSR is an important topic and one which every organization should recognize as crucial to them. Given the growing importance of the management of social issues at mining operations to: obtain a social license to operate; maintain stable relationship with local, district and national government; and mining operations reputation, an ability to plan for measures that support host communities, it is important that social development planning and management become a core business requirement in the South African mining sector. There should be greater management support and accountability relating to the management of social issues at mine level. This should form part of the management incentive schemes, to ensure greater commitment at senior management level for the effective handling of sustainable community development and other social issues.

Donations and philanthropic social spend are the easy part of contributing to what might be seen as sustainable community development. The reality however is that in these poorly planned community development projects, the community's role is mostly that of benefactor and not stakeholder, specifically if it's some one else's money. Sustainable community development is much more than just

getting financially involved in community development projects by addressing social needs of communities adjacent to or affected by mining. Its about making communities part of the decision making process on issues that directly effect the quality of their lives and the sustainability of the capital on which their livelihoods depend. Trust and co-operation are essential for achieving sustainable development at community level. The role of social and human capital is crucial to the success of sustainable community development. Communities with a high degree of social capital formation are more feasible than those with a low degree of social capital. Therefore, programmes which focus on building social capital should have a positive impact on economic development, incomes and standards of living. The development of social capital requires investments in programmes that mobilize local people around a variety of local development initiatives.

More research is required on what constitutes successful sustainable community development. Definitions on sustainable community development vary depending of the development priority of the research. Being able to define community development theory and practice from an academic perspective would add tangible value to international and South African development agenda, as this is mainly defined and driven through a political agenda.

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## **Appendix 1**

### **INTERVIEWS**

<b>Interviewee</b>	<b>Date</b>
Nick van Rensburg, CEO Anglo Zimele	November 2007
Jonathan Samuels, Manager Community Development, London Office	October 2007
Karin Ireton, Head of Sustainable Development, Anglo American	September 2007