THE POLITICS OF PRIVATIZING GOVERNANCE: THE POLITICAL AND INSTITUTIONAL DETERMINANTS OF CORPORATE SOCIAL RESPONSIBILITY IN AFRICA

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Companies often go above and beyond business requirements to promote development in the communities where they work. These efforts are frequently thought of as philanthropic acts aimed at generating good will for a company. However, previous findings, and the findings from this study, show that company efforts to promote what is often termed corporate social responsibility (CSR) cannot really be considered fully voluntary or philanthropic. CSR is shaped by economic, normative and institutional circumstances where a company is headquartered *and*, as this research will show, the institutional and political contexts where a company operates. While political and regulatory pressure for CSR in developing countries has previously been considered low, this research demonstrates the ways in which formal and informal political institutions do actually influence the CSR process in the African context.

This dissertation uses a comparative case study methodology to understand CSR processes. The case studies focus on comparing operations within mineral mining companies, using De Beers and Anglo Gold Ashanti (AGA) operations in three countries, Botswana, Ghana and South Africa. This is done in order to compare how CSR varies within an individual company, isolating the effect of operational location. The research is structured into three empirical sections based mainly on fieldwork in Southern Africa and CSR spending data collected from De Beers and AGA. In the first section, an adapted institutional analysis and development framework is used to display how initial conditions at mining locations, community attributes and national and local institutions influence the CSR processes at each mining operation. The second section examines the varying ways governments and politicians can control, influence or structure CSR. How these various forms of control effect CSR projects and spending is analyzed by comparing mining operations in Botswana, South Africa and Ghana and in South Africa over time. The final research section focuses on the role of local institutions in the CSR process and the importance of the relationships between communities, local governments and mining companies, drawing on fieldwork in South Africa and Botswana.

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AGA - Anglo Gold Ashanti

AGC - Ashanti Goldfields Corporation

BBBEE - Broad Based Black Economic Empowerment

BDP - Botswana Democratic Party

BEE - Black Economic Empowerment

CSI - Corporate Social Investment

CSR - Corporate Social Responsibility

DBCHAPP - De Beers Community HIV/AIDS Partnership Programme

DMR - Department of Mineral Resources

EIA - Environmental Impact Assessment

GEAR – Growth, Employment and Redistribution

HDSAs - Historically Disadvantaged South Africans

IAD - Institutional Analysis and Development

IDP - Integrated Development Plan

JTC - Jwaneng Town Council

JSE - Johannesburg Stock Exchange

LED - Local Economic Development

MPRDA - Mineral and Petroleum Resources Development Act

NEDLEC - National Economic Development and Labor Council

NGO - Non-Governmental Organization

P - Pula (Currency of Botswana)

PAIA - Public Access to Information Act

RDP - Reconstruction and Development Programme

SIA - Social Impact Assessment

SLO - Social License to Operate

SLP - Social and Labor Plan

R - South African Rand

VDC - Village Development Council

PREFACE

This dissertation is the product of five years' worth of training and research, but it has by no means been a solo effort. My committee members have all helped me along the way to make my research more precise, more relevant and more complete. I would especially like to thank my chair, Ilia Murtazashvili, whose office door was always open and was always willing to talk about any aspect of the research process. I would also like to thank him for his willingness to collaborate with me on related research topics that allowed me to expand the scope of my own fieldwork. All of my other committee members, Louis Picard, Jennifer Murtazashvili and Laura Paler, brought their own unique perspective to my research, giving me many valuable insights that went into the research presented here today, but also many ideas for expanding my research in the future. Each committee member instilled confidence in me about the importance of my topic and my capabilities in carrying out the research, which was invaluable.

I also have to take a moment to acknowledge those who made my data collection and fieldwork possible. Louis Picard was a constant source of support and knowledge when it came to designing and implementing my fieldwork in Southern Africa. Not only did he provide me with the contacts that gave me institutional support during my two research trips to Southern Africa, but he was also ready to discuss any arising issues as I was traveling (even phoning in from his own travels in Uganda). I also need to thank the University Center for International Studies, the Nationality Rooms' Wendell Wray Memorial Scholarship and GSPIA's Professional Development Fund for funding my field research. My time in Southern Africa was filled with many very helpful people who talked to me at length about my research, but also provided logistical support, such as the School of Governance at the University of Witwatersrand, who

housed me as a visiting researcher during both of my trips to Johannesburg. Moreover, I have to personally thank Niki Woolf Legwaila and Mookestsi Theo Legwaila for providing me with a place to stay during my fieldwork in Gaborone, Botswana, and for making the often-stressful task of conducting fieldwork feel a bit more like being at home.

There are those who lived through my dissertation research in a professional setting, and there are those who lived through every single minute of the process. I have to thank my parents, Claudia Coulton and James Corrigan, who have supported me, both financially and mentally, through every single step of my education, from practicing for spelling tests in elementary school, to fighting through the frustrations of pursuing a master's degree in a foreign language, to visiting me during my work in Southern Africa. My work is better and I am better because of their unyielding support. Lastly, I have to thank my husband, Tim Buchholz, who moved to Pittsburgh from Germany, without hesitation, so that I could pursue my PhD and has lived through every stressful moment of this program with me. He has been a constant source of assurance and support for my work and my capabilities, even accompanying me through rural Limpopo, South Africa to see what was really going on in and near the country's largest diamond mine. He has been my greatest asset not only because of his unending support for me and my work, but because he pushes me to examine every aspect of my research. He challenged me to question the assumptions that surround this research at every step, which has unquestionably made my work stronger and hopefully more impactful. I truly value everything he and the rest of my family have done for me.

1.0 INTRODUCTION

HIV/AIDS infection rates in Southern Africa are the highest in the world with 23.9%, 18.1% and 15.4% of the population infected in Botswana, South Africa and Namibia respectively (Human Rights and Business Dilemmas Forum). In August 2002, De Beers, and their now parent company Anglo America, announced that they would provide anti-retroviral treatment to all HIV positive employees in their entire Southern Africa based workforce. This program, in addition to HIV/AIDS counseling, testing and education programs, was implemented voluntarily by De Beers at a cost of around 126 USD per employee per month. As of 2010, approximately one-third of their employees (or about 4,000 workers) were receiving treatment (World Coal Association 2012). This works out to a cost of over $6 million per year to De Beers.

Employees are not the only beneficiaries. De Beers has extended this service to the dependents of employees and, in most of the company's operations in Southern Africa, this treatment coverage is also made available to the surrounding communities, often in partnership with government or Non-Government Organizations (NGOs). In South Africa, for example, the De Beers Community HIV/AIDS Partnership Programme (DBCHAPP) invested a total of $3.9 million in community projects over three years in the mid-2000s (Human Rights and Business Dilemmas Forum). More generally, in 2012, De Beers spent over $15 million on health and welfare project for populations beyond their workforce (De Beers 2012b).

Why would De Beers choose to provide health care to their workers and broader populations? Why would any mining operation open schools for children in the countries where they operate and make efforts to protect land for wildlife? These efforts are often thought of as philanthropic acts aimed at generating good will for the company. However, previous findings and the findings from this study show that company efforts to promote what is often termed corporate social responsibility (CSR) cannot really be considered fully voluntary or philanthropic, nor can they simply be understood as consumer "green washing" to improve sales. CSR is shaped by firm level economic, normative and institutional circumstance *and*, as this research will show, the institutional and political contexts where company operations occur. Using an adapted institutional analysis and development (IAD) framework to outline the various ways in which local socio-political context influences the CSR process, this research examines the varying role of institutions in the CSR process using cases from the mining industry in Africa.

In spite of the arguments that CSR is largely self-regulated in developing countries, this research will show that state and local institutions have important roles to play in the CSR process and that institutional differences between operational locations can explain variation in CSR decision making and CSR outcomes. In order to isolate the effect of operational location on the CSR process, the study uses within firm case studies from two mineral mining companies, De Beers and Anglo Gold Ashanti (AGA). The varying roles of the state and of local institutions are examined in detail for the firms' operations in Botswana, Ghana and South Africa.

1.1 CONTRIBUTION

There is a very large literature seeking to describe and explain CSR. While there is no consensus on the exact meaning of CSR, most definitions include the idea of "meeting legal requirements and broader expectations of stakeholders in order to contribute to a better society through actions in the workplace, marketplace and local community and through public policy advocacy and partnerships (Forstater et al. 2010)." Using this broad definition as a point of departure, this dissertation builds upon and advances the CSR literature by examining how the local context in which companies operate, particularly the institutional context, affects their CSR efforts.

There are two overarching contributions of the research. First, the study reveals the ways in which CSR is not solely a voluntary endeavor in developing countries, as has often been imagined, but is a requirement influenced by political and institutional factors where companies operate. Second, this dissertation expands upon the relatively well-researched topic of non-state actor governance by focusing on the role that the private sector (as opposed to NGOs) can play in the provision of public services and local governance through CSR. This contribution is especially pertinent to developing countries and rural mining areas where state capacity is often low.

More specifically, this study illuminates several relatively unappreciated aspects of how CSR strategies are formed. By focusing on how individual companies vary their CSR strategies across several locales, many factors that vary across companies, and have been explored in previous international, multi-firm studies, can be held constant. Controlling for these factors allows for an examination of how the variation in operating environments influences CSR strategies. Dashwood (2012) argues that there is a need for more research on why the same company implements CSR differently across countries or across regions within a country. This study advances the CSR literature through its focus on how the socioeconomic, institutional and political contexts in the countries of operation impact CSR, while reducing the confounding effects of corporate level pressures and policies that have plagued many previous studies. By collecting quantitative and qualitative data on CSR spending and practices from individual operations within mining companies, a type of data that has until now not been used in the CSR literature, this study is able to isolate the influence of local context on CSR practices. One of the most important applications of this method is the isolation of various types of institutional influences, be they formal regulations or informal structures, on the CSR process, again contributing to the understanding of the non-voluntary aspects of CSR.

Moreover, by focusing on case studies within the Sub-Saharan Africa (as will be further discussed in the methods section), this research contributes to current CSR literature by expanding the logic of CSR to a developing world context. While the literature on CSR is extensive and many case studies have been completed in a variety of industries and regions (Blasco and Zolner 2010; Matten and Moon 2008; Aguilera and Jackson 2003; Apostolakou and Jackson 2009; Maignan and Ralston 2002), there has been little application of the findings in developing countries (Ofori 2007) or comparison of practices between or within developing countries. Yet the meaning and practice of CSR varies widely across countries (Matten and Moon 2008) and, as Hilson (2012) argues, there are many reasons to think that findings concerning CSR in developed countries may not easily translate to developing countries. However, as this study finds, even in developing countries with relatively weak state capacity, there is a still a role for the state in the CSR process.

Lastly, the chosen case studies provide insight into the role of the private sector in community development. Given the unique conditions in the developing world, the example of the mining industry in Africa is particularly salient because of the prominence of the extractive industries in the region and the enormous potential that natural resource extraction projects hold for generating wealth and economic development for this struggling continent. While mining in Africa has been the subject of considerable public and media attention, both in terms of the problems generated and corporate social responsibility solutions provided by the industry, there has been less scholarly inquiry on the topic. Furthermore, CSR in the mining industry is heavily focused on gaining company acceptance in the community where it operates. Many previous studies looking at determinants of CSR have focused on consumer or employee drivers and left out communities as stakeholders (Aguilera et al. 2007; Aguilera and Jackson 2003). However, CSR aimed at communities is very relevant to industries such as mining and it is important to understand how these companies contribute to the broader economic and social development of communities through their CSR projects. Examining how companies vary their CSR practices between operational contexts (in this case, selected regions of Africa) represents an important set of cases for inquiry. Such comparisons illuminate the role of private sector driven development, which is an underexplored area in the comparative CSR literature.

1.2 BACKGROUND

This dissertation ties together several themes: determinants of CSR, the role of non-state actors in developing world and the literature on mining and resource extraction in Africa. Below, the key features of each perspective are reviewed.

1.2.1 Determinants of Corporate Social Responsibility

This study builds upon the economic, normative and political explanations for CSR in order to understand how operational context affects company CSR strategy. Past research has utilized several different approaches to understanding why firms carry out CSR policies. Economic or business explanations look at CSR as a strategy for profit maximization. Departing from the classic argument that firms can and should only act in a self-interested manner and that their only "social" responsibility is to their shareholders (Friedman 1970), "stakeholder theory" helps to explain why firms' motivations for profit maximization and their seemingly counterintuitive actions in voluntarily expending profits to surrounding communities are actually linked (Freeman 1984).[1] Instrumental stakeholder theory links 'social' business explanations to transaction cost economics (Jones 1995) by arguing that when relationships between stakeholders are fundamentally strengthened by mutual trust and cooperation, transaction costs decrease and risks are reduced, thus, facilitating profit maximization.

Business explanations, especially when referring to extractive industries, rely on the idea of the social license to operate (SLO) (Gunningham, Kagan, and Thornton 2003; Gunningham, Kagan, and Thornton 2004; Wilburn and Wilburn 2011).[2] A company not only needs a legal license to operate from the state, but also an SLO from the surrounding community and other stakeholders. The financial risks of an operation do not just include technical risks, but also non-

[1] Stakeholders can be defined as groups "without whose support the organization would cease to exist" (Freeman 1984). Stakeholders can include employees, government officials that have influence over industry and regulation, as well as communities that are directly or indirectly affected by operations.
[2] Gunningham et al. (2004) define a social license as demands on and expectations for a business enterprise that emerge from neighborhoods, environmental groups, community members and other elements of the surrounding civil society (p. 308).

technical risks.[3] Without an SLO, operations will not be efficient. Many authors have examined the connections among CSR and stakeholder relationships, reduced risk and increased efficiency (Berman et al. 1999; Godfrey 2005; Godfrey, Merrill, and Hansen 2009; Knox and Maklan 2004; Kurucz, Colbert, and Wheeler 2008) or how an SLO may be granted and maintained (Moffat and Zhang 2014; Prno 2013). However, the question of how individual companies may shift their strategies depending on stakeholder context has not been widely studied. From these economic explanations, CSR is not seen as purely voluntary, but as an economic necessity for a firm to be profitable. However, these explanations are not focused on the political or institutional forces that demand CSR, but on the economic forces.

A second broad perspective focuses on the role of norms in motivating CSR. Traditionally, states were seen as the main actors responsible for the spread of global norms and global governance. More recently, this literature has begun to include the role of non-state actors (Ruggie 2004). Companies are responsive to changing global norms and pressures from NGOs (Vogel 2005). However, companies can also be the disseminators of norms regarding CSR (Dashwood 2007a; Dashwood 2007b).

Furthermore, internal organizational processes and managerial leadership also explain why certain firms arise as leaders in promoting new CSR trends within certain industries (Dashwood and Puplampu 2010; Dashwood 2012). For example, managers that are "social stewards" and derive negative utility from environmental and social damage may pursue sustainable and socially responsible initiatives even when they do not necessarily lead to financial gain (Dutta, Lawson,

[3] "Non-technical risks relate to the managerial, legal, social and political issues faced by a project, in contrast to the technical risks (i.e. the physical, structural, engineering and environmental risks). The technical and technocratic focus of many project staff (and their asocietal mentality) means that the technical risks are usually fully considered whereas the non-technical risks are under-considered or ignored altogether. Nevertheless, because of the protest actions local communities can take, non-technical risks are potentially serious financial risks to a project and therefore should be fully considered and addressed."(Vanclay et al. 2015)

and Marcinko 2012). Therefore, the pressure from CSR under these explanations comes overwhelmingly from internal or external societal pressures.

Even when international regulations exist to prohibit certain irresponsible firm behavior, these pressures would affect a firm or industry as a whole. Moreover, while the internal normative pressures for CSR may vary between companies, these forces should not fluctuate drastically among any individual company's operations. Companies usually establish overarching principles governing CSR, but these would extend to all operations. Therefore, neither internal pressures and leadership or global norms or standards can explain variations in CSR strategy across a firm's operating contexts.

A third set of explanations stems from a politicalized or institutional understanding of CSR, where firms are seen as embedded in the policy making process (Scherer and Palazzo 2007; Scherer and Palazzo 2011). This means that companies based in political-economic systems with strong institutions for social embedding of the economy have comparative institutional advantages for success in CSR (Gjølberg 2009).[4] Factors such as the political conditions and expectations which are present in a company's home market will impact whether a firm might pursue CSR activities (Detomasi 2008).

Furthermore, a firm's exposure to domestic, political-economic factors may arguably influence CSR performance (Gjølberg 2011). In the European context, it has been found that the nature of CSR differs depending on whether a company is located in a liberal economy, where CSR is more voluntary and strategic, or coordinated economy, where it is more mandatory and motivated by compliance. Displaying or promoting a particular type of CSR can often act as a substitute for institutionalization in many contexts (Apostolakou and Jackson 2009). Institutions

[4] However, there is still a debate in the literature as to whether CSR is more present in contexts with stronger institutions compared to weaker institutions, a debate this research will try to contribute to (Kang and Moon 2012).

and norms can also interact with socio-economic contexts to produce differences in how companies carry out, speak about and conceptualize CSR across countries, as Blasco and Zolner (2010) demonstrate when comparing France and Mexico.

These political and institutional theories contribute to the idea that CSR is not purely voluntary or self-regulated, but is shaped by regulation and informal institutional forces. However, this literature tends to emphasize the influence of the context in which firms are headquartered. The institutional literature up to this point has not taken into account the context where operations occur and has focused almost exclusively on developed economies[5] rather than the political-economic context in developing regions. Thus, there is little research on the role of the political and institutional context in firms' operational contexts, and where state capacity may look very different compared to the developed world.

The above approaches to understanding why companies engage in CSR, as well as the approach this research takes, can be viewed as complementary. Explanations that conceptualize CSR mainly as a response to economic risk and compliance with international norms, or as a product of institutions in the countries where firms are headquartered, help to explain some of the variation in CSR efforts among industries or between firms. They demonstrate that CSR is not simply a product of philanthropic desire by CEOs, but is influenced by a variety of outside factors.

However, most of the previous explanations view the firm as a single entity and fail to fully account for variation within a firm among operational contexts. In order to explain why CSR practices differ within the firm, the context in which the firm is operating needs to be taken into account. Studies need to investigate the effects of a broad array of site level factors, including those that are geological, social and institutional.

[5] For instance, van der Heijden (2015) looks at the role of the state in promoting voluntary environmental programs by companies, but only looks at Australia, the Netherlands, Singapore and the United States.

1.2.2 CSR in Developing Countries

Globalization has weakened the capacity of the states around the world to effectively intervene in social, political, economic and cultural issues. As a result, groups have turned to non-state sources to voice their concerns (Ayres 1997). In the developing world , where states are already dealing with issues of low capacity, non-state actors often have to act to fill in the “governance gap” (Ruggie 2004). The phenomenon of non-state provision of public goods, services and governance has been widely observed and studied in the developing world, particularly in the context of NGOs (Brechin and Salas 2011; Brinkerhoff 1999; Cammett and MacLean 2014a; Obiyan 2005). However, less research has been conducted on the incentives for, and implications of, private sector actors, particularly non-development oriented companies, filling in gaps in governance and taking on the role of public goods and services provision (with some notable exceptions outlined below).

Private sector governance actors can be for-profit development oriented companies that are either contracted by the government or provide a product the government would normally provide as their main business. They can also be firms whose profit-making activities have nothing to do with governance or generating economic development, but that contribute to governance through CSR, such as the cases that will be discussed in this study (Cammett and MacLean 2014b). Private sector actors have different incentives from NGOs and other non-profits, including responsibilities to shareholders and a focus on profit making, and are also subject to different regulation and scrutiny.

At the same time, CSR itself has very few standards that are not proscribed by firms themselves and even fewer enforcement mechanisms, thus, these are largely unaccountable efforts. Companies from major profit-making industries, such as mining, also differ from NGOs in that the tax revenues they generate and employment opportunities they provide are usually more significant. Due in part to this difference, these private sector actors hold distinct power balances with the various governments they interact with as compared to NGOs. However, companies can have positive development impacts under certain circumstances, but there is often an inequity in terms of who would benefit from private sector goods and services provision and the increased role of companies in governance can shift accountability away from the state[6] potentially leading to undermining of political development (Jones-Luong 2014). This study builds upon limited literature, attempting to understand how companies can promote local governance and service provision in a given context through CSR and how this contribution is defined or what shape it eventually takes. Furthermore, evidence from fieldwork adds to the insights of Jones-Luong (2014) on the implications of private sector governance for state accountability and capacity building.

Understanding the role of private sector actors in governance is critically important when trying to explain CSR in a developing country context (and in rural mining areas) where large governance gaps exist. The concept of CSR is relatively new in developing countries as compared to Western countries and CSR agendas have largely been built upon frameworks that were developed for Western communities (Idemudia 2011). As such, it is less empirically apparent how companies adapt their CSR agendas, decision-making processes or definitions to deal with the context of a developing country.

In order to understand the role of the private sector in governance in developing countries, it is first important to understand how CSR may differ in the developing country context. While previous studies have examined how CSR differs among countries looking at institutional factors, they have often focused on western societies (Matten and Moon 2008). Matten and Moon (2008),

[6] Garvin et al. (2009) also find this to be the case in Ghana.

themselves assume some institutional prerequisites for their analysis such as the following four areas: (1) a functioning market in which corporations have discretion over their responses to market, social or political drivers, (2) functioning governmental and legal institutions that guarantee, define and administer the market and act on behalf of society to address instances of market failure, (3) that institutions neither capture nor are captured by market actors and (4) that there exists a civil society that institutionalizes and articulates social values and preferences, to which government and market actors respond. They acknowledge that in many developing countries their prerequisites do not actually exist.

Visser (2008) argues that there are four ways in which CSR in a developing country context is distinctive. First, the target countries are some of the most rapidly expanding economies in world and offer very lucrative growth markets for businesses. Second, they are the settings where social and environmental crises are most acutely felt. Third, developing countries are where globalization, investment and future economic growth are likely to have the greatest social and environmental impacts. Forth, "developing countries present a distinctive set of CSR agenda challenges which are collectively quite different from those faced by the developed world (p. 474)."

There are many arguments against applying the findings concerning CSR in developed countries to developing countries (Hilson 2012). Primarily, in developed countries, pressures on companies for CSR emanate from consumer demands, the strength of labor unions or legal regulations. These same market and legal pressures cannot be assumed to be present in developing countries. For instance, Visser (2005) argues that there is increasing pressure for companies to engage in charitable giving in Africa, but less legal or ethical responsibilities, compared to the United States or European Union.

Secondly, developing countries often suffer from weak or non-existent state capacity and the lack of regulation or ability to enforce that regulation. Therefore, corporations operating in developing countries find themselves in a more advantageous position to either self-regulate their CSR investments or avoid CSR regulation altogether. The shrinking role of the state results in two separate effects. First, stakeholders with grievances can go directly to companies in lieu of utilizing traditional government resources for the obvious reason that companies are often the most available and most capable actors around. Secondly, companies are observed to be consulting government less on issues related to environmental protection and worker safety, choosing instead to develop their own frameworks. As such, self-regulation has become an increasingly important and viable alternative for many corporations (Börzel et al. 2011).

Firms may also have incentives to provide CSR in the form of public goods and services and governance in areas of "limited statehood" even when not required. This is because companies require at least a minimal level of governance in society to have efficient operations and companies prefer self-regulation to increased government regulation or interference (Börzel and Risse 2010). Furthermore, if the profitability or efficiency of a firm depends on providing of a certain common goods or institutions that the state is not willing to provide, the company may choose to voluntarily provide this common good or institution itself in order to fill in a gap that is impeding efficiency. Limited statehood might explain, in some contexts, why companies voluntarily provide governance where not required (Börzel, Hönke, and Thauer 2012).

As a third explanation, weak state capacity in developing countries often means that companies are working in environments where basic social welfare programs are not provided by the government. The depth of basic human needs can create significant pressures on companies in developing countries as compared to developed countries. Azer (2002) argues that the growing expectations of stakeholders and the shrinking role of the state are two powerful drivers for CSR. Companies are now experiencing the increased expectation from stakeholders for providing the infrastructure and services that governments would normally provide, often in the absence of the state (i.e. local social pressure) (B. Campbell 2009; Garvin et al. 2009; Maconachie and Hilson 2013; Szablowski 2007; B. Campbell 2012).

However, as this research demonstrates, there *are* institutional and state-led forces that shape CSR decision making even an African context. Thus, while the forms of pressures for CSR may be different in a developing country context as compared to developed countries, one cannot eliminate the role of the state and local institutions in the process. Self-regulation and community demands do not fully explain outcomes. Regulatory and more informal institutional pressure to provide CSR does exist in the mining sector in Africa, but may be different in nature from in the developed world. Companies there may be dealing with pressure from different governing institutions than in developed countries (such as traditional or informal institutions), direct state involvement in the sector or formal and historically driven regulation, which can change decision-making processes as well as company strategies for dealing with stakeholders. This study will explore these factors in detail, adding to the literature on CSR in a developing country context.

1.2.3 Important Cases: Mining in Africa

This research adds an important empirical contribution by using the example of CSR in the extractive industries in Africa, specifically the mineral mining industry. Mining is particularly important as a case study for understanding mechanisms for economic and political development due to of the immense wealth it generates. Mineral production worldwide has grown enormously. In 2012, mineral production was already six times higher than in 2000. This is largely due to a major increase in demand from China, India and other emerging economies. In low and middle income counties, mining makes up 1-2% of total employment, 3-10% of nation income, 3-20% of government revenues, 30-60% of total exports and 60-90% of foreign direct investments (International Council on Mining and Metals 2014b). Therefore, extractive industries represent a major avenue for institutional and economic development in many underdeveloped regions. The potential is particularly important for Africa, since it has been argued that the majority of the continent's natural resource assets have yet to be discovered (P. Collier 2010).

The rents that the extractive industries generate in in Sub-Saharan Africa dwarf that of overseas developmental aid. Extraction constitutes 45% of all government revenues and 77% of all exports in Sub-Saharan Africa (Kaufmann and Manley 2014). Thus, harnessing the economic power of the extractive industries would have major developmental implications. Even without new resource discoveries, ten of the twenty countries most dependent on minerals for their exports in 2012 are in Sub-Saharan Africa. Furthermore, nine of the top eleven countries with the highest government revenue dependency on minerals are Sub-Saharan Africa. In Botswana, mineral revenues made up an average of 44.6% of government revenues from 2000-2011. The country with the next highest dependency, the Democratic Republic of the Congo, was at 25% (International Council on Mining and Metals 2014b). Therefore, because of the enormous development potential of the extractive industries, it is vital to understand in what ways positive contributions can be directed to economic development.

Furthermore, the mining industry provides clear insight as to how and why companies utilize CSR for development. First, and foremost, mining disrupts the surrounding environments to a significant and dramatic degree, more so than other industries or even other extractive industries (Diamond 2005). Secondly, consumer-driven industries (such as clothing or manufacturing) are normally concerned with branding a positive image of their product to consumers which is vital to profits. Therefore, major motivations for promoting CSR lie with creating an appropriate image for products that gives the product a competitive edge with consumers, thereby driving up profits.

On the other hand, supply-driven industries, such as gold or diamond mining, need not be concerned to the same degree with their consumer image, or at least not as a primary motivation. Most people who buy jewelry or electronics containing minerals cannot clearly identify which company provided the minerals used. Often these minerals do not even enter the consumer markets, being utilized instead during industrial or manufacturing processes. As a result, concerns about profits, competition and efficiency arise from disruptions that occur in the extraction process.[7] Therefore, extractive industries must concentrate their CSR efforts more towards gaining legitimacy with surrounding stakeholders rather than promoting a proper image amongst consumers.

Previous research on CSR in the mining industry has focused mainly on how institutional and cultural contexts in the country where companies are headquartered have influenced CSR practices. Dashwood (2012) controls for country of origin variation in her research by looking only at the CSR activities of Canadian companies. Similarly, Yakovleva (2005) looks only at Russian companies when comparing gold and diamond mining companies' CSR strategies.

However, less research has focused on how the local environment where operations occur can affect CSR practices. This is especially significant for the African context, as many of the major companies operating in African countries are multinational and are headquartered or doing

[7] Henisz, Dorobantu, and Nartey (2011) find that increasing cooperation and reducing conflict with stakeholders enhances the financial valuation of a firm, holding constant the objective valuation of the physical assets under its control. Using data from 26 gold mines owned by 19 publicly traded firms between 1993 and 2008 they find that the value of the relationship with politicians and community members is worth twice as much as the value of the gold.

business in other parts of the world. Therefore, understanding how "host country" context, in addition to home country context, affects CSR corporate strategy is an important area of inquiry.

Additionally, many resource rich countries have significant governance gaps, in terms of state capacity and unanswered demands from citizens, which could be filled by private sector actors. These governance gaps are often even more extreme in the rural mining regions of a country. Therefore, mining companies are often working in areas where they may have a particularly large role to play in promoting governance through CSR compared to other industries.

Furthermore, in many cases, the existence of a large resource sector may contribute to the governance deficit in regions where extraction occurs. It has been argued that countries with abundant natural resources tend to grow more slowly than countries without large quantities of natural resources (Sachs and Warner 1995). Subsequent findings have demonstrated that institutional weakness explains the negative economic effect of resource wealth (Boschini, Pettersson, and Roine 2007; Mehlum, Moene, and Torvik 2006; Robinson, Torvik, and Verdier 2006; Sala-i-Martin and Subramanian 2003).

Further research has examined exactly which institutional factors determine whether a country will fall victim to the resource curse or not. For instance, Jones-Luong and Weinthal (2010) argued that the structure of ownership, whether the resource is publically or privately owned and run and whether it is owned and run by domestic or international actors, determines whether a country will benefit from its resources or not. Ross (2001b) also demonstrates how institutional quality and strength cannot be viewed as a fixed factor. Institutions change in quality and strength as resource rents are appropriated.

Moreover, there has been a plethora of research concerning how the rents generated from natural resources can undermine democracy and accountability (P. Collier 2007; Ross 2001a), increase levels of corruption (Bhattacharyya and Hodler 2010; Busse and Gröning 2013), decrease quality of policy making (P. Collier, Hoeffler, and Rohner 2009; Iimi 2007) and can create political instability (P. Collier 2000; Ross 2002).

The mining industry has the singular potential to effect economic development in Africa like no other industry. Mining operations are also often located in countries or regions where the state lacks credibility or capacity or both, and thus, the governance gaps can be large. Mining companies cannot choose desirable locations for their operations, but must go where the minerals are located. Lastly, mining industry characteristics means that CSR is most readily used as a mechanism to gain support from local communities in specific operation driven locations, rather than consumers in developed countries. Therefore, the mining industry is a particularly important and clear case for examining the role of CSR in providing governance and public goods and services in developing countries and comparing these roles across geographically defined contexts.

1.3 RESEARCH QUESTIONS

There are two overarching research themes, outlined earlier in the chapter. The first revolves around understanding the non-voluntary nature of CSR at an operational level, specifically by examining the role of local politics and institutions in the CSR decision-making process and comparing CSR processes across varying institutional contexts. Second, this thesis broadly examines the role of the private sector (as distinct from other non-state actors) in the provision of governance and public goods and services by examining CSR which is aimed at community development in particular. These two broad themes are examined through a series of specific research questions aimed at understanding the role of local (meaning domestic or regional) context and local institutions in the CSR process.

The first question asks: how can we systemically incorporate host country/region contexts into our understanding of decision making over CSR and the CSR agendas that are produced? Chapter 2 delves into this question by developing a framework derived from the Institutional Analysis and Development (IAD) framework (E. Ostrom 2005). The framework incorporates firm level explanations for CSR from past literature *and* location specific factors identified through fieldwork that affect CSR in order to explain how decisions over CSR take place at an individual location (in this case, a mine). Three location specific factors are explored in detail (initial conditions, community attributes and institutions) in three different mine settings. From this understanding of the various factors that influence CSR at an operational level, the study focuses specifically on the role of institutions in the sections that follow.

The second research question examines more specifically the role of national institutions and poses the following: what are the various roles that the state can play in influencing CSR process? Chapter 3 looks at how protocols for decision making over CSR can differ within a company, between operational locations, depending on the role of the state in the mining industry. The effect state control has on CSR agendas and spending at mining sites in three countries are then examined. Through examination of the role of the state in the CSR process, the notion that regulatory or political pressure for CSR is neither non-existent nor non-predominate in these developing countries is called into question.

The final research asks: what is the role of local institutions in the CSR process? The importance of the relationships between communities, local governments and mining companies is examined in this context. Local governments in developing countries are notorious for lacking capacity and good governance, both in terms of financing public goods and services and accurately assessing the needs of their constituents. Thus, in many underdeveloped mining communities in Africa these needs are addressed by private sector provision of public goods and services in the form of CSR. Chapter 4 again explores the role of institutions in the CSR process, but at the local level, by asking how the seemingly private sector activity of CSR can be influenced by the relationship and institutional structures between communities and their local government.

1.4 RESEARCH DESIGN AND METHODOLOGY

The research questions all revolve the importance of operational context in determining CSR processes and outcomes. This involves considering why *one* company strategizes about and implements CSR differently depending on their operational location in order to isolate many firm level factors that can also influence the CSR process. An individual company will have similar influences from international norms, company structure and leadership, international market and consumer forces and home country politics no matter where operations occur. This leaves the context surrounding operations as a viable explanation for why CSR practices may differ.

Using the example of the mining industry not only allows for exploration of an important sector, but also a sector where operational location is very distinct and can be disaggregated to the level of each mine which has its own community and set of stakeholders. A set of mine staffers works on CSR projects for a particular mine. Each mine also has a particular geological context that can determine the economically viability of the site. Therefore, there can be variations in community attributes, local politics and the geological context at the mine level. However, many contextual factors vary at the national level. Specifically, regulation promoting CSR and state ownership in the sector.

Therefore, one can find the variation in different contexts by looking at the unit of analysis of either (1) mining company/country of operation or look even closer at (2) mining company/mine. This research will look at both levels, while holding the company as a constant, in order to understand the role of the state and the role of local institutions (see Figure 1).

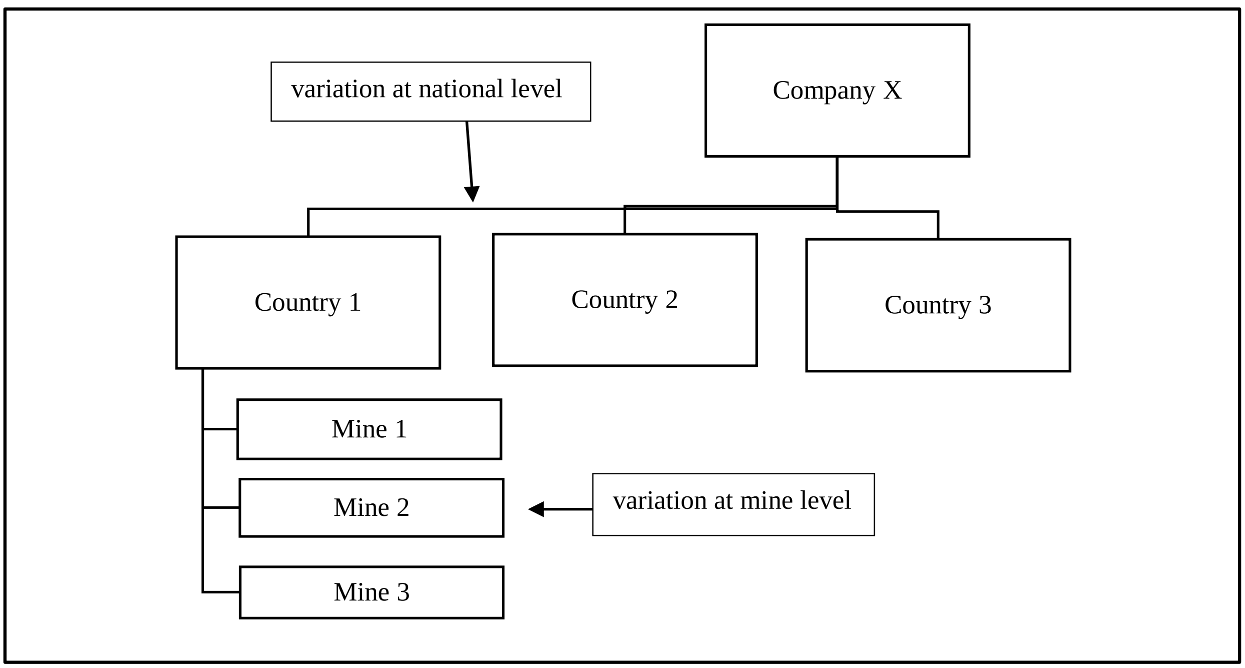

Figure 1: Research Design

Case selection was based on finding a single large-scale multinational mining company operating in developing countries that varied in their institutional contexts with regards to the mining industry. Additionally, the options for case selection were limited by the need to find companies with available data on CSR spending at disaggregated level. That said, data was collected from two companies. De Beers' diamond mining operations were the subject of fieldwork in South Africa and Botswana. These countries were chosen because of their variation in mining operation context at the national level and also the varying contexts that could be studied within South Africa.

The country level variation is explored in depth in Chapter 3. Botswana is a country with state partnership in the mining sector and little regulation about CSR. On the other hand, South Africa is the country in Africa with the strictest regulation concerning CSR and De Beers' mining operations are privately owned. De Beers represented the one company that has major mining operations in both countries. Therefore, data could be collected on CSR spending and processes personally through site visit trips to three mine sites. Qualitative interview based data was collected at all sites and more generally in both countries, as discussed in more detail below.

Additionally, De Beers' operations in South Africa allowed for a comparison of local level contexts. De Beers' major operations, Kimberly, in the Northern Cape, and Venetia, in Limpopo, are in very different regions of the country. Through field visits made to each site, it was clear that stakeholder influences and community needs differed between these locations. This will be discussed more in Chapter 2 and Chapter 4.

The second company, Anglo Gold Ashanti (AGA), was identified for a variety of reasons. First, AGA makes their disaggregated CSR data available online. It is the only large-scale mining company to do so and as such the choice was realistically based upon data availability. Second, the comparison between Botswana and South Africa illustrates how regulation can influence CSR processes, one of the main focuses of Chapter 3, while simultaneously demonstrating the effects of varying levels of state ownership of the mines. These comparisons, albeit imperfect, are necessary given that a comparative example within Africa of a state owned mining operation in a country with a high degree of CSR regulation could not be identified.

As such, for research purposes, isolating the effect of regulation on CSR processes would require examining a privately owned mining operation in a low regulation country. AGA provided just such an opportunity. AGA operates privately in South Africa, under a high degree of CSR regulation, and in Ghana, under low regulation. Thus, the cases of AGA in South Africa and AGA in Ghana are ideal for this comparison. The effects of regulation become even more evident when comparing AGA reporting data of CSR efforts both before and after increased regulation within South Africa. Chapter 3 reports on these findings.

This research is aimed at understanding how local (meaning domestic) context, particularly institutional context, affects CSR. A mixed methods approach is employed in order to understand how and why companies differs their CSR strategies depending on the context they are operating in. A mixed method approach is particularly valuable for research that is attempting to understand nuanced situations, such as where CSR is being employed. This approach allows for both quantitative and qualitative data to inform the research process.

As this research addresses the open question of the role of local institutions in the CSR process, data collection, in the form of semi-structured interviews, was also relatively open-ended allowing for exploration of all possible influences of operational context on CSR during the fieldwork as well as a constant re-evaluation of the questions and the concept categories as the data collection process was undertaken (Strauss and Corbin 1990). However, several types of data, beyond semi-structure interviews, are employed in the study and applied differently throughout the chapters.

First, interview data collected from experts in the field in South Africa and Botswana contributes to all three empirical chapters. This information, gleaned from experts, is particularly insightful for understanding the top down pressures from the state for CSR as well as the role of local institutions from the bottom-up.

Secondly, particularly with respect to the empirical study of state control of CSR, data from mining companies on their CSR spending at the mine level are used to compare spending across contexts. Data was collected in this form from two companies, AGA operations in Ghana an South Africa and De Beers operations in Botswana and South Africa, at nine different mining complexes (See Figure 2 and Figure 3). While AGA makes their data available online, De Beers' data had to be personally retrieved from each mine.

Lastly, secondary sources, primarily legislative documents, publically available census and survey data and other available company reports are applied in the case studies of Botswana, Ghana and South Africa and of the two mining companies (AGA and De Beers) in order to further understand the history and context of each case.

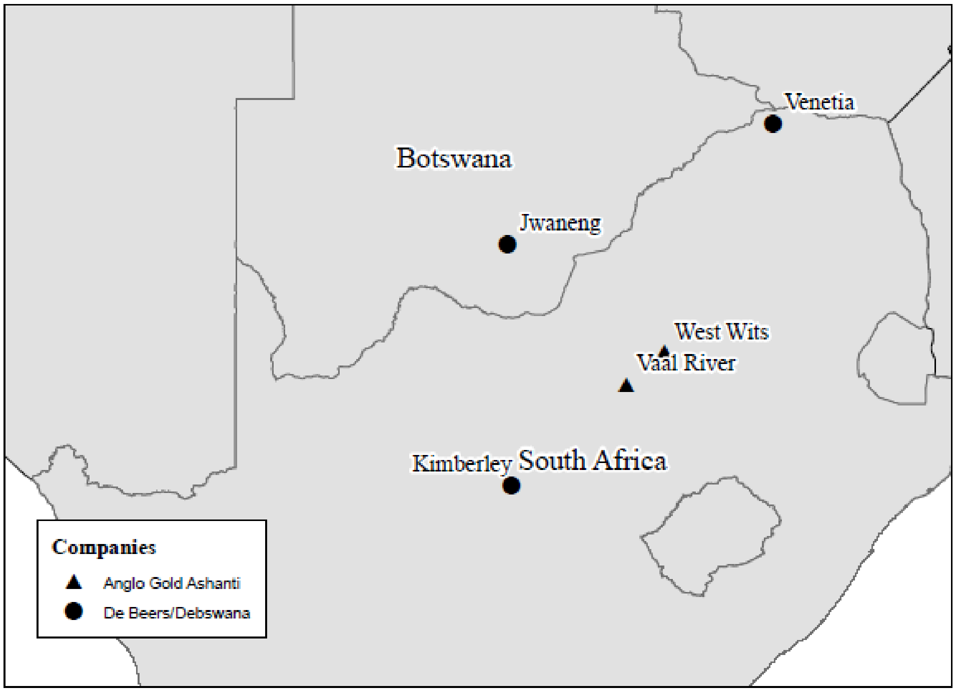

Figure 2: Map of Mine Locations – Southern Africa

Figure 3: Map of Mine Locations - Ghana

1.5 FIELD WORK

Fieldwork was undertaken for the purpose of collecting data for the case study of De Beers and the broader comparison of CSR in Botswana and South Africa. A preliminary round of fieldwork took place in May and June of 2013 in Gaborone, Botswana and Johannesburg, South Africa. Informal discussions were conducted with government officials, mining firm representatives and policy analysts in both countries for the purpose of formulating the research questions for this study. This first round of fieldwork, in combination with an analysis of secondary sources and company reports, identified the De Beers' operations in Botswana and South Africa, as the appropriate case studies for the main parts of this dissertation.

A second round of fieldwork in South Africa and Botswana took place in July and August of 2014. Approximately two weeks were spent in the South Africa's economic capital, Johannesburg, with a day trip to Pretoria. Additionally, about week was spent in the mining town, Kimberley, in the Northern Cape, where De Beers still has active operations as well as most of their administration. Another week was spent in the Limpopo province where De Beers' largest South African diamond mine is located. In Botswana, the majority of the time was spent in the capital Gaborone. However, an excursion was also made to the mining town of Jwaneng, where Botswana's largest diamond mine is located. One phone interview took place after returning from fieldwork.

The methodology used was in-depth semi-structured interviews (lasting anywhere between 20 minutes and 3 hours) with key actors in each country and observations made during site visits. The total sample size for the interviews was 44 individuals, 34 in South Africa, nine in Botswana and one phone interview. However, because of the historical and geographical proximity of the countries to each other, most interviews discussed the CSR context in both countries as well as more broadly in Africa. Observational notes were also taken during four guided tours of mining communities and various CSR projects in Johannesburg, Kimberley and Musina (near the Venetia mine), South Africa. Only one mine granted access to the actual mining facility (Venetia), although tours were requested at the Kimberley and Jwaneng mines as well.[8] The majority of the interviews were recorded and transcribed (tours were not recorded), though ten interviews were not recorded, either at the interviewees request or because of the informality of the situation. When the interviews were not recorded, extensive notes were taken during the actual interview and the notes were transcribed shortly after.

Interview guidelines were written beforehand for each of the main key actors groups, as discussed below. Open-ended questions were planned before each interview, but were constantly being revised in light of what was learned in previous interviews. Revision of the questions was necessary as time went on because new themes emerged in interviews and new patterns were detected. Typically, the interviewee would discuss their experiences and many of the anticipated questions would be answered in the normal progression of this conversation. The interviewer would then probe for details and also prompt the interviewee to address any questions that had not already been adequately covered.

In accordance with IRB standards, the interviewees were all informed of the research being conducting beforehand through an informational sheet and were told their identity would remain anonymous. The recordings, notes and transcripts contained no individual identifying information but were coded with a number for each interviewee. A code sheet linking the number to the interviewee identifying information was stored electronically on a secure server in a password-protected file. Therefore, while the quotes used throughout this research may refer to the key actor

[8] However, since community development CSR is the focus on this research, and not workplace CSR, the tours was of little consequence to the analysis. This just goes to show the extensive security and red tape associated with studying mining in the two countries.

group to which an interviewee belonged (i.e. “government” or “expert”), there are no names or specific titles provided in order to protect the privacy of interviewees.

The main groups that were approached for interviews were government officials from the department of mines or local governments, staff at NGOs, public and corporate affairs staff at mining companies (who are the main actors that engage with communities), union spokespeople, academics, regional and legal experts and what is termed “CSR experts” (who were normally either consultants for governments or companies on CSR issues or worked for institutes that did research on CSR).

The interview sample was recruited through a snowball sampling technique. This was the most useful method, since a representative sample would not benefit this research. The objective of the fieldwork was to gather information from those most directly involved in CSR in the mining sector in both countries, in essence, talking to the “experts” on the subject. Connections are, therefore, very valuable for this task. While a few key actors in each group were approached directly, many of the interviews were set in response to the recommendation of a previous interviewee.

One of the challenges of the fieldwork was obtaining contact information for potential interviewees. The contact information from the first round of fieldwork was retained, and a few of these same individuals were contacted in the second round for formal interviews or to obtain contact information for other potential interviewees. Websites were also searched for the emails of company executives, NGOs personnel, government representatives and CSR experts. This was done one month in advance of the fieldwork and continued throughout the fieldwork as additional interviewees were nominated. Email requests for interviews were sent, but in most instances, it was necessary to make repeated attempts to schedule meetings. A log was kept of outreach attempts to contacts. In general, government officials were the least responsive by email or phone. The second way that interviews were scheduled was through phone or email contact information for new potential interviewees from the people already interviewed. This was very effective as having a referral lent credibility to interview requests. Lastly, many CSR consultants or experts were found using a website called GOXI, which is a networking site for people who work in or do research on the extractive industries.

As a result of these efforts, the sample of interviewees represented a range of sectors and perspectives. The breakdown of the interviews by type are as follows. Four interviews were with government officials. Nine interviews were with people working for mining companies or directly managing mining company CSR. Additionally, two interviews were with the Chamber of Mines in each country, the collective lobbying organization for mining. Seventeen regional and CSR experts and two mineworker's union members were interviewed. Five academics from various universities in both countries were interviewed. Two representatives from civil society and human rights NGOs were interviewed. Additionally, several community members in the neighborhoods near the mining areas of the Witwatersrand in Johannesburg were informally interviewed during a tour.

In line with the methods suggested for interview data (Miles and Huberman 1994; Strauss and Corbin 1990) the interviews and notes were transcribed and then coded using ATLAS.ti. A total of nearly 48 hours were spent in interviews or on guided tours with key informants and 509 pages of interview recordings and notes were transcribed and analyzed.

Coding occurred in steps, but not necessarily in a complete sequence. Open coding was carried out by first reading in detail through the transcripts and freely coding any relevant passages. As the coding processes continued, categories of codes were developed, what Strauss and Corbin

(1990) term axial coding, and patterns emerged. Selective coding was the final step, allowing a focus on the data relevant to the research questions at hand. While these procedures represent clear coding steps, they take place throughout the coding process, as each new interview may bring up a new open code that is then later categorized.

For instance, the analysis began by exploring the interview transcripts for different interesting observations, such as, (1) “the government is the group that applies the most pressure to companies” or (2) “community needs drive what CSR looks like”, and coding them as needed (i.e. *state pressure* or *importance of community need*). Eventually, these open codes began to form patterns and were categorized. Major categories included, for instance, *Drivers*, *Types of CSR*, and *Effect on CSR* or *Problems Encountered*, each with sub-categories that described the possible different drivers, types, effects or problems. Most quotations were also coded by which country or mine they were referring to, in order to more easily enable comparisons between locations. These categories helped to establish the important patterns and findings from the data, which led to the selection of the relevant information.

1.6 OUTLINE OF DISSERTATION

The dissertation is divided into three main sections that examine each of the three specific research questions outlined above while more broadly addressing the two themes of the non-voluntary nature of CSR and the role of the private sector in governance and public service provision throughout. Each core chapter is outlined in detail below. The final chapter summarizes findings and implications and makes suggestions for future research.

Chapter 2 focuses on how domestic institutions, community attributes and initial conditions have shaped CSR practices at the De Beers Mines in Venetia and Kimberly in South Africa and in Jwaneng in Botswana. The analysis is guided by a modified Institutional Analysis and Development (IAD) framework (E. Ostrom 2005). According to this framework, CSR does not take place in a bubble, untethered from influences in the immediate vicinity. At the operational level, CSR is not simply a product of corporate governance and leadership, international norms or global economic conditions. There are additional, and sometimes unique, dynamics that emerge in each and every operational context. While the former factors have been well analyzed in the literature, less attention has been paid to the elements present where a company is carrying out operations, particularly in the local context. By looking at the layers of influence, from global to local, holistically, this chapter seeks to produce a clearer understanding of the forces shaping companies' CSR decisions by contrasting mines operated by the same company in very different contexts. Qualitative data from fieldwork as well as quantitative census and CSR spending data are employed to contrast the case studies.

The modified IAD framework demonstrates the importance of institutions as a main factor in understanding how CSR agendas are created at the local level. Fieldwork confirmed the strong role of state institutions in CSR processes in Southern Africa. The fact that CSR is considered a private sector activity and the role of the state in the CSR process in developing countries has been argued to be relatively low, makes this an interesting finding that deserving of wider exploration. Therefore, the role national level institutions play in CSR decision making and procedures is the focus of Chapter 3. Specifically, this chapter examines the ways in which governments and government representatives can control, influence or structure CSR in mining industries by theorizing about the potential roles of the state in the CSR process and examining differences across CSR processes in the mining industries in three different nations: Botswana, Ghana and South Africa.

State actors play a particularly significant role in CSR for mining industries because natural resource extraction is directly tied to the land and must operate within the communities that surround the resource in question. Therefore, when dealing with extractive industries, it is often impossible to clearly separate private sector activities from state or political activities. The same is true for the CSR processes and practices in extractive industries where they often represent a particularly clear case of state involvement in CSR.

Chapter 3, therefore, outlines a typology for state control using two factors believed to be relevant, state ownership of mining activities and regulation concerning CSR. The chapter draws on qualitative data from interviews conducted in the field as well as secondary sources. It also employs quantitative CSR data gathered from two mining companies, AGA and De Beers, in order to compare CSR spending across varying contexts of state control of CSR.

The final research section focuses on the role of local institutions in the CSR process and the importance of the relationships between communities, local governments and mining companies. Many of the activities that companies engage in under the label of CSR involve the provision of public goods and services to local communities. These are things that local governments would usually provide, what Valente and Crane (2010) term "public responsibilities." However, efficient provision of public good and services depends heavily on the capacity of the government and communication between a local government and its community (V. Ostrom and Ostrom 1999). Local governments in developing countries notoriously lack capacity and good governance, both in terms of financing public goods and services and accurately assessing the needs of their constituents. Thus, in many underdeveloped mining communities in Africa the private sector steps in to provide public goods and services.

Chapter 4 explores how the process for this seemingly private sector activity is influenced by the relationship and institutional structures between communities and their local government. The capacity of the local government to finance public goods and a community's confidence in the local government's ability to accurately reflect community concerns and deliver services are two factors that are explored in relation to the role of local institutions in the CSR process. Furthermore, using the example of a traditional community in South Africa, the Royal Bafokeng Nation, demonstrates the potential for credible alternative mechanisms of community consultation. Finally, the last discussion is the governance implications of private provision of public goods and services. The section draws heavily on data from field interviews in South Africa and Botswana, company and local government reports, secondary sources and publically available survey data.

2.0 A CORPORATE SOCIAL RESPONSIBILITY FRAMEWORK

Lessons from an Institutional Analysis and Development Framework

Abstract:

This chapter draws on an Institutional Analysis and Development Framework (IAD) to build a framework for understanding of how local context influences the CSR process. CSR does not exist in a vacuum. It is not purely a product of corporate governance and leadership, international norms or economic conditions. All of these factors, in addition to others, influence the CSR practices that emerge in each and every operational context. While the former factors have been well analyzed in the literature, less attention has been paid to the factors present where a company is carrying out operations, particularly at the local level. By looking at all of these factors more holistically, a deeper understanding of how CSR practices are shaped becomes clearer. The mining industry is a particularly useful example for examining the systems in which CSR exists. Therefore, as an example of the usefulness of the framework, the CSR contexts at the De Beers Mines in Venetia and Kimberly, South Africa and Jwaneng, Botswana will be examined.

2.1 INTRODUCTION

CSR does not exist in a vacuum. It is not purely a product of corporate governance and leadership, international norms or economic conditions. All of these factors, in addition to others, influence the different CSR practices that emerge in each and every operational context. While the former factors have been well analyzed in the literature, less attention has been paid to the factors present where a company is carrying out operations, particularly at the local level. By looking at all of these factors more holistically, a deeper understanding of how CSR practices are shaped becomes clearer.

The mining industry is a particularly useful for examining the systems in which CSR exists. In that the locations of valuable minerals are fixed, mining companies must work in conjunction with the existing institutional and social contexts surrounding the desired mineral locations. Thus, companies cannot choose certain operational contexts based on preferred local characteristics. It is also a clear example because mining is intimately related to the land it occurs on and, therefore, displays the connection between the physical nature of production and the social, political and economic context where production occurs (V. Ostrom and Ostrom 1999).

Factors such as the initial physical conditions of mining locations, the attributes of the communities surrounding those locations and the political institutions that govern those locations are all mostly predetermined before a mining operation begins. Additionally, because of the mining industry's connection to the environment around it, it is often at the forefront of trends in CSR and is usually the largest CSR spender in an area by a significant margin. Thus, the example of the mining industry will be used to demonstrate how an adapted Institutional Analysis and Development (IAD) Framework (E. Ostrom 2005) can help to explain how CSR practices emerge.

This chapter aims to outline a framework for incorporating local context into explanations for CSR. First, the adapted IAD framework is described and argued to be useful for establishing a more nested and interconnected approach to understanding CSR, particularly in the mining industry. The framework attributes were identified through qualitative fieldwork in Southern Africa as well as previous findings in the literature and each attribute is discussed in detail.

Second, this chapter explicitly demonstrates the use of the framework, examining the ways in which a mining operational context will affect the conditions under which CSR planning takes place by contrasting the examples of (1) two diamond mines within South Africa and (2) a diamond mine in South Africa and in Botswana. These examples are not meant to test the framework, but to provide an illustration of how the framework can be used to understand the specific environments in which CSR occurs. The final sections will discuss the focus on institutions for the remainder of the dissertation.

2.2 AN IAD FRAMEWORK FOR CSR

As mentioned above, this chapter will propose that the strategies for or quality and quantity of CSR is not determined by one single factor, but is more a product of multiple and nested influences that vary by operational location. Strategies and planning for a firm's CSR agendas take place in a particular and unique operational context. Previous research has indicated that local factors and relations are complex, dynamic and certainly influence how a company engages in CSR. Hamann et al. (2005), for instance, purposed a complex systems approach to understanding how companies interact with local stakeholders and engage in CSR. The relationships between stakeholders (i.e. local government, NGOs, traditional authorities etc.…), not only between a stakeholder and the company in question, creates diversity in local context.

Yet, most research to date has only examined CSR from the perspective of the firm being a contained unit and the comparative work that does exist has not necessarily focused on the mining industry directly or the situation in developing counties (see Chapter 1 - Contribution and explanations below). In mining industry, each operation requires its own mining right, its own social and environmental impact assessments and may have its own specific form of ownership (i.e. is there a joint venture with the state or another company?). So, while one firm may own several mines in several different countries, each mine operates semi-autonomously, possibly under different levels of ownership. These differences, along with differing community characteristic, influence the CSR plans that are put into place. Figure 4 displays an overview of the factors that influence each and every mining operation. Each will be discussed in detail in the next section.

This framework permits examination of the institutional factors that affect CSR planning at each and every mining operation. Figure 4 depicts the process used to understand the context in which CSR planning takes place in a single mining operation. This framework is informed by Ostrom's (2005) analysis of the "action arena". That seminal framework is used to understand decision making and institutional development in general and has and can be applied to a multitude of situations ranging from voting behavior to governance of natural resources.

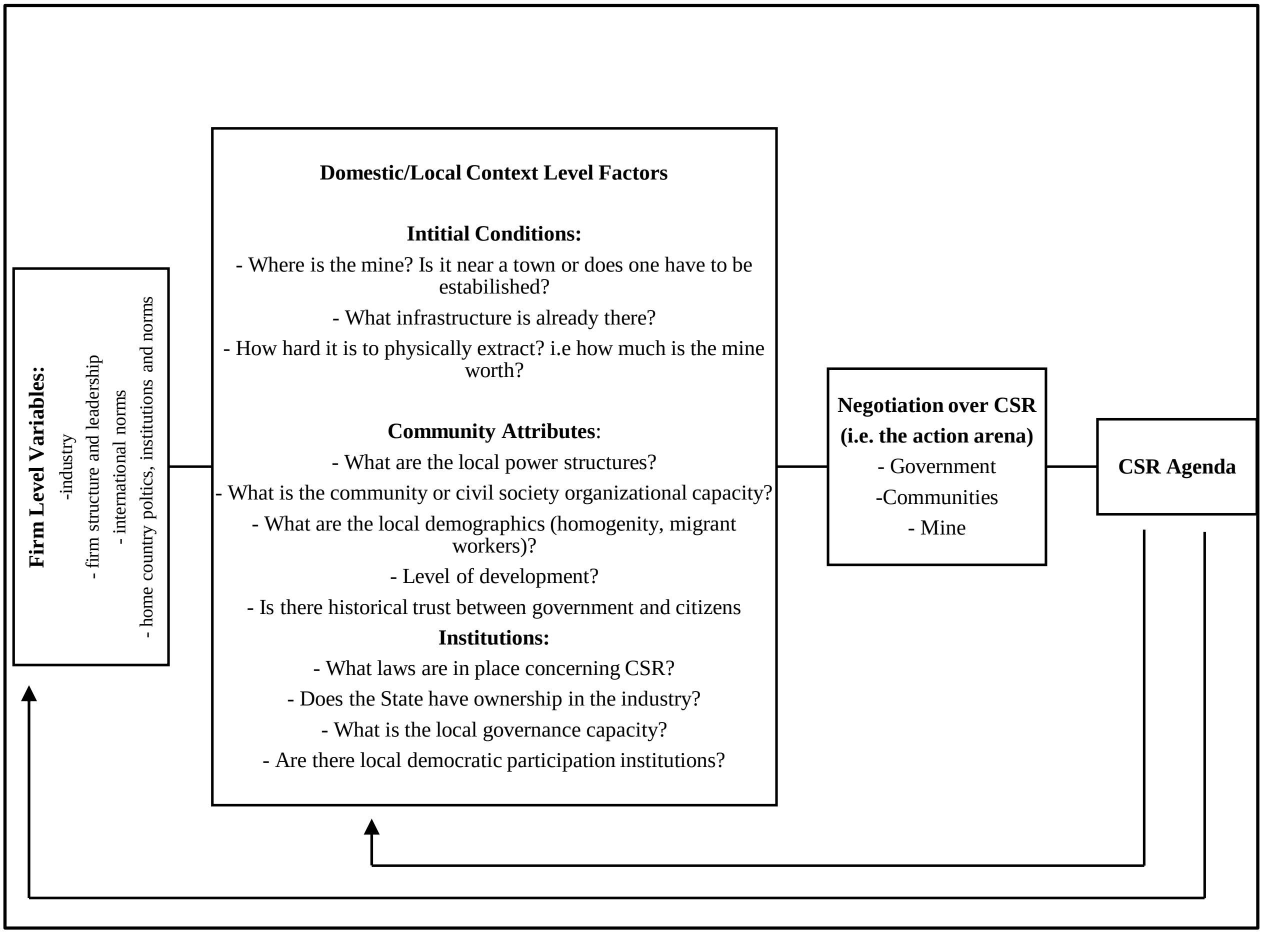

Figure 4: IAD Framework for CSR in Mining

In any given decision-making situation (action arena) factors outside of the action arena influence where, when and how decisions between two or more individuals are able to take place. The decisions made in the action arena result in interactions and outcomes that can be inputted directly into the action arena, as well as feedback to outside factors, making these variables endogenous to the action arena in the following time period. Thus, transformations take place over time. While Ostrom spends a great deal of time exploring the processes within the action arena itself, this chapter will focus more on the outside variables that affect the decisions that get made concerning CSR.

Ostrom divides what she terms "exogenous" variables into three types, which roughly align with the domestic/local context level variables mentioned in Figure 4. The first is biophysical/material conditions. These conditions determine what actions are physically possible. The second are community attributes. These include factors such as local norms, level of common understanding, homogeneity and local preferences, size of the community and inequality in the community. Lastly, rules are exogenous to the action arena but have an effect on what is permitted to take place within the decision-making process. Specifically, rules are defined as "shared understanding by participants about enforced prescriptions concerning what actions are required, prohibited, or permitted (Ostrom 2005, 18)."

The framework outlined herein differs from that of Ostrom's in that it differentiates "firm level factors" from "domestic/local context level factors". This allows the framework to be applicable to understanding influences on CSR, particularly within the mining industry. Firm level factors are factors outside of the action arena that affect the firm as a whole. Each operation or "action arena" within a single firm should, therefore, be affected by these factors in the same way. Domestic or local context level variables affect each individual operation within a firm differently.

This explains why there could be a multitude of action arena's concerning CSR within a single firm.

These factors have been divided into initial conditions, community attributes and institutions. The three variables will be the focus of this chapter. Variation in informal and formal institutions will be discussed in-depth in the following chapters, particularly, the role of the state will be discussed in Chapter 3 and the role of local institutions (both formal and informal) will be discussed in Chapter 4.

2.2.1 Firm Level Variables

The firm level variables refer to the factors that typically effect a firm as a whole, most of which have been more thoroughly discussed in the literature review in the previous chapter, but will be briefly recapped here. First, the type of industry will determine the size and shape of CSR. While CSR has been argued to have positive business implication more generally (Freeman, 1984; Jones, 1995), the mining industries interest in CSR aimed at community development is a result of the operation's need to have a social license to operate (SLO) to insure efficiency (Gunningham, Kagan, and Thornton 2003; Gunningham, Kagan, and Thornton 2004; Wilburn and Wilburn 2011). This is most likely due to the nature of the industry. Mining is considered low on the supply chain and has a history of environmental degradation and poor labor standards. Therefore, CSR need not focus on consumer "greenwashing", but more importantly CSR assures that risks are reduced to effect production efficiency.

Secondly, organizational structure and firm leadership affects the overall CSR strategy of a firm. Some firms, even within a single industry, are "leaders" in terms of aggressively promoting an agenda of CSR (Dashwood 2007a; Dashwood 2007b; Dashwood and Puplampu 2010;

Dashwood 2012). Anglo American (the parent and former parent company to De Beers and AGA, respectively) is an example of a “leader” in the mining industry. Individual company managers develop into social stewards who place a higher importance on CSR than others (Dutta, Lawson, and Marcinko 2012). Furthermore, organizational social context, how individuals in charge of CSR are embedded in an organization and how the organization is embedded in society, can affect CSR (Athanasopoulou and Selsky 2012). These explanations account for why we see more, less or different CSR between two different companies within one industry.

Third, there are international norms or organized self-regulation mechanisms that influence a company’s CSR actions (J. L. Campbell 2007). Some norms/organizations transcend industries, such as the Global Reporting Initiative at the UN (Global Reporting Initiative 2014), instituted to promote transparency in corporate reporting. Other protocols are more industry specific such as the International Council on Metals and Mining (ICMM), which promulgates CSR standards within the mining industry (International Council on Mining and Metals 2014a).[9] Normative factors also explain why industries as a whole develop social responsible practices (Dashwood 2014), such as the prohibition of child labor or trends emerging across the board in CSR, such as the trend to focus on HIV/AIDS awareness and treatment or to focus on fair trade.

Finally, a firm’s CSR can be driven more universally from the institutional requirements of the firm’s home country. For instance, the location of a firm’s headquarters and to which stock exchange it belongs ultimately determine some of the required reporting on CSR (Initiative for Responsible Investment 2012; Global Reporting Initiative 2013). Additionally, some companies based in political economic systems with strong institutions for social embedding of the economy have comparative institutional advantages for success in CSR (Gjølberg 2009). Factors such as

[9] Hamann (2009) gives a good overview of the various international CSR initiatives that affect Southern Africa and the mining industry in particular.

political conditions and expectations which are present in a company's home market will impact whether a firm pursues CSR activities overseas (Detomasi 2008).

2.2.2 Domestic/Local Context Level Factors

As previously mentioned, the domestic or local context level factors (factors that are outside to the action situation, but vary between operations) described below were identified through qualitative interview based fieldwork in Southern Africa in 2014 and previous findings in the literature. The general outline of the action arena, in the following section, is also informed by this fieldwork.

Initial conditions, much like Ostrom's bio-physical conditions, determine the limits of possible CSR actions. Factors include the geological location, the quantity and nature of the minerals in question, the requirements of the stakeholders and the mine for operational efficiency and the costs and benefits that accrue to the company's mine.

Importantly, location presents a number of possible initial conditions. Most mines are located in remote areas, but the proximity to a town of any size can be an important factor. For instance, if the geographic location of the minerals necessitates that the company set up the mine at great distance from any existing town, the mine is likely to be the largest or only economic actor in the area. The mine will therefore have to establish some location where workers can live, thus creating mining towns.

> *The fact is a lot of mining, especially diamond mining…happens where there are not people. So the people who come in have no other company to look to, so communities of those areas will tend to be really at the edge… So De Beers does have its own responsibilities are a result.*
>
> – *South Africa, CSR Expert - July 2014*

An isolated location can also lead to mass migration of labor bringing a host of problems such as squatter camps, increased sex trade, drug and alcohol abuse and crime (various interviews), to which the mine will have to address and potentially attempt to mitigate. For instance, if there is an increase in sex trade due to migrant labor populations, this would logically increase HIV/AIDS infection rates and thereby decrease the efficiency of a mine work force (particularly if there is an incomplete government response to the epidemic) (van Wyk 2012). Thereafter, an increased focus on CSR aimed at HIV/AIDS education or treatment might be necessary.

Additionally, due to the remote nature of the operation's location, mining companies are often left with the responsibility of infrastructure, building roads and other facilities that towns require. These can often be viewed as CSR, but are also intrinsically linked to the functioning of the mine itself. Finally, if the company has to establish a new town for the mining operation, CSR will have deal with a potential "ghost town" once the mining operation is finished.

However, if mining operations are near to an established settlement, the company can use this as a base for their workforce. Such a system has been promoted by the South African government to address the negative aspects of establishing new mining towns as mentioned above. Furthermore, if a mining operation is located near an existing town the company may not have to duplicate basic services such as roads and hospitals if they are already provided by an existing local government.

The case studies below are illustrative of this pattern of reliance on established settlements. While Kimberly, South Africa was originally established as a mining town when the diamond rush first hit in the 1800's, it is now a fairly large and diversified city. Musina, the town closest to De Beers Venetia mine (80km away), was intentionally chosen as the base for Venetia labor forces rather than establishing a new settlement nearer to the mine. It was perceived as cheaper and more socially responsible to provide transport for the workers from the relatively “local” town than to establish a new community. Jwaneng, the mining town for the Jwaneng mine in Botswana, on the other hand, was established purely for the mine in the 1970s.

Within limits, a mining company has some discretion to decide where their mining workforce should be located. However, the location of the minerals is the predominate factor. Thus, the location of the mine relative to established settlements will delineate what infrastructure is already available and to what extent the company must invest in housing, roads, electricity, water, worker housing, a hospital and other basic services. The level of development in even a well-established town will still dictate the level of investment required as that town may not be adequate for all the company’s purposes and the deficiencies, as viewed by the company. This will also determine how much effort the company has to put forth to provide basic services to help the town, but also for the mine to function. While some of these actions indirectly benefit the whole population, they are vital for the mine to function and are often provided under the guise of CSR.

Furthermore, geological considerations influence a mining operation’s CSR strategy as they affect overall costs and benefits. Financial performance of firms is a determining factor of engagement in CSR (J. L. Campbell 2007). This extends to the operation level within a firm as well. The potential value of a mine, the ease of mineral extraction and the predicted lifespan of the mine will all factor into the type and extent of CSR. Mining companies do not want to begin or invest in CSR projects that will not be completed by the time the mine closes. For instance, De Beers’ Voorspoed Mine in South Africa has a short lifespan, therefore the operation does not plan to use CSR spending for projects that could take a decade or more to implement.

> *We consciously want to implement projects that we know we can fund over time, especially social projects, they normally take time to have an impact… It is just beyond just bringing the service now, because the mine is going to close in two years' time, in three years' time. Then you look at projects that… can have an impact in the two or three years' time. If it (the mine) is a 20 year lifespan… then we also look at project(s) that we know we are going to sustain them over time.*
>
> – *South Africa, CSR Manager – July 2014*

Furthermore, underground operations require a larger workforce than open pit operations. A large influx of workers places stress on the towns they live in and may push CSR activities in the direction of housing concerns and infrastructure concerns. For example, De Beers Venetia Mine is currently planning on moving from open pit to underground operations. In preparation for this, De Beers is already building housing in the nearby town of Musina to accommodate the incoming workforce.

Profit margins that are dictated by geological features influence how much a company is willing to spend on CSR generally, and also at a particular mine. The less valuable a mine is to a company, the less they may be inclined to use CSR to gain the support of the community around them. De Beers' Kimberley Mine, for instance, is now much less profitable than the Venetia Mine. This is one of the reasons that over all CSR spending in Kimberley is below that of Venetia. Furthermore, certain minerals have values that fluctuate more than others, therefore profit margins are more uncertain and, often, less can be committed permanently to CSR.

Community attributes also influence the CSR process and vary between locations. The community is one of the main stakeholders that mining companies have to take into consideration when planning their CSR strategies. Communities grant a social license to operate (SLO). However, what they expect in return for the SLO will vary depending on the attributes of the community.

First, local power structures within the community will determine who has a seat at the table in terms of voicing requests. Is local government seen as the "voice" of the people? Or are traditional authorities a more relevant stakeholder? Are there certain religious leaders whose support is needed in order to gain community support? Are there strongly organized NGOs or community groups with certain agendas? These question will determine who the "community" actor is in the action arena and what their request may look like.

> *It does differ depending on where you are, because the areas are extremely tribal and you're dealing with chiefs and they'll always be the representative and other areas aren't and you might get elected representatives.*
>
> – *South Africa, CSR Expert – July 2014*
>
> *But there isn't one structure in terms of who is represented, you really have to find that out, because in South Africa you have the municipal structures and regional structures and you will have traditional leaders and then you will also have the youth groups and the women's groups and the church groups and so on.*
>
> – *South Africa, CSR Expert – July 2014*

The strength of the community and its ability to act collectively determines if the government or the community is the stronger voice in negotiations with mining operators over CSR. Typically, strong NGOs or social movement organizations that can pressure and effectively monitor companies will drive socially responsibility corporate behavior (J. L. Campbell 2007). Difference between communities and their strength can effect this drive even within a company. Community strength is determined by a multitude of factors and is hard to directly measure. However, access to information, levels of education and other social, political and economic assets contribute to community strength. Governments may have different priorities in terms of CSR compared to community members, so the power structure will affect how CSR manifests itself in the end.

Second, the demographic makeup of the community will affect the CSR agenda. If the population is mostly made up of mineworkers, particularly if they are migrant workers, requests may focus more on workplace issues or higher pay and less on development of the surrounding area. Particularly in South Africa, where migrant labor is common, these workers do not feel as connected to the towns near the mines where workforces temporarily stay because their main home is somewhere else. While, as mentioned above, mining companies now have a preference for housing their workforce in already established towns, the realities of migrant workforces and settlement camps continues to be an issue in many areas, particularly in the Rustenburg platinum belt region of South Africa (Hamann 2009; Hamann et al. 2005).

The ethnic homogeneity of the population also influences CSR in terms of the different groups that have to be represented in dialogues about CSR agendas and the local conflicts that shape how these discussions are implemented. If groups perceive unevenness in their relative benefits from a company's CSR, this could exacerbate tensions as well.

Third, levels of social and economic development of the population will determine the forms that CSR takes. If populations are very poor and do not have minimal access to basic services or nutrition, CSR may focus on funding projects to meet fundamental needs such as feeding programs, providing books and uniforms for school or basic housing. However, if the mine is operating near an area where basic services are already available, the amount of CSR may not necessarily diminish, but would in turn focus more on development projects such as small business investment or environmental protection.

Institutions, whether national, local and community based, play a role in CSR at the mining operation level. Institutions, much like Ostom's "rules" category, identifies what is allowed, prohibited or required for a company to do in terms of CSR. This includes national or local regulations, but also governing bodies, whether traditional or government run, and other local deliberative mechanisms. At the local level, this can influence what actors will be involved in the decision-making processes regarding CSR.

Formal national laws may require a company to conduct social and environmental impact assessments prior to beginning operations. Laws can even go further and require operations to invest in the development of the communities around them. These laws determine the extent to which the national government is able to influence the CSR process. The implications of these laws on the CSR process and spending is further examined in Chapter 3.

Although many of the applicable laws and regulations come from higher levels of government, local officials and leaders are often the vehicle through which these are applied at the mine site. The types of regulations in place, as well as the ability to enforce this regulation, will affect how a company engages in CSR (J. L. Campbell 2007). The national and local capacity to monitor compliance and sanction non-compliance differs between operational locations and effects CSR.

Perhaps more importantly, local government capacity or institutional strength will determine the extent to which local government is able to provide public goods and services to the community effectively. It will also determine if the local government is able to accurately assess the needs and requests of the community and convey that to companies. This will influence whether community members are confident approaching the government with requests and grievances or whether they feel more confident that they will be heard by companies themselves.

National government regulations, local government capacity and the existence of effective local democratic participation institutions will determine the extent to which companies are dealing directly with community members in terms of negotiations over CSR or whether these discussions are filtered through formal or informal representatives of the community. Path dependency is also a factor. Historical experience with institutions that create trust between communities, government and mining companies will influence the extent to which community members are willing to let to government speak for them as well (Hamann et al. (2005) also found this to be an import factor).

Although government officials are often the primary negotiators in dealing with the companies in terms of CSR, there are also examples where community members will approach the mining operation directly. Therefore, the community becomes more of a direct actor in the discussions that determine what a CSR agenda will look like.

2.2.3 The Action Arena

All of the aforementioned firm and domestic/local context level factors feed into the decision-making processes for CSR. These decisions are then made in what Ostrom terms an "action arena" (E. Ostrom 2005). The action arena, in terms of setting CSR agendas, typically has three broad groups of participating actors, each with their own priorities and relative power. Companies ultimately decide what CSR will look like, in terms of the amount of spending and the projects that get funded. Although the company officials are influenced by firm and domestic/local context level factors, it is the company that has the final decision-making power. This is, in part, because they hold most of the information about the profitability and lifespan of the mining operation. Furthermore, many governments in developing countries rely on the tax revenues from mining and are, thus, dependent on the industry. Of the eleven countries most dependent on mining for government revenue in 2012, nine were in Sub-Saharan Africa (International Council on Mining and Metals 2014b)

The government is the second main actor in the action arena. This can be national or local government. National governments bring information about regulatory requirements as well as political priorities. This actor typically has the role of enforcing regulation concerning CSR, and, depending on levels of competition, holds limited power in terms of removal of licenses if companies do not comply with regulations or informal CSR demands.

Local government also brings information about community needs and demands into the decision-making process. The capacity of the local government and personal motivations of politicians determines the credibility of these demands. Local governments typically have very little information in terms of mining company revenues or profitability. This makes it difficult for them to determine what is “fair” in terms of the amount of social investment a company is putting into the surrounding areas. They also often lack information on company promises made to national government putting them at a disadvantage in terms of their ability to hold companies or the national government accountable for CSR promises.

Communities are the third main group of actors in the action arena and also the most diverse. The diversity of the “community” actor in the action arena will affect outcomes as well. Communities can include NGO and civil society organizations (CSOs) ranging from local women’s or youth groups to international human rights NGOs. Traditional leaders can also represent community or personal interests. Union representatives will often be a community actor represented in this process. Community members are also often directly consulted through company held community forums. However, the extent to which they can be heard at these forums varies.

Communities typically have the least amount of information and often the least access to the action arena. There is no constant mechanism for involvement, it varies as often as operations do. This is why understanding the makeup and relative strength of a mining operation’s community actors will determine the composition of the action arena and what CSR agenda is produced as a result.

A mining operation will then create a CSR agenda in consultation with the actors mentioned above and subject to power relationships, informational asymmetries and the firm and domestic/local level influences which place limits on the decisions possible. However, the process is not just a one-time action but more of a continuous relationship with feedback mechanisms. The CSR agenda is inevitably implemented (to what degree companies follow through with plans is an important and closely related topic) and the social investments then proceed to affect development levels, institutions and infrastructure/initial conditions. Thus, initial factors in Time 1, become endogenous in Time 2, affected by the resulting CSR actions in Time 1. Thus, these factors are actually more dynamic and continue to effect what the action arena looks like in future time periods and thereby change the CSR process over time. This also helps to explain why areas where mining has been occurring for a long time may have different or more established CSR practices and expectations as compared to areas where mining is a relatively new industry. The next two sections utilize actual real life examples to illustrate the ways in which differences in the three categories of domestic/local context level factors can manifest themselves between different mining operations.

2.3 EXAMPLE 1 - DE BEERS' VENETIA AND KIMBERLEY MINES, SOUTH AFRICA

De Beers Consolidating Mining, a part of the De Beers Group of Companies, operates three diamond mines in South Africa. This case study is based on data collected during site visits to the two older mines, Kimberley and Venetia, during fieldwork in South Africa. Because De Beers operates both, the firm level factors that affect the firm as a whole can remain mostly constant between these cases. However, the domestic/local context factors very in many respects between these two mine locations and will be examined below. The following example draws from qualitative interview data, company reports and the South African census.

2.3.1 Initial Conditions

In terms of initial conditions, Kimberly mine is now in the process of re-mining the tailings (byproducts left over from mining) that were pulled from the open pits in the past. Thus, while Kimberley was the site of the major diamond rush in the end of the 1800s, it is now one of the smaller operations and closure considerations are underway. However, because it was De Beers' original location, company legacy is a focus for the firm at this location. Venetia is De Beers' biggest operation in South Africa. It is currently an open pit mine, but excavations are already underway for an underground mine expansion. By observation, De Beers appears to be looking at a more long-term operation in Venetia than in Kimberley. Venetia's overall CSR investment is currently about 3 times higher than Kimberley's on a yearly average (See Chapter 3 and the Appendix for detailed spending data). This disparity is partially reflective of the value and lifespan of the mines, but cannot account for the entire difference.[10] As Kimberley is the historic home of De Beers, they continue to invest heavily in the community for legacy reasons as well. The types of spending at these two mines are also qualitatively different as will be discussed below.

Kimberley mine is situated in the capital of the Northern Cape Province, Kimberly, which has been the historical center of De Beers' operations since the 1870s. The local municipality in this area is Sol Plaatjie. It is a small city with nearly a quarter of a million people. While it is large

[10] In 2011 and 2012, Venetia mine was spending around R1 (South African Rand) per caret or diamond recovered, the Kimberley mine was spending around R5 per caret recovered in 2011 and about R2.5 per caret recovered in 2012 (De Beers 2007b; De Beers 2008; De Beers 2012a).

enough to have diversified from mining to some extent, De Beers and the legacy of diamond mining still dominates much of the city. However, since Kimberly is an established city, De Beers' CSR tends not to focus on investing in the initial community infrastructure since that has already been provided for the most part. Instead CSR in Kimberley now focuses more on establishing small businesses and building human capital in the area (interviews in Kimberley, South Africa – July 2014).

Venetia mine is situated in the Limpopo Province in the northeastern corner of the country and has been operating since 1992 (De Beers 2014a). The mine sits between the municipalities of Musina and Blouberg. Its workforce is pulled from both areas and its CSR also focuses on both areas. Musina is a small yet busy town, sitting on the boarder of Zimbabwe. In addition to a deep history of mining, it also has a significant transport industry (Interview, South Africa, Local Government – August 2014). By contrast, Blouberg is a small and mostly rural community. De Beers in this case has also established operations near to where communities are already residing. Therefore, as in the case of Kimberley, De Beers does not have a compelling need to focus its CSR on building initial infrastructure for the community. However, as compared to Kimberley, the areas around Venetia are very poor and the local government has asked De Beers to invest their CSR efforts in maintaining much of the infrastructure in Musina, specifically. This includes road maintenance, renovations of community centers, and expansion of electrical projects (interviews in Musina and Venetia - August 2015).

2.3.2 Community Attributes

Some differences between the community attributes at the two mining locations are immediately evident from the data from the most recent South African Census (Table 1).

First, Kimberley Mine is set in a highly dense, urban and non-traditional community. Blouberg is almost the exact opposite, while Musina is somewhere in between. Blouberg is rural and the majority of the population relies on traditional customs and authorities. These factors predetermine the type of actors the mines will necessarily have to deal with. Interviews in Kimberley voiced no concerns about traditional leaders and populations, whereas in discussions about the region surrounding Venetia, traditional authorities were often the first concern.

> *In Limpopo, most mines are operating in areas where it is controlled by traditional leadership, so that is the reason why now they have to be spoken with before any activity takes place within their jurisdiction. And that will determine the level of engagement, and which will be engaged. In Kimberly… maybe (it is) the municipality that will have to take the lead. But here the chancellorship of the traditional counsel must be consulted.*
>
> - *South Africa, Academic – August 2014*

Even between Musina and Blouberg, De Beers' representatives reportedly have had to engage with the traditional authorities much more in Blouberg as compared to Musina. One of the main purposes of CSR is to gain credibility with the surrounding population. Thus, companies must make sure that they consult with and gain support from the appropriate invested members of each community in order to gain credibility.

Table 1: Census Data South Africa 2011[11]

Census Data - 2011	Kimberley Mine (Sol Plaatjie)	Venetia Mine (Musina)	Venetia Mine (Blouberg)
Demographics			
Total Population	248,041	68,359	162,629
Poverty level (% of average households income under R19,600)	36.40%	55.00%	64.00%
Sex Ratio	94.00	101.90	83.80
Growth Rate (2001-2011)	2.04%	5.53%	-0.54%
Population Density (person per square kilometer)	79.00	9.00	18.00
Urban	98.90%	62.40%	6.20%
Traditional	0.00%	6.90%	89.70%
Farm	1.10%	30.70%	4.20%
Employment and Housing			
Unemployment Rate	31.90%	18.70%	39.20%
Youth Unemployment Rate	41.70%	22.50%	47.20%
No Schooling Age 20+	7.10%	11.30%	28.30%
Higher Education aged 20+	10.40%	6.80%	5.20%
Matriculation age 20+	29.2%	21.60%	15.30%
Formal dwellings	81.60%	74.80%	92.00%
Housing owned/ paying off	61.20%	31.30%	58.80%
Housing rented	18%	43.30%	9.20%
Access to Services			
Flush toilet connected to sewerage	82.80%	63.20%	6.10%
Weekly refuse removal	84.30%	61.50%	20.70%
Piped water inside dwelling	61.90%	26.40%	7.70%
Electricity for lighting	84.90%	76.40%	88.00%
Government source of water	96%	58.90%	47.30%
Access to Technology and Transport			
% with Cell phone	85.40%	83.10%	81.70%
% with computer	22.70%	12.80%	5.90%
% with car	33.50%	17.30%	14.30%
% with radio	67.30%	48.50%	52.50%
% with television	80.40%	58.90%	67.30%
% no access to internet	65.40%	78.60%	84.70%

[11] Source: (Statistics South Africa 2011)

Interviews with De Beers as well as the local government officials near Venetia point to the importance of including traditional authorities in the CSR process, whether through the consultation committees that local governments may build or by directly interacting with the company. Traditional authorities are a non-existent topic in the Kimberley CSR process because they do not have this type of actor in their communities. Instead, the most important actor is the local government, who directly assesses the needs of the community, as reported through the local ward councilors.

The levels of economic development in the community will also influence CSR agendas. There are lower levels of schooling and education near the Venetia Mine and higher levels of poverty compared to Kimberley. Musina is noteworthy as having lower per capita ownership of housing and higher levels of renters than both Kimberly and Blouberg. Most importantly to CSR strategies, the provision of public services differs dramatically between the settings. The vast majority of households in Kimberley have flush toilets, piped water, refuse removal, electricity and clean water sources. With the exception of electricity, Musina and Blouberg rank much lower. This means that a company would most likely not be put in the position where they would be asked to provide water or sanitation in Kimberley, or, for that matter, consider it for efficiency reasons. However, by contrast, this is a significant need near Venetia. For example, one of the more recent expansive investment projects for De Beers in Musina is the building of high mast lighting/electrification on the streets in the Nancefield Township or settlement. This was something the government had not provided up to that point.

When questioned about differences in CSR spending levels between Kimberley and Venetia, CSR managers responded that Venetia has more CSR spending because it is De Beers largest operation in South Africa, but also because needs are very high there.

Levels of development also change the types of needs that the community has. In Musina, for instance, one of the most talked about problems in the community is the condition of the roads. One of De Beers' biggest projects, therefore, is a road paving initiative. Another project, as mentioned above, involves high mast lighting electrification for the Nancefield informal housing area to prevent crime. These are both services that the local government should provide, but financial constraints have made De Beers an attractive partner for the community. Most of the remaining CSR spending near Venetia Mine (Musina and Blouberg) goes towards education which is seriously underfunded in the Limpopo province. Almost 60% of the money marked for "Social and Labor Plan" (SLP)[12] CSR spending between 2008 and 2012 was dedicated to education at Venetia Mine.

The majority of SLP projects in Kimberley were aimed at local business development (See Chapter 3 and the Appendix for detailed CSR spending data from Kimberly and Venetia). This makes sense because a major city like Kimberly, with lower levels of poverty, already has decent roads and other basic services, but with mining seemingly ending in the foreseeable future in this region, the company and government are rightly concerned with economic diversification. This is just one example of how differences of the level and the nature of development can affect CSR decision making.

The statistics on technology and transportation can indicate the population's access to information. Communities with increased access to information technology are more capable of being informed about community forums where they can make their needs and grievances more easily known. They may also have more accurate expectations of mining operations because they

[12] Social and Labor Plans (SLPs) are 5 year plans that mining operations are required to make in order to obtain a mining permit in South Africa. These plans include planned projects to support a mine operations workforce and the surrounding community. The details of the regulation and processes surrounding SLPs is in Chapter 3.

can learn more about how operations work elsewhere or what companies have promised in the past. While not as extreme, Kimberley does have higher amounts of access to information technology and transportation compared to Musina and Blouberg across the board. These disparities require that companies must factor this in when gaging the level of knowledge among community residents and what is the best way to make sure communities are informed about CSR options and initiatives.

Over all, in South Africa, as compared with other parts of the world, NGOs and civil society groups do not appear to play a very strong role in the CSR process in these three communities. Many of the NGOs and civil society groups that were active during the anti-apartheid era have now been coopted into the government as service delivery adjuncts (Interview, South Africa, Regional/CSR Expert – July 2014).

> *In countries that have a stronger development profile you have the advocacy and the social development agencies and NGOs being present and probably pushing for and working with the government on regulations, but that would be a different case from here.*
>
> – *South Africa, CSR Expert – July 2014*

Therefore, there is not much pressure in terms of activism against companies coming from NGOs. However, service NGOs still play a role in many communities. They can enter the CSR process in that NGOs are normally the ones that apply for funding from corporate social investment funds (discretionary CSR funds). Therefore, the capacity for local NGOs to apply for funding and the type of NGOs in existence at any given location will determine what kinds of CSR applications the company receives. The variety of actors mentioned above means that De Beers has had to shift its concept as to who should be included in the decision process over CSR depending on local circumstances.

2.3.3 Institutions

The final domestic/local context factor, institutions, is often more evident in contrasts between countries since a lot of the rules and regulations concerning mining activities are made at the national level. Cross-national comparisons will be presented in Chapter 3 and will speak specifically to this effect in detail. However, local institutions are also important and often vary among operations within a country. Again, by incorporating local traditional authorities into the CSR process at the Venetia mine, the company is bringing institutions into the action arena that are not included at Kimberly. These traditional authorities have different mechanisms than local government for communicating with their community members. Whether the traditional authorities are more or less effective depends on the tribe and chief in question. In any case, traditional governance represents an additional and sometimes more democratic and representative institution for community involvement in the process than only having government representatives. Interviews indicated that some community members, particularly those that do not speak English or are elderly, may be more comfortable speaking about their needs and grievances in a traditional setting rather than in front of company representatives.

> *My opinion is, that the traditional community set up that I have seen … does give massively increased community voice because it has forums and representative structures that are open, so the old granny has a place where she knows and that is comfortable, there is no language barrier or political barriers or whatever, she can say 'I have a problem with (that) there is so much dust in the air at 4 o'clock in the afternoon', she doesn't know that there are quantifiable mandatory minimums or something like that, but she can make that announcement. And that gets noted and written down and is followed up on.*
>
> – *South Africa, Regional Expert – July 2014*

Local government institutions can also vary in their capacity between locations. For instance, in South Africa, each local government must create an integrated development plan (IDP) every 5 years outlining the municipality's development agenda and planned projects. This is supposed to be made in collaboration with the local community through forums and standing committees. However, not all local governments have the ability to actually engage effectively with the community and some communities lack confidence in their local officials. Companies use these IDPs when creating a CSR agenda, so the ability of local government to produce a plan that is responsive to community needs will directly affect the quality of CSR (a more detailed discussion of the relationship between IDPs and CSR is found in Chapter 3).

Figure 5 and Figure 6 give an overview of the context of the Kimberly and Venetia Mines in terms of the IAD framework.

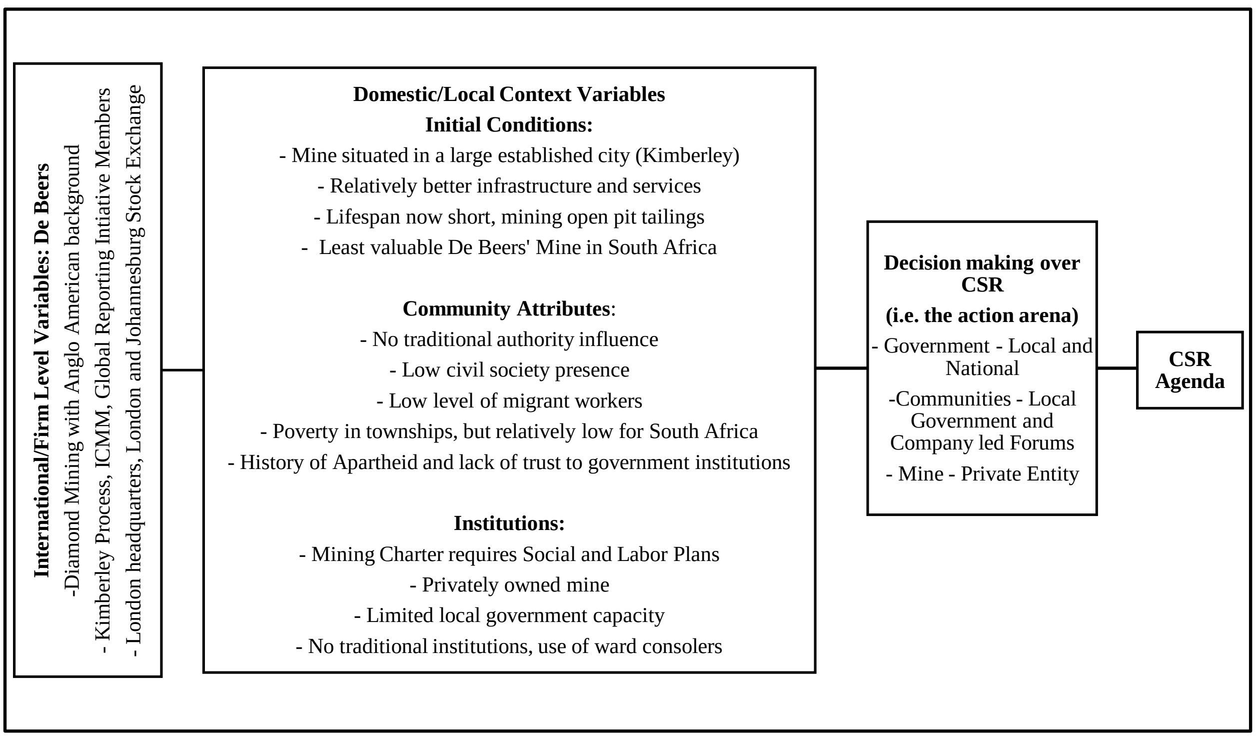

Figure 5: Kimberley Mine Context

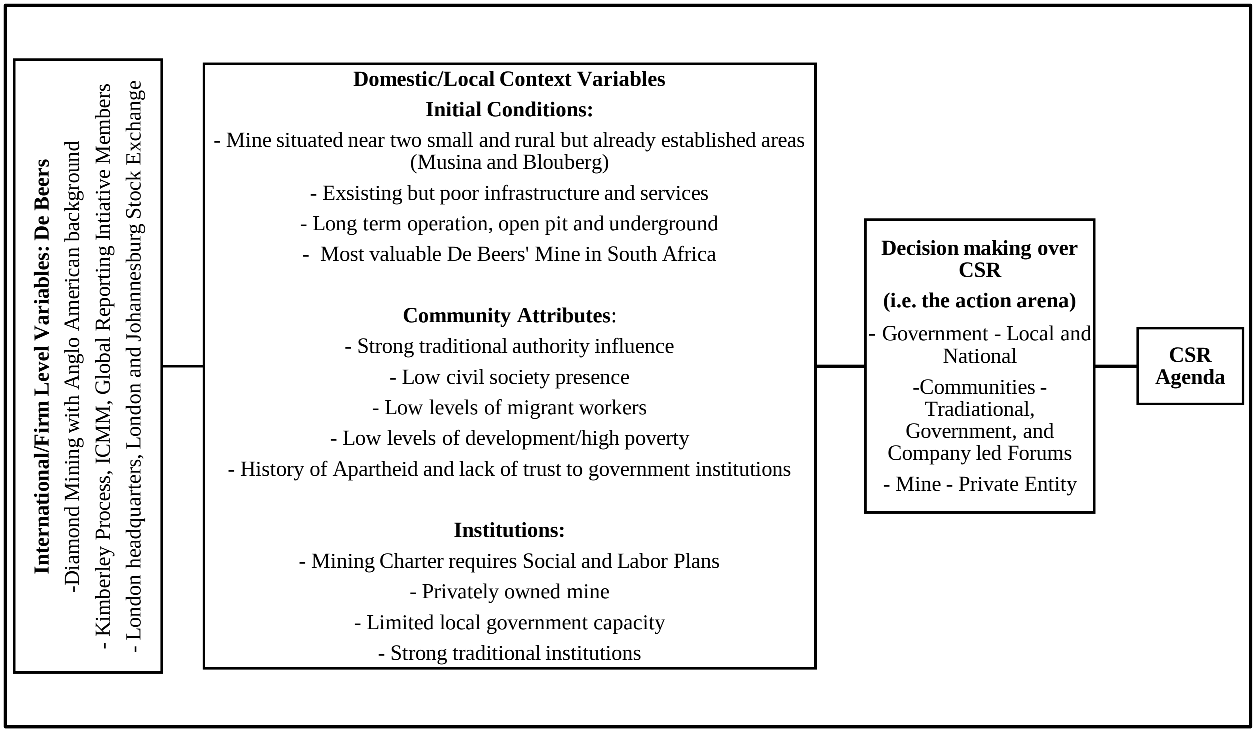

Figure 6: Venetia Mine Context

2.4 EXAMPLE 2 - DE BEERS' VENETIA MINES AND DEBSWANA'S JWANENG MINE

As was mentioned above, fieldwork was conducted in the form of interviews and mine site visits in South Africa and Botswana (for details on fieldwork methods see Chapter 1). One visit was made to the De Beers' Venetia Mine and the neighboring municipality of Musina in South Africa. In Botswana, another visit was made to the Jwaneng Mine and the adjacent town of Jwaneng. The Jwaneng Mine is operated by Debswana, the partnership between De Beers and the Government of Botswana, and is De Beers' most valuable investment. The CSR implications of the differences in ownership between the two mines, Venetia being fully privately owned and Jwaneng being run in partnership with the government, will be discussed briefly in the "institutions" section of this chapter and in detail in Chapter 3. However, because the private company involved in both mines is De Beers, many of the firm level factors that influence CSR can still be held constant while considering the influences of state ownership.

2.4.1 Initial Conditions

As was mentioned above, the Venetia Mine in South Africa is located in the Limpopo province, close to the boarders of Botswana and Zimbabwe. The mine is in a relatively rural area, surrounded by national parks and private game farms and is De Beers' most valuable mine in South Africa. Rather than establishing a new mining town close to the mine, the Venetia mine draws its labor from the neighboring areas of Musina and Alldays (Blouberg Municipality). De Beers provides transportation to the mines for their workers in these areas. Thus, while both of these areas have serious problems with poverty and the provision of public services, the mine is not dealing with a newly established town. Instead, much of the infrastructural CSR efforts have been focused on the maintenance of current systems such as road repair or building renovations.

The Jwaneng Mine in Botswana provides a contrasting case. Diamonds were discovered in the Southern District of Botswana in 1972 and the Jwaneng Mine became fully operational in 1982 (Debswana 2014). While there were some small, rural settlements in the vicinity, the town of Jwaneng was newly established to support mining activities. Therefore, all necessary infrastructure had to be established along with the town, since worker housing, roads, water supplies and hospitals are all necessities, especially for a town catering to mining activities.

For instance, Debswana constructed a tarred road between the nearest town, Kanye, and Jwaneng (Debswana 2006b). The mine also established a mine hospital for its employees in Jwaneng (De Beers 2011). It makes sense that Debswana would undertake this cost since an efficient workforce requires that employees remain healthy. Overtime the hospital services were extended to worker's family members and now the hospital runs as a referral clinic for the nearby populations as well, but maintains its focus on mine employees.

These examples point to the influence of geology in companies' CSR practices. The Kimberlitic pipeline in the Southern District of Botswana happens to be located in a rural area with no infrastructure for a mining town. Thus, Debswana had to establish a residential area on its own. Explorations in Limpopo, South Africa revealed that mining for Venetia should take place near two already established residential populations. This coincidence, in addition to the South African governments' preference for not creating new mining towns, led De Beers to draw its Venetia labor force from already established towns in South Africa and provide daily transportation. Initial conditions, in terms of existing public services and infrastructure, affect the types of CSR companies invest in, particularly when beginning operations.

2.4.2 Community Attributes

The history and demographics of the populations near Venetia and Jwaneng, and generally in Botswana and South Africa, vary. The legacies of Apartheid have influenced social and political circumstances in South Africa, whereas Botswana was not as directly affected by institutionalized racial segregation and economic disenfranchisement. Chapter 3 touches on these histories in more detail. However, in general, communities are seen as less engaged or less demanding of companies in Botswana compared to South Africa. Furthermore, NGOs and civil society are seen as very weak in Botswana, even relative to the weakness of NGOs in South Africa. One regional expert in Botswana noted, "The civil society is very very weak. It is going to be even weaker going forward because a lot of them are not getting funded properly (August 2014)."

In contrast, communities in South Africa are seen as distrustful and more non-complacent when it comes to dealing with government and the mining industry. Some of this may be due to the history of activism and mistrust that was born out of the Apartheid era, the mining industry's culpability in Apartheid, as well as the leadership and coalitions that developed as a result of the Anti-Apartheid movement. Another factor that often differentiates communities in the two countries is confidence level in the government and various mechanisms for democratic participation. While the local institutions for community participation will be discussed in more detail in the next section, communities in Botswana have, in general, fewer reasons for mistrusting their government in addition to the government being perceived as development oriented. More fundamentally there is a sense expressed by citizens in Botswana that it is primarily the government's job to care of its people and not the private sector.

And, South Africa and Botswana are very different. Here (Botswana), the government is large. The government is the economy. Slowly they are trying to reduce that and to build up the private sector, so that the private sector can take on more responsibility. But that was born of that era of plenty, the government did everything still does everything for people. So we don't really have a relationship with the private sector. We have a relationship with our government, and that is the first point of call anytime that you want something.

– *Botswana, Regional Expert – August 2014*

Even though Botswana has some of the highest levels of inequality in the world (South Africa's inequality ranks very high as well), there are strong social welfare systems in place (U.S. Central Intelligence Agency 2014).

Additionally, there are differences in the populations that De Beers is working with in the two countries. In general, Botswana is ethnically highly homogeneous. The vast majority of the populations identifies themselves a Tswana. Ethnic fractionalization in Botswana is quite low (.41) as compared to South Africa (.75) (Alesina et al. 2003).

It could be the easiest place to govern. 98% of the people are the same grouping. Same ethnic group. Same custom, same culture, same everything. Compare that to South Africa. It's easier to control. It's completely easier to control and also in Botswana there is a sense of what is good for me is also good for you because we're the same. In South Africa you have, well what's good for you might not be good for me. Because we are different.

– *South Africa, CSR Expert – July 2014*

The aforementioned factors may affect the CSR action arena is various ways. First, if the government is effectively providing major social services to the population, there is less chance that companies will be called upon to fulfill these roles. Second, even if social services are not being provided by the government, a weaker civil society and a less activist public means that the community at large will be relatively weak or underrepresented in the action arena. Furthermore, if communities have a higher degree of trust in their government, should an issue arise, communities are more likely to reach out to government representatives than to company representatives. Interviews revealed that De Beers' staff at the Venetia Mine get approached directly by nearby farmers and other community members with community issues, while

Debswana interviews suggested that community members would not normally approach the company directly. Lastly, less fractionalization within these communities seems to indicate that it may be easier for companies to negotiate with the "community" within the action arena as a more united actor. Thus, De Beers' operations in Botswana have a more complacent and thereby "weaker" community actor to deal with in the action arena as compared to other contexts in areas of South Africa.

2.4.3 Institutions

The details of the differences in state and local institutions will be discussed in Chapter 3 and Chapter 4. However, they will be outlined here with reference to the two mines in question. First, regulation affects the action arena. Because Venetia Mine is located in South Africa, it must comply with the licensing requirements that the government has put in place. These include mandatory investment in local economic development, not directly tied to mining operations (SLPs) (Republic of South Africa 2004b; Republic of South Africa 2004a). Thus, De Beers has extra limitations placed on its decision making over CSR due to regulation. In comparison, Botswana has no regulations concerning CSR. Debswana, therefore, does not need to take regulation into account when formulating its CSR plans. As will be discussed in Chapter 3, regulation has led to higher overall levels of CSR, a less ad hoc CSR strategy and a focus on labor sending communities in South Africa compared to Botswana.[13]

[13] CSR spending can again not be totally explained by the size or productivity of the mine in question. For instance, in 2012 Debswana had planned spending of about P.27 (Pula) per caret diamond recovered in Jwaneng, while at the Venetia mine had a planned spend of about R1(South Africa Rand) (about P.92 in January 2012) (De Beers 2007a; De Beers 2012a; Debswana 2011; Debswana 2012) (this exclude the hospital Debswana helps to run in Jwaneng, which is further discussed in Chapter 3).

Secondly, government institutions can influence CSR informally through political pressure, or lack of pressure, and through ownership in mining operations. For instance, at Debswana, government representatives sit on the board of corporate social investment (i.e. discretionary CSR) decision-making bodies. Thus, Botswana's national government plays a very direct role in the action arena. On the other hand, De Beers is intimately connected to the government in Botswana and, thus, has greater influence over political and regulative issues as well.

> *You know how much power they (De Beers) have got in Botswana? They can have ministers fired at will and so no one will criticize them. If you speak to government officials, no one will say a bad word about De Beers. They simply won't.*
> – *South Africa, Regional Expert – July 2014*

De Beers' operations in South Africa only have company representatives on these types of boards. The fact that CSR decision-making bodies are fully private changes the role and power relations of actors in the action arena. In the case of Jwaneng, the government is both a company and state actor in the action arena. Furthermore, because Debswana is closely connected to the government of Botswana, they can manipulate pressures for CSR, which can affect power relations in the action arena. The case for this type of government involvement/relationship would not be as clear in South Africa.

Third, local institutions can affect the action arena. As was mentioned when comparing Kimberley and Venetia, local government capacity can affect the amount of accurate information all actors have because local government is largely responsible for relaying the needs of the community to the national government and the companies. The importance of traditional authorities also changes who is present in the action arena.

However, not only does the presence of local government or traditional authorities change the action arena, but the type of institutions at the local level will also make a difference. This duality is clear between Jwaneng and Venetia, but can also be seen among regions within South Africa. In Botswana, the types of institutions used in Tswana culture encourage democratic participation. The routine holding of a *Kgotla*, a community meeting, emphasizes the importance of direct citizen contact with leaders, of developing consensus and of making sure all voices are heard. Through this mechanism, citizens are able to discuss their problems at a local level and trust in the fact that their concerns will be accurately relayed to the appropriate actors, whether government or a company. Because of these local institutions, communities feel represented in the action arena, and may not feel the need to directly engage with the company. At the Jwaneng mine in Botswana, companies hardly ever receive requests directly from community members.

> *We are community of people who, we listen, we negotiate, we agree. And that is kind of how things function in Botswana. In most communities, there is a chief. Where the chief is, is open for everybody to attend, the Kgotla… So if an issue is brought forward, everybody speaks. Sometimes what would happen is that the (government) minister will come to the community, the chief will host and … everybody in the village will gather around, the minister will speak, people, old ladies will speak and say, you know, we are not happy with the water situation here… And the minister will say good, good I'm going to take that forward… We really discuss things and then reach an agreement. But the sort of demanding stuff, or demanding the companies contribute to things, that is the knowledge that hasn't even reached some communities.*
>
> – *Botswana, CSR Manager – July 2014*

While traditional authorities do have an active role in some of the communities near Venetia as well, it is not clear that the traditional institutional structures allow for the same sort of democratic participation that the Tswana tribes in Botswana and parts of South Africa are known for. Therefore, these traditional authorities or institutions may not serve the same role in the action arena.

The comparison of Venetia and Jwaneng mines allowed for a further example of how initial conditions and community attributes affect the decisions-making processes for CSR and a clear example of how differences in institutions may affect the action arena. Institutions will remain the focus of this research in the following chapters Figure 7 and Figure 8 give an overview of the context of the Venetia and Jwaneng Mines in terms of the IAD framework.

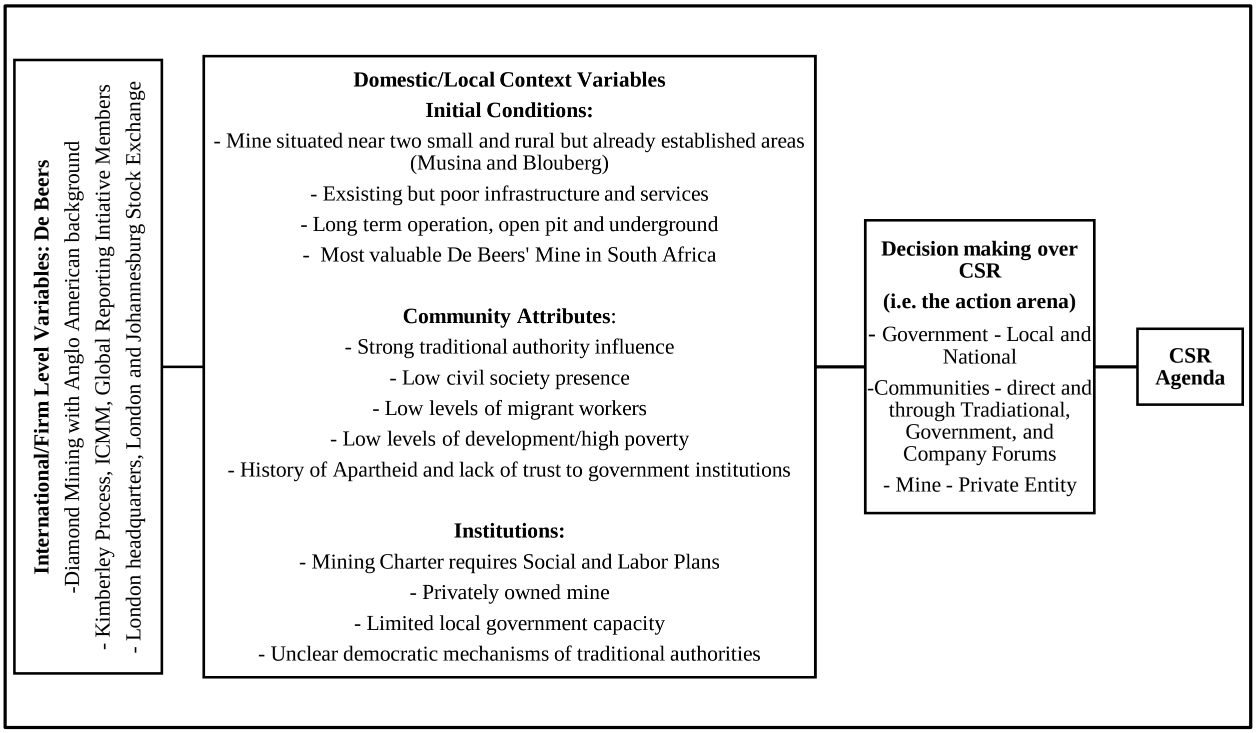

Figure 7: Venetia Mine Context - 2

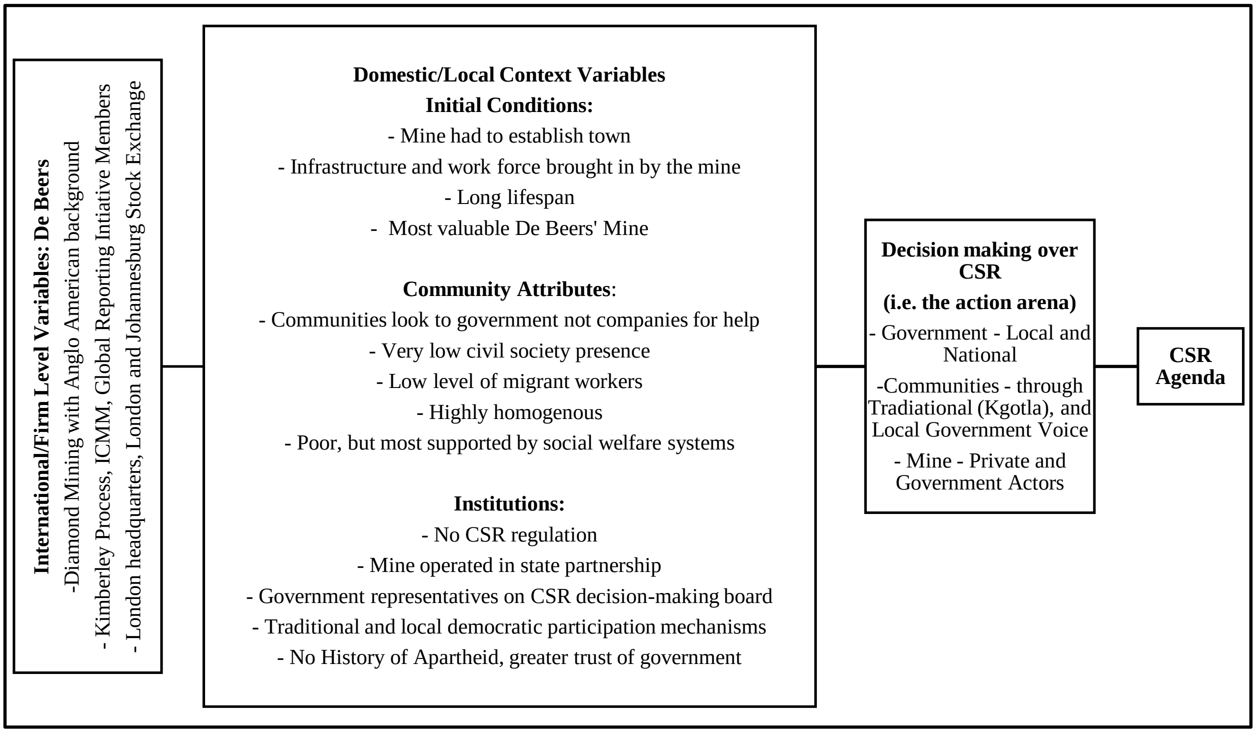

Figure 8: Jwaneng Mine Context

2.5 CONCLUSIONS

This chapter illustrates the need to view the CSR process in a holistic way. A firm's process for creating a CSR agenda is not singular, but depends on factors and influences that may affect the firm as a whole, but which can also differ between operational locations. The outlined framework is especially pertinent to industries low on the supply chain with geological limitations on their operational locations, such as the extractive industries. The mining industry, therefore, provides a particularly clear illustration of the framework because geological specifications define where company is able to operate and the operations result in environmental disruptions that necessitates working in and with local communities. Several firm level factors may affect a firms as a whole, but initial conditions, community attributes and institutions differ depending on where a company is operating. These differences will affect the processes used for decision making over CSR and who is able to participate, the roles of each actor and their power relations.

Two comparative examples were used to explain how one company may encounter different CSR circumstances depending on what country they are in, or even depending on where they are located within a country. De Beers' operations in South Africa displayed, in particular, how levels of development can affect the potential issues that will enter the decision making process and how the presence of different stakeholders will change what comprises the "community". A comparison of De Beers' holdings in South Africa and Botswana pointed to the effects that initial conditions, the presence of regulation and state ownership and the structure of local institutions can have on CSR decision making. The examples are not meant as "tests" of the framework, but as illustrations of how viewing CSR through a lens that takes into account local conditions in a systematic way can add to our understanding of the processes that companies go through in their decision making concerning CSR.

This chapter explained how local contexts and institutions can alter the conditions under which CSR decision are made. Essentially, this chapter described the factors that go into creating a CSR action arena. The next chapter will examine the actual effect of various state institutions on the processes for CSR planning and the resulting CSR output. In other words, the next chapter delves into the action arena itself and how various levels and forms of state control of the process results in various CSR agendas.

3.0 CORPORATE SOCIAL RESPONSIBILITY AND THE STATE

A Framework for Understanding State Control of CSR in Mining Industries in Africa

Abstract:

When dealing with extractive industries it is often impossible to clearly separate private sector activities from state or political activities. In developing countries this enmeshment can become even more evident. Similarly, it is difficult to disentangle private sector and political influences on the corporate social responsibility (CSR) processes and practices in extractive industries. This chapter outlines a framework for understanding state influences on CSR with particular attention to mining industries in Africa. It theorizes that the state can exert control over the CSR process in two different ways, (1) the extent of regulation requiring companies to promote development in the form of CSR where they are operating and (2) the extent of State ownership (private, partnership or full) in the company. The combination of these two factors will also affect the CSR process in different ways. The various effects of state control on the CSR process are then examined using the case studies of one mining company operating in Botswana and South Africa and a second mining company operating in Ghana and South Africa.

3.1 INTRODUCTION

When dealing with extractive industries it is often impossible to clearly separate private sector activities from state or political activities. The same is true for the corporate social responsibility (CSR) processes and practices in extractive industries. Because natural resource extraction is intimately related to the land where it is located and must operate within the communities that surround the resource in question, it represents a particularly clear case of state involvement in CSR. This chapter will examine the ways in which governments and government representatives can control, influence or structure CSR, particularly in mining industries, by theorizing about the potential roles of the state in the CSR process and examining the different CSR processes that exist in the mining industries in Botswana, Ghana and South Africa.

As Chapter 1 discussed, there is extensive literature available seeking to define CSR. While there is no consensus on the exact definition of CSR, most definitions share the characteristics of "meeting legal requirements and broader expectations of stakeholders in order to contribute to a better society through actions in the workplace, marketplace and local community and through public policy advocacy and partnerships (Forstater et al. 2010)." This definition allows for an examination of both legally required corporate social investments and more informally driven efforts promote economic and social development under the concept of CSR.

Chapter 2 described the factors that influence the space where decisions concerning CSR are made. This chapter looks more closely at how one actor, the state, can influence the actual decision-making process (i.e. the action arena) and examines how CSR outcomes differ depending on state influence. The chapter begins with the conceptual framework for state control of CSR. The next two sections provide evidence to illustrate the variation in state involvement in CSR processes using the cases of South Africa, a country with strong CSR regulation and predominantly privately owned mining operations, Botswana, a country with no CSR regulation and mining operations that are predominantly run in partnership with the government, and Ghana, a country with no CSR regulation and predominantly privately owned mining operations.

The first of these sections will examine the role of the State and the process for conducting CSR in each country. In order to illustrate more clearly how state control can affect CSR, while simultaneously holding other firm level factors constant, the second section will use CSR data from De Beers' diamond mining operations in South Africa and Botswana and Anglo Gold Ashanti's (AGA) gold mining operations in South Africa and Ghana. These case studies are based upon fieldwork undertaken in South Africa and Botswana (See Chapter 1 for a detailed explanation of fieldwork methods) and government, company and historical documents. The final section will sum up some of the possible policy implications of the various forms of state control of CSR.

3.2 CONCEPTUAL FRAMEWORK

This section will outline the theoretical framework for how states can be involved in the CSR process. State or political control of CSR can manifest itself in two ways. The first way is through regulation. Common regulations in the extractive industries that concern CSR are Environmental Impact Assessment (EIA) and Social Impact Assessments (SIA). As Table 2 illustrates, almost every African country that has extractive industries, with the exception of Equatorial Guinea, has an EIA requirement. An EIA "is an analytical process that systematically examines the possible environmental consequences of the implementation of projects, programs and policies (OECD 2001)." It is usually required before a mining license can be granted. This is seen as the minimum regulation that a country should have in place. As the table also suggests, a handful of countries (Cameroon, Guinea, South Africa, South Sudan and Zambia) have also implemented SIA requirements. SIAs "include the processes of analyzing, monitoring and managing the intended and unintended social consequences, both positive and negative, of planned interventions (policies, programs, plans, projects) and any social change processes invoked by those interventions (International Association for Impact Assessment 2014)."[14] This is a more progressive or restrictive form of CSR regulation, as it is often additional to EIA regulation.

Table 2: CSR Legislation in African Countries with Extractive Industries[15]

Country	EIA Required	SIA Required	CSR Legislation
Angola	Yes	No	No
Botswana	Yes	No	No
Cameroon	Yes	Yes	No
DRC	Yes	No	No
Equatorial Guinea	No	No	No
Gabon	Yes	No	No
Ghana	Yes	No	No
Guinea	Yes	Yes	No
Liberia	Yes	No	No
Mozambique	Yes	No	No
Nigeria	Yes	No	No
Sierra Leon	Yes	No	No
South Africa	Yes	Yes	Yes
South Sudan	Yes	Yes	No
Tanzania	Yes	No	No
Zambia	Yes	Yes	No
Zimbabwe	Yes	No	No

[14] Social impacts include changes to one of the following: people's way of life, their culture, their community, their political systems, their environment, their health and wellbeing, their personal and property and their fears and aspirations (Vanclay 2003).
[15] Source: (Natural Resource Governance Institute 2013)

However, what both EIAs and SIAs have in common is that they are aimed at mitigating or minimizing the effects that a project, in this case a mining operation, has on the environment and the surrounding community. These regulations do not require that a mining operation contribute positively to the communities and environments around them beyond mitigating the direct (negative) effects of the operation.

South Africa stands out as the only country in Africa, with signifcant extrative industries, to impliment regulation that requires mining companies to prepare a plan of how they will postively invest in the development of the communities surrounding their operations in order to obtain their mining rights. The details of this regulation will be discussed within the case study. In general, increased regulation will increase a company's CSR efforts relative to its efforts in countries with less regulation. The planning requirments of regulation also increase the stratgic and long term nature of CSR efforts compared to operations in countries with weak regulation. Previous research looking qualitativly at the effect of South African mining regulations on licensing and CSR durring and after Apartheid have found similar effects, including the increased formalization and stratgic nature of CSR, increased reporting on CSR and a general increased committtment to CSR (Hamann 2004; Hamann, Khagram, and Rohan 2008).[16] These findings suggest the important role the state can play in promoting social respoinsibitlity in busniess.

The other feature of state control that can affect CSR is the structure of ownership. Jones-Luong and Weinthal (2010) argue that the structure of ownership, whether state or privately owned and operated or whether it is controlled by domestic or international actors, determines whether or not a country will benefit from its resources. Specifically, they suggest that state owned companies

[16] While Hamann (2004) similarly looks at the role of the state in CSR in mining in South Africa, using qualitative interviews as the main source of data, his research differs in that is only explored differences within one state over time, was conducted before most of the Mining Charter implication fully took effect and does not employ mine level spending data in the same way as this study does.

will do more CSR at the national level compared to foreign owned companies that will focus on the local level. However, since most mining operations in Africa, and in many developing countries, are not state owned, but run in partnership between the private sector and government, it is also important and more realistic to understand how ownerships structures that combine aspects of public and private control may affect CSR processes and strategies.

Furthermore, other literature has looked at the strategic role of the state in the fulfillment of CSR promises (Steinberg 2015). The state can play a pivotal role when disputes occur by supporting either the mining operation or the community. A company's approach to CSR will depend on which side they think the state will take. State ownership will certainly affect whether the government has a vested interested in supporting the mining operation or the community in a given context.

In addition to state ownership, individual politicians or bureaucrats may hold shares of mining operations and their investments can also affect the stance that the government takes on issues of CSR. Therefore, ownership is not a dichotomy but exists along a continuum from public to private control. For instance, mining industries in South Africa are privately owned, but many politicians own shares in the mining sectors. The implications of the mixing of politics and mining will be discussed in more detail in the final section of this chapter.

Logic and past findings points to several main arguments concerning state control of CSR:

1. Firms carrying out operations in countries with strong CSR regulation will have increased CSR efforts relative to operations with weaker CSR regulation.
2. Firms carrying out operations in countries with strong CSR regulation will have more long term and strategic CSR practices relative to operations with weaker CSR regulation.

3. If the state has a significant stake in operations, CSR will have a more national focus relative to privately owned operations.
4. The levels of state ownership and regulation will influence the drivers of CSR.

For the purposes of clarity, Figure 9 focuses on four theoretical forms that state control of CSR can take. S1 is the case where a mining operation is either fully or partially owned by the state and little to no CSR regulation exists (again, in reality, the minimum or baseline regulation today is the EIA requirement). Since the vast majority of mining operations in Africa are not fully state owned, the example of public-private partnership operations is examined more closely in this chapter using the example of diamond mining in Botswana.[17] In this case, it is suggested that traditional CSR will be lower and more focused at the national level than in the case of private ownership. However, if the government is development oriented, there is potential for joint mining operations to direct CSR investments towards large-scale infrastructure that the government world normally carry out. This could be explained by the increased flexibility of funding or depth of skills required for managing a project that the mining operation may have compared to the government. As one interviewer put it: "It saves government some effort" (Botswana, Regional Expert – July 2014).

[17] Fully state owned entities do exist more often in the oil sector. While oil is also an extractive industry, the differences between the politics and regulations that surround oil and mining make it difficult for a controlled comparison.

	Weak CSR Regulation	Strong CSR Regulation
State Ownership	**S1: Botswana** – Ad Hoc CSR – Focus at national level – Lower levels of CSR compared to P2 – Possible major infrastructure contributions – Government driven	**S2:** – Systematic CSR – Focus at national level – Increased opportunities for corruption and exploiting loopholes – Compliance/Government driven
Private Ownership	**P1: Ghana/S. Africa pre-regulation** – Ad Hoc CSR – Focus on local mining area – Lower levels of CSR compared to P2 – Market driven	**P2: South Africa** – Systematic CSR – Focus on local mining area – Higher levels of CSR compared to S1or P1 – Compliance driven

Figure 9: Framework for State Control of CSR

The second form of state control (S2) is a state owned or public-private partnership operation in a country with strict CSR regulation. However, while this is theoretically possible, there is no clear example of this combination in the mining sector in Africa. As such, the case studies will not focus on this form of state control. Nevertheless, conceptually, this form of state control would concentrate CSR on a more national basis, where regulations permit, and there would also not be much additional CSR supplemental to that required by law. The reliance on regulation may lead operations to see CSR as more of a compliance exercise rather than an act of corporate citizenship, requiring state monitoring for compliance. In the case of S2, the government as monitor *and* subject could lead to potential opportunities for corruption and large-scale non-compliance, but would depend on the degree to which the government is development oriented.

P1 represents the form of state control where the operation is run by a private company and little or weak regulation exists for CSR. Essentially, this is the case where the market will determine CSR. In P1, the focus on CSR will be local in response to pressure coming from the communities and local politics that could directly threaten the operation's efficiency. The CSR activities will be more responsive to the changing communities' demands (ad-hoc), and also more quickly realized in that local community pressure is often seen as more urgent than regulative pressure. The majority of mining operation contexts fit in this P1 category, including most mining operations in Ghana, Tanzania, Mozambique or the DRC. This study looks at the cases of AGA's gold mining operations in Ghana and South Africa (before increased CSR regulation) as examples of the P1 type.

P2, the final form of state control of CSR, represents the situation where a country has strong CSR regulation and the mining operation is privately owned. South Africa represents the sole, but very influential, case of this form in Africa. However, as mentioned above, politics still enters into the equation in some instances due to individual ownership of shares of mining operations by politicians (Figure 10 displays framework as a more realistic continuum). Under P2 circumstances, CSR spending will be higher and more strategic relative to the other types of state control, and characterized by long-term planning and locally focused projects. As was mentioned in the case of S2, companies will be prone to the problem of viewing CSR as compliance based rather a form of corporate citizenship. However, P2 will differ from S2 in that more money will be spent on CSR over and above what is required by regulation (i.e. discretionary spending). Also, spending under P2 will be less ad hoc than in P1 due to planning requirements. This study looks at De Beers' diamond mining operations and AGA's gold mining operations in South Africa as cases that are representative of the P2 conditions.

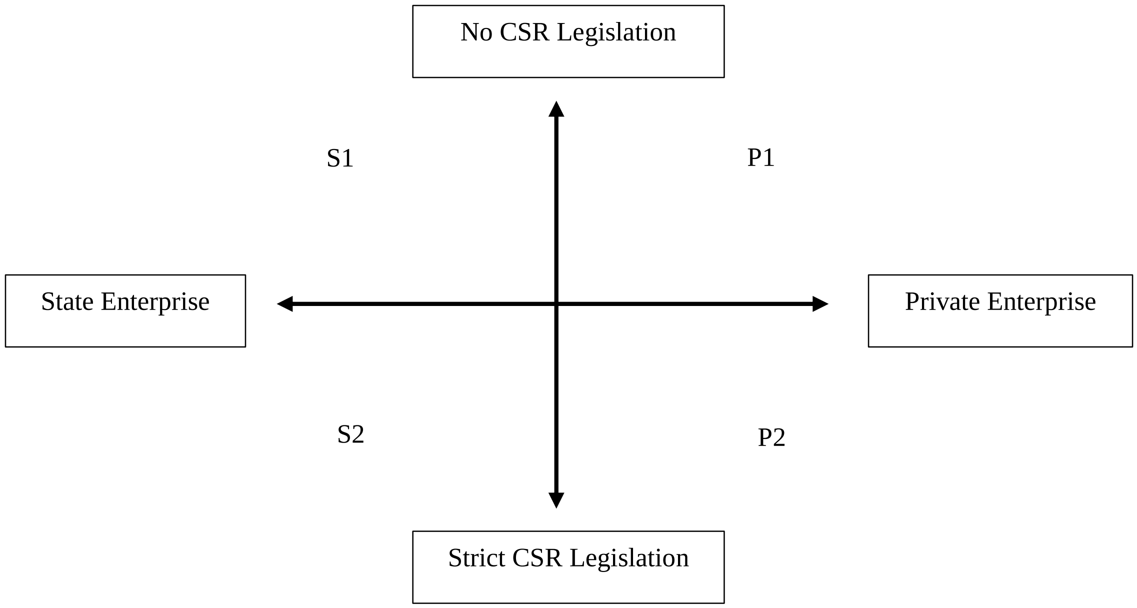

Figure 10: State Control of CSR Continuum

3.3 CSR AND THE STATE - EXAMPLES FROM AFRICAN COUNTRIES

This chapter aims to look at how state control affects CSR while keeping the factors that affect CSR at a company level constant and as such cases were chosen based upon the realities of finding a single organization operating in multiple African countries that vary in terms of the factors mentioned in the framework above. Ideally, one would seek to find one company that operates in four countries that vary exactly in accordance with the framework described. However, while a theoretical possibility, an existing large-scale mining company meeting these requirements was not discovered during the research process. Thus, two companies were identified to make the comparison of the various forms of state control.

Additionally, while most multi-national mining companies release annual reports that describe their CSR efforts in an aggregated manner, lack of data on CSR at the mine level eliminated many companies as possible case studies. Fieldwork was conducted specifically with respect to De Beers' operations in Botswana and South Africa. Thus, mine level data was collected through site visits to the mines and through interviews. Anglo-Gold Ashanti (AGA), while not the focus of this fieldwork, was the first company to release their CSR or Social and Labor Plans (SLPs), as required by South Africa regulation, on their website. The collected data from South Africa, in addition to the fact that the chosen companies provide some data reported at the mine level in Ghana and Botswana, allowed for the comparison of De Beers' operations in South Africa and Botswana and AGA's operations in South Africa and Ghana.

Furthermore, using Botswana, Ghana and South Africa as case studies make comparisons easier in some respects. All three countries are English speaking and have historical British colonial influences (although to varying degrees, which is discussed below). They all have established mining industries of at least 50 years and all are considered middle income countries within Sub-Saharan Africa (World Bank 2014).[18] Both De Beers and AGA have historical relations and are strongly influenced by the same major mining company, Anglo-American. The historical, regulative and mine ownership contexts are first discussed in this section for each country using interview data, secondary sources and policy documents. The following section examines CSR data from De Beers and AGA in the respective countries.

[18] South Africa is arguably more "developed" that Ghana and Botswana in terms of overall GDP per capita and the capacity and strength of many of their government/public institutions. However, inequality and poverty remain one of the country's biggest issues (Bauer and Taylor 2011). Many of the mining regions in South Africa remain incredible impoverished and local institutions continue to lack the capacity for providing basic services and governance. These situations are often comparable or even more extreme than those in Botswana or Ghana. Thus, the local issues faced by mining companies in mining regions can be considered those of "developing" countries in all three cases.

3.3.1 South Africa

South Africa ranks seventh in term of mining production in the world and has the largest levels of production in Africa. Even as of 2008, over 2% of the workforce was engaged in mining and quarrying (International Council on Mining and Metals 2014b). Thus, mining represents a major industry for the country both historically and currently. South Africa falls into the P2 category of countries. It has the strongest regulation concerning CSR in Africa and has predominantly privately owned mining operations. Therefore, as the analysis will show, in line with the framework, a mining company's CSR efforts in South Africa are more strategic and long term, focused heavily in mining affected communities, and have higher overall levels of CSR relative to that same company's operations in countries in other categories.

In terms of the CSR context, there is no aspect of South African culture or business that is untouched by the legacies of Apartheid. The mining industry is no exception.

> *If you read our history…nobody can deny that it is black and white, it is the government collaboration with the mining industry that brought about Apartheid in the form that we experienced…The later events came and everybody joined in, but the architects, the true basic architects of Apartheid in South Africa were the mining industry and the government.*
>
> – *South Africa, Chamber of Mines – July 2014*

The mining industry was specifically criticized during apartheid as being central to the creation of the Apartheid system because of their use and promotion of the migrant labor system (Bezuidenhout et al. 2007). This system imported cheap mine labor from South African rural homelands or Bantustan as well as other countries and used a single sex dormitory system, likened often to prisons or military compounds, to house their workers for the vast majority of the year, separated from their families. The industry was seen as complicit in the negative economic and social impacts of the system which include the impoverishment of rural areas and exploitation of workers (Hamann and Bezuidenhout 2007). Due to this system of migrant labor, CSR in South Africa uniquely focused not only on the area surrounding mining operations, but also on "labor sending areas".

While fears of nationalization were seen to ease in 1994, there was a strong movement towards policies aimed at correcting the economic injustices of the past. Business was at the center of this. The establishment of the National Economic Development and Labor Council (NEDLEC) created a space where government, business and labor could join together to negotiate labor standards and other industry issues. National programs and policies were put in place to correct the negative impacts of business on society. General programs included the Reconstruction and Development Programme (RDP), Growth, Employment and Redistribution (GEAR) and Black Economic Empowerment (BEE). Additionally, policies specific to the mining industry, such as the Mineral and Petroleum Resources Development Act (MPRDA) and the Broad Based Socio-Economic Charter for the Mining Industry (Mining Charter), as well as voluntary movements such as the King Codes adopted by the Johannesburg Stock Exchange (JSE), were put in place. The policies called upon companies to invest in social development and to diversify ownership to historically disadvantaged groups (Ponte, Roberts, and van Sittert 2007; Busacca 2013; King Committee on Governance 2009). This, in addition to the declining role of the state in terms of delivery of service and welfare programs, led to increased pressure by government on businesses to do more social investment in the areas around their operations (Bezuidenhout et al. 2007).

> *I think perhaps people coming into South Africa, investments coming into South Africa, recognize that there is a lot more development that needs to go with mining … there is not a very clear line between what is government's responsibility in terms of service provision and what are the mines responsibilities.*
>
> – *South Africa, CSR Expert – July 2014*
>
> *We had a clear call from government, where government sent an appeal to the private sector to say that we cannot do this on our own, we need to step up service delivery in order to meet the needs of the previously disadvantaged.*
>
> – *South Africa, CSR Expert – July 2014*

Due to the historical circumstances from which the 1994 government arose, there was a strong push for regulation to ensure social and economic protections. South Africa, in general, is seen as an interventionist state (Interview, South Africa, CSR Expert – July 2014) as well. Thus, more than any other Africa state, South Africa has regulated the CSR obligations for mining companies in particular, as a direct response to the consequences of their severe disruption of the environment, their historical exploitation of labor and their strong connection to the communities which surround operations. Findings from multiple interviews highlight the importance of regulative pressures in the mining industry on CSR. Overwhelmingly, interviewees found this to be the major pressure influencing companies to preform CSR. These top down pressures significantly affect compliance demands and corporate responses.

> *Top-down, the threat is top-down. Totally. … The companies that have got a license to operate are on average spending three times more as a proportion. So they are really under the crunch.*
>
> – *South Africa, CSR Expert – July 2014*

The CSR implications of the MPRDA, the Mining Charter and BEE will be discussed in detail below. In addition to compliance led CSR, however, the traditional discretionary CSR, more often known in the mining industry as Corporate Social Investment (CSI), still continues to a large extent in South Africa and many operations disclose their discretionary efforts within the legally required CSR documents. Most mining companies have historically had a Chairmen's Fund that doles out discretionary donations to various groups and, due to the path dependent nature of CSR and companies' preference for dispersing funds as they see fit, this process has continued to the present day. The CSI process in South Africa is similar to the processes that will be examined in Botswana, aside from the fact that in South Africa there is little government involvement in the CSI process. Thus, the main focus of the South Africa section will be on the regulated process for CSR.

The Mineral and Petroleum Resource Development Act (MPRDA) of 2002 is the main regulatory driving force for CSR in South Africa. The act vested mineral ownership in the state (whereas it used to be privately owned) and required mining companies to reapply for mining rights under the new system. The original act, furthermore, called for a transformation of the mineral industry by requiring that within five years the department of mines must develop a code of good practice for housing and living conditions and, additionally, within 6 months, develop a charter to promote broad based socio-economic empowerment to allow South Africans to benefit from the exploitation of mining and mineral resources (Republic of South Africa 2002).

Two years after the original act was enacted, guidelines on the MPRDA were released specifying the objectives and processes for the Social and Labor Plans (SLPs). These guidelines would form the main regulatory force driving CSR in the South African mining industry. The guidelines stipulate that an application for a mining right or a conversion of an old order mining right be accompanied by a SLP. It vested the power to request amendments to SLPs in the regional managers of the Department of Mineral Resources (DMR). These plans required background information on the mine in question, a human resource development program (mostly aimed at increasing skills for mine workers), a plan for downscaling and retrenchment and, most applicable to this paper, a local economic development program (LED). The LED program also must include the socio-economic background of the area where operations occur as well as “labor sending areas”, the social impacts of mining industry on the areas, the infrastructure and poverty eradication projects that the mines would support, in line with the Integrate Development Plans (IDP) of the respective municipalities, efforts to address housing and living conditions and nutrition of employees and a procurement plan to procure goods and services from historical disadvantaged South Africans (HDSAs) (Republic of South Africa 2004a).

In 2004, the Broad Based Socio Economic Empowerment Charter for the South African Mining Industry (Mining Charter) was also propagated. This outlined the various empowerment aspects of the different objectives of the SLPs. It also created a scorecard to monitor company compliance with the various requirements of the SLP mentioned above and called on the industry to have 26% HDSA ownership within 10 years (Republic of South Africa 2004b).

Figure 11 outlines the SLP process that a mining company must go through to obtain a mining right under the new regulatory system. It is important to understand this process in order to understand exactly how and at which points the state can influence the process. Much of the information presented here was gathered during interviews with local and national government in South Africa as well as the mining company's themselves.

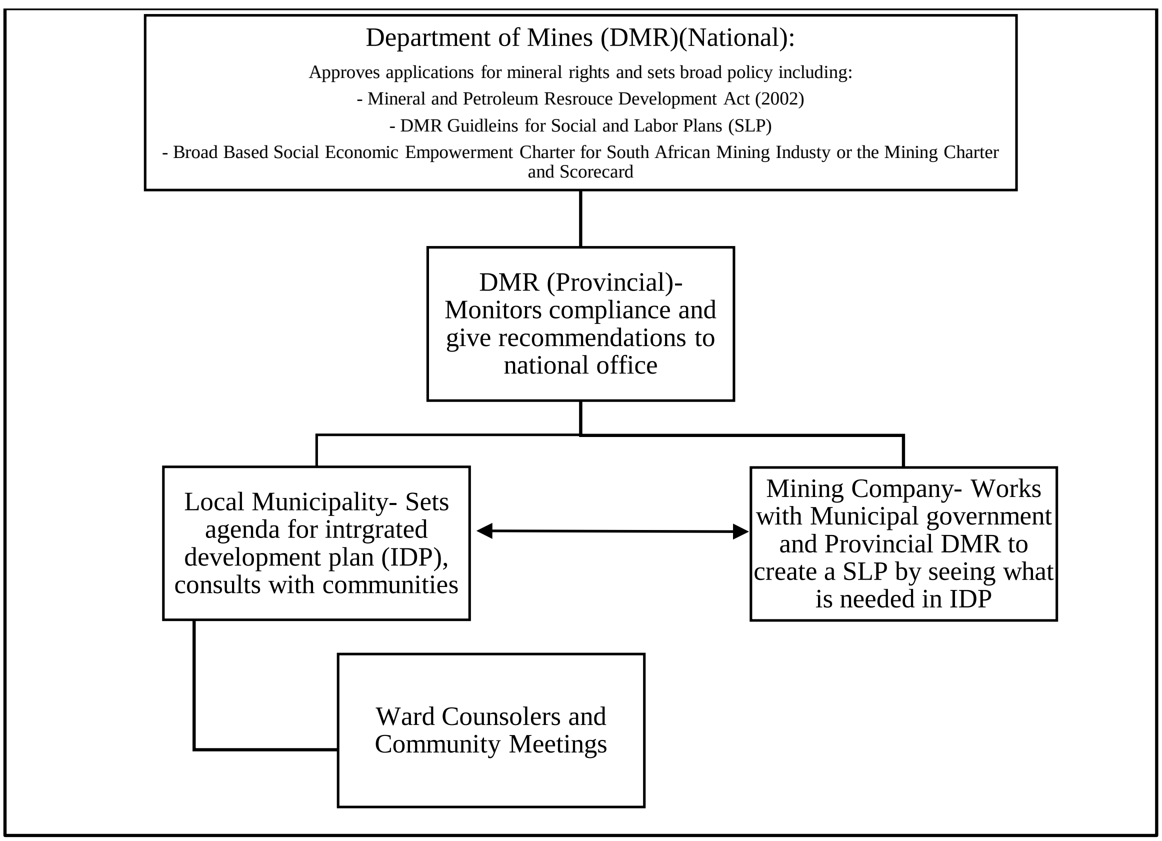

Figure 11: South Africa CSR Regulation Process

An SLP is developed by the mine operation staff, usually the personnel in charge of corporate and public affairs. This process usually begins by consulting the municipality in question's Integrated Development Plan (IDP). IDPs are long-term development plans that municipal governments are required to produce every five years. They outline the needs of the surrounding community and the proposed projects for the coming years. The IDPs content is ideally based on community consultations. This can include community forums or working groups at the municipal level, but are also often based on the community consultations conducted by ward counselors through which the information is then relayed to the municipal level. How comprehensive and reflective an IDP is of actual community needs depends on the capabilities of the municipality in question and possibly the personal politics and/or incentives of the municipal government representatives. While the credibility of the IDP is a related and important topic, it will not be discussed in detail in this chapter. The end result of the consultation and planning efforts, the IDP, is the document that mining companies are required to use to plan their SLP. This ensures that mines are working in consultation with local government to decide what the priorities of the community are and where the mining companies can contribute.

The nature of the regulations requiring SLPs promotes mining companies to invest in "sustainable" projects. This means that companies should not consider investing in community projects that will require the mining company to run the upkeep indefinitely, since mine closure is a realistic and time sensitive issue in the country. Therefore, focus is primarily directed towards infrastructure projects which can be ceded over to public or private actors once completed and investment in the creation of small businesses thereby allowing the mining communities to diversify away from dependence on the mine. Therefore, local government development plans, as well as national government preferences for infrastructure projects and small business promotion, already dictate what CSR plans are going to look like at each mine operation.

Once an SLP has been drafted it is then sent to the regional office of the Department of Mineral Resources (DMR). The regional manager can either recommend the SLP to the national office or ask the mining operation to review the SLP if the DMR thinks it is insufficient. The AGA case below will give an example of where rejection of an SLP by the DMR did in fact occur. Once the regional DMR approves the SLP, it is sent to the national DMR office where the SLP is committed to writing in a binding contract, only to be amended with national DMR approval, and thereafter a mining right is granted. A new SLP must be submitted for approval every 5 years. Additionally, annual SLP reports must be submitted each year to gauge and assess progress made in terms of previously submitted plans.

The government inserts itself into the CSR process at many points. First, the national government drafted regulation requires binding CSR plans (SLPs). Second, the local government must identify community needs and work with the mining company to create an SLP reflective of local circumstance and political priorities. Third, the regional and national DMR must negotiate and approve the SLP with the mining company based on their preference for sustainable infrastructure projects and small business development. Lastly, it is up to the regional DMR to monitor compliance with the approved SLP. While this appears to be a likely a role for local government, the approved SLPs are often not given to the local governments or communities making it difficult for more local, on the ground monitoring. This will be further discussed in the final section. The complexity and variety of government actors involved in this process is reflective of the reality that compliance and regulation are the main drivers of CSR in the mining industry in South Africa.

> *Fortunately the South African government has put in place legislation to ensure that mining communities, wherever they do their work, they don't exploit the communities in the surrounding areas. So that (the government) is the first role player or stakeholder in terms of corporate social responsibility.*
> – *South Africa, Academic – August 2014*

The government push for certain types of CSR projects that focus on local and labor sending areas will influence what types of CSR a mine operation carries out and where. The need to satisfy the DMR in terms of the SLP being "sufficient" will most likely increase overall social spending for most operations.

In terms of the influence of politics on CSR through mine ownership, the main mechanism in South Africa would be the Black Economic Empowerment (BEE) program. BEE was aimed at correcting the lack of Black participation and ownership in South African Businesses. Through the MPRDA, BEE requires mining companies to be 26% black or HDSA owned (Republic of South Africa 2004b). While the intention of this act was to create broad poverty alleviation, in reality it has often lead to the economic empowerment of a few elites, often in important political positions, at the expense of the majority of disadvantaged people (Bezuidenhout et al. 2007 and Interviews, South Africa July/August 2014).

> *Mining companies are saying, 'we are putting a lot of money to other issues of SLP' … but most of the money goes to these new empowerment partners of which most of the beneficiaries are political elites.*
> – *South Africa, CSR Expert – July 2014*

For example, the new deputy president Cyril Ramaphosa is both politician and businessman with close ties to the mining industry. He, as well as other well connected players, have become the major beneficiaries of empowerment deals (Ponte, Roberts, and van Sittert 2007).[19] One interviewee complained that politician ties to the mining industry is one reason that,

[19] For example, the auditing firm Ernst & Young revealed that in 2003 R42.2 billion (South African Rand) (U.S. 6.5 Million) in BEE deals were made mostly to politically well-connected elites. Furthermore, 60 per cent of that accrued to just two companies controlled by Patrice Motsepe, Cyril Ramaphosa and Tokyo Sexwale, all of whom are either ex-politicians or family of politicians (IRIN News 2004).

for instance, that South Africa has not been able to take a hard stance against Robert Mugabe in Zimbabwe, since some senior politicians hold stakes in Zimbabwe mining companies that could be negatively affected by political action (Interview, Academic, South Africa – August 2014).

Thus, while formal state ownership is not an issue in the mining industry in South Africa, the potential for individual politicians to influence the CSR process due to their financial interests in the mining operation remains a possible conflict of interest weakening the process and its intended effect on mining operations.

3.3.2 Botswana

The diamond mines at Jwaneng and Orapa in Botswana are the "best" mines in the world, in terms of value of production, for any commodity, not just diamonds. Mining in Botswana has to be understood in this context (Phone Interview, Company CSR Specialist, April 2015). Revenues from mining make up a higher percentage of government revenues in Botswana than anywhere else in the world. Botswana also has the highest percentage of mineral exports in the world (International Council on Mining and Metals 2014b). The importance of the diamond industry to this country is unparalleled. Botswana falls into the S1 category of countries in terms of its mining industry. There is very weak regulation surrounding CSR and almost all mining operations, including De Beers' are partially owned by the state. Therefore, in line with the suggested typology, CSR efforts are more nationally focused, driven by government influence and are therefore overall lower as compared to P2 countries. However, because the Botswana Government focuses on development, there are some large-scale infrastructure projects connected to mining operations.

Botswana's mining industry contrasts that of South Africa's in terms of the history that surrounds the industry, as well as the form that government involvement takes. While Botswana was also a British colony from 1885 to 1966, it had a relatively benign colonial rule compared to South Africa. The Tswana chiefs actually requested the British government to make Bechuanaland a protectorate out of fear of takeover by the Afrikaners or the Germans. But, because few Europeans actually settled in the colony, there was little institutionalization of racism and much of the day-to-day administration was left to traditional leaders. Traditional leaders and the local democratic systems that the Tswana had in place were therefore kept more intact than in other colonies (Bauer and Taylor 2011). However, at the same time, the "neglect" produced during British colonialism also left Botswana one of the poorest countries in the world at the time of independence (Picard 1987).

The presence, but benign nature, of British colonialism, in combination with the democratic nature of Tswana tribal systems (to which the vast majority of the population belonged), elite interest in strong property rights at the time of independence and the first president's, Seretse Khama, key decisions regarding the diamond industry have been major explanations for why Botswana has been a relative success story[20] since independence and has benefited in major ways from their diamond industry (Acemoglu, Johnson, and Robinson 2001).

Collier (2013) further argues that the tactics used by President Seretse Khama to create a common understanding of expectations at the time of the discovery of diamonds in Botswana were pivotal. Khama postured that because the country was so poor, they should agree that diamonds

[20] Botswana, while seen as "successful" within Africa, does have many similar problems to those in South Africa. These include an incredibly high incidence of HIV/AIDS, one of the highest levels of inequality in the world, high unemployment and one party dominated political system (Acemoglu, Johnson, and Robinson 2001). Therefore, while it is considered a middle-income country like South Africa, the development related problems that remain are plentiful.

were for the benefit of everyone in the country and, to reinforce this notion, he brought on local chiefs the help deliver this message.

Thus, unlike almost any other African country, there is a national policy and rhetoric in Botswana that the profits from diamonds should accrue to the entire country and not only the districts where the mines are situated. Furthermore, there has been relatively little tension surrounding the distribution of diamond wealth within the country. This is in stark contrast to the mining industry in South Africa which has been viewed as extremely exploitive to the native populations. This policy of focusing benefits at the national level has affected companies' CSR programs as well. In contrast to private mining companies operating almost anywhere else in the world, companies in Botswana primarily focus their CSR initiatives at the national level, rather than at the local level (Debswana 2007).

The diamond industry dominates the Botswana economy. Diamonds were officially discovered shortly after independence. The Mines and Mineral Act of 1967 vested the rights to sub-soil assets in the national government (much like the current system in South Africa) (Government of Botswana 1967). While there are structured laws in place for the licensing of non-diamond mineral rights, the licensing for diamond mining is conducted by direct negotiations with the national government (Revenue Watch Institute 2013). This is also in contrast to the diamond mining industry in South Africa, where diamonds are subject to the standard licensing procedure for all mining.

Renegotiations have occurred between De Beers and the government of Botswana several times over the last half century. Orapa, one of the countries two biggest diamond mines, began operations in 1971 (Jerven 2010). It was clear by 1975, after the discovery of the kimberlite pipeline in Jwaneng, now the most valuable diamond mine in the world, that the diamond mines in Botswana were extremely profitable. As a result of this realization, the government renegotiated De Beers contract in 1975, resulting in the increase of the Government of Botswana's shares in Debswana, the mining partnership between De Beers and the government, to 50% (Acemoglu, Johnson, and Robinson 2001).

Another round of negotiations established the Diamond Trading Center in Botswana in 2006 and in 2011, as part of a new round of negotiations, all London-based rough diamond sales activity was transferred to Botswana as well. As of present, the Government of Botswana holds 15% of all share in De Beers, with Anglo American holding the other 85% (Anglo American 2011; De Beers 2014a). Therefore, between the 50% ownership of all Botswana operations, the 15% ownership of De Beers itself and the taxes and royalties accrued from in-country operations, the Government of Botswana keeps about 80% of all diamond profits in the country (Interviews, Botswana - July/August 2014 and The Economist 2012). The government is also by far the strongest and most influential employer in the country, with over 40% of formal sector employment. Corporate social responsibility has to be viewed in this context (Interviews Botswana Expert and Botswana NGO, July/August 2014).

Botswana clearly represents a solid case of state ownership in mining operations, however, regulation is weak surrounding the issue of CSR. Therefore, since there is little to no CSR regulation, the case of De Beers' operations in Botswana falls into the S1 typology of state ownership.

There are currently government imposed requirements for EIAs in Botswana, managed by the Ministry of Environment, Wildlife and Tourism (Walmsley and Patel 2011). However, no regulation specifically regarding SIAs or CSR exists. Interviews revealed that at one point there was a Minister of Parliament, Phillip Makgalemele, who tried to introduce a bill for a beneficiation[21] law to parliament. However, there was no interest by other members, and the bill was quickly rejected (Daily News 2013). This failure was seen as partially due to the political involvement of the government in diamond operations.

The connection between De Beers and the Government of Botswana is extensive. The creation of Debswana formalized the relationship. In terms of CSR, termed Corporate Social Investment (CSI) by Debswana, there is a formal process in place for funding. The process is explained in Figure 12 to better understand where the government is able to assert its influence. Much like the non-regulated CSI programs run in South Africa, companies receive applications from either communities or NGOs requesting funding for various projects. Depending on the monetary amount of funding requested, the applications are approved or declined at different levels of the management hierarchy. Typically, a certain percentage of available funds are set aside for each mining operation and are distributed by the CSI staff at the mine and the rest is distributed at the national headquarters. In Botswana, 15% of CSI was allocated to each of the two major mining sites (Orapa and Jwaneng). 70% was allocated to national projects or projects in non-mining areas. However, they are trying to increase the mines allocation to 25% each (leaving about 50% of spending at the national level) (Interview, Botswana, Debswana Representative – July 2014). This is in stark contrast to the norm in South Africa where about 90% of CSR it spent near mining locations. This coincides directly with the national government's agenda of having diamonds benefit the whole country

Small allotments of funding can be approved by CSI staff at headquarters or at the mine, however, larger requests must be approved by a CSI board. In the case of a private company, this

[21] "Beneficiation, or value-added processing, involves the transformation of a primary material (produced by mining and extraction processes) to a more finished product, which has a higher export sales value." This can include capital intensive processes such as refinement or smelting and labor intensive processes such as polishing or jewelry making (Republic of South Africa 2011)

would likely consist of company representatives and possibly a fund manager. However, in Botswana, the government has a direct influence on the approval of funding in that half of the CSI board members are government representatives. Thus, the government, through this process is able to directly control what is funded and where, in terms of CSI.

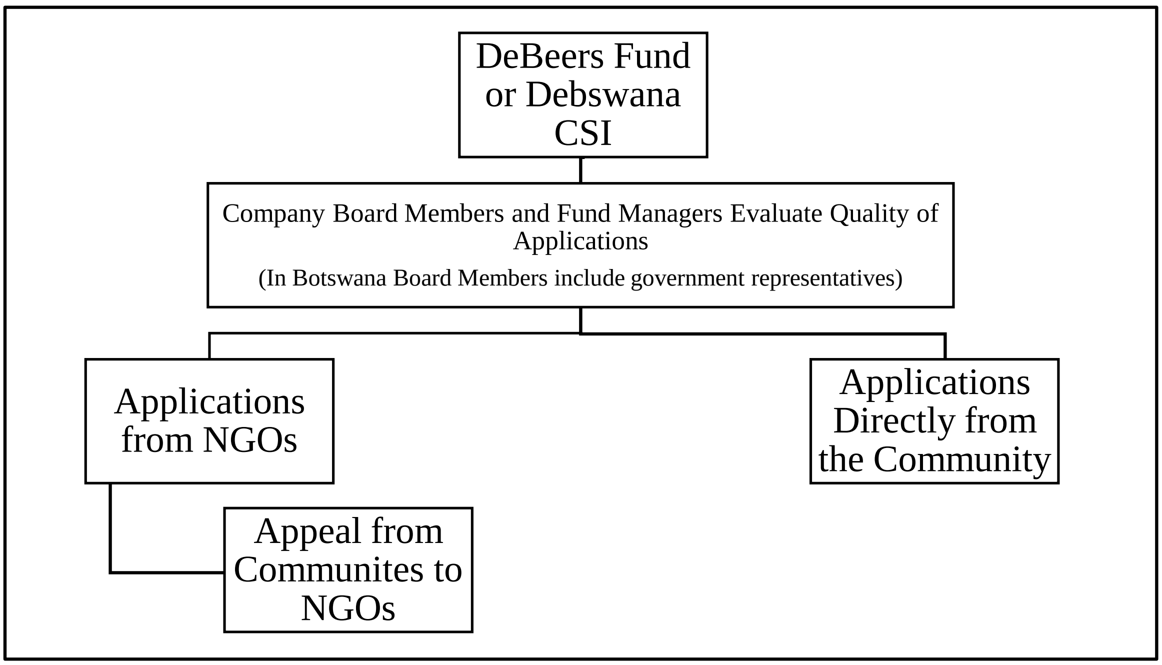

Figure 12: Corporate Social Investment Process

However, the relationship between the government and De Beers also effects CSI by more informal avenues. Debswana is often seen as an extension of the Botswana Democratic Party (BDP) and vice versa. For instance, through interviews and the accounts of the former Minister of Mineral Resources (Magang 2008), it was suggested that De Beers influenced many in government not to encourage the subject of beneficiation, slowing down opportunities for diversification and economic development in the country. In general, there was a sense that the government is submissive or passive in its dealings with De Beers, not pushing for industry competition, employment quotas or increased benefits.

> *There was always the feeling that (De Beers) were going behind and trying to influence the government people to not really push for certain things. So there are always allegations of double dealing and that type of stuff. We will never really know the truth.*
> – *Botswana, Debswana Expert – August 2014*

Even at the local level, government representatives are hesitant or reluctant to talk about the diamond industry and are influenced by Debswana. For instance, Debswana sits in on the Jwaneng Town Council (JTC) meetings. The JTC is the local government board in the mining town of Jwaneng. A request for an interview with the council about CSI and mining operations was rejected claiming they are unable to talk about issues surrounding diamond mining. Furthermore, opposition parties on occasion view Debswana as just a ruling party entity. Interviews with Debswana Representatives suggested that it was often difficult for Debswana to work with local government on CSI issues in that many were from the opposition party and saw the mining operation as representative of the BDP, the ruling party.

> *The Government usually is a major shareholder, or at least an oversized shareholder. So really ... you can consider the private sector to some extent, but people look at Debswana as just an arm of the government.*
> – *Botswana, Debswana Expert – August 2014*

Moreover, the dealings between the government and De Beers are often shrouded in secrecy and, most importantly for the purposes of CSR, costs and profits made at the mines are not revealed (Interviews with Diamond and CSR Experts – July/August 2014; Magang 2008; Revenue Watch Institute 2013). This makes it difficult to manage expectations for CSR.

Therefore, state ownership has influenced CSI formally through government representation on the CSI approval board and its ability to dictate which projects get funded. CSI has also been influenced by state involvement more informally due to the fact that the government has a major stake in the diamond industry as a whole and has a financial reliance on De Beers. Government representatives appear to acquiesce to this relationship/reliance and its influence on the decisions that get made in parliament and in mining license negotiations, often reducing pressure on the company for beneficiation and social expenditure. Because the government keeps financial negations and diamond revenues a secret, communities and local governments are often not even certain about what their CSR expectation should look like. So, overall expectations about CSR may be lowered due to this relationship between De Beers and the government. Furthermore, the decisions that do get made concerning where CSI funding goes are, in the end, influenced by the government because they participate on the decision-making boards.

While the CSR data is not as detailed for De Beers in Botswana as in South Africa, due to the lack of regulation about reporting and transparency, the available data will be examined alongside that of De Beers' operations in South Africa in the next section.

3.3.3 Ghana

Ghana is the 8th most mineral mining dependent country in the world in terms of government revenues. Gold is their major resource (International Council on Mining and Metals 2014b). Ghana falls into the category of a P1 country. The mining industry has been liberalized and consists predominantly of privately owned operations, including those run by Anglo Gold Ashanti (AGA). Regulation pertaining to CSR is weak there as well. Therefore, in line with the suggested typology, CSR efforts are lower compared to P2 countries, are heavily focused on local mining affected areas and are more ad hoc and driven by local and market pressures.

The final case study country, Ghana, while not in Southern Africa is also a former British colony with a very long history in mining. There is evidence of a gold trade in the region going back to the middle ages. It became the British "gold coast" in the 1800s and was the first sub-

Saharan African colony to achieve independence in 1957 (International Council on Mining and Metals 2007).

After South Africa, Ghana is the largest producer of gold in Africa (United States Geological Survey 2014). While the government used to be heavily invested in the gold mining sector, in 1986, Ghana promulgated a new mining law aimed at stimulating investment and liberalizing the sector. This led to the selling off of most state shares in mining operations to private companies. The law also vested the rights to sub-soil assets in the state, much like in South Africa and Botswana (Republic of Ghana 1986).

Ghana, has a lower level of per capita income than Botswana or South Africa, but also a lower level of economic inequality. It falls into the middle income country category (World Bank 2014). The government is highly centralized and lacks capacity at the local level, which is typical of many countries in Africa, including South Africa and Botswana. Like many parts of Botswana and South Africa, there is a strong informal role for traditional government in Ghana, particularly at the local level, in terms of mining/community relations. In contrast to South Africa and Botswana, one of the major concerns for companies operating in Ghana is the presence of Artisanal or Small-Scale Miners (ASM) or *galamsey*, often operating illegally and in conflict with large-scale mining operations (Hilson 2011; Hilson and Yakovleva 2006). Therefore, this factors more significantly into company operational reports about engaging with communities (Anglo Gold Ashanti 2008a; Anglo Gold Ashanti 2008b).

Because Ghana now has a fully liberalized mining sector and minimal regulations about corporate social responsibility, it falls into the P1 category of state control of CSR. This is the closest example to a free market situation for CSR, where CSR is driven not by regulation, but by the need for a social license to operate (SLO) from the communities.

There is no formal mention of CSR in mining regulation in Ghana. The Minerals and Mining Act of 2006 vested all rights to mineral in the State. While a provision for CSR requirements appeared in an early draft of the bill (calling for a certain percentage for earnings to go to community development), it was removed before the Act passed (Atuguba and Dowuona-Hammond 2006). Like most other African countries, EIAs are required prior to approval for mining projects. Additionally, plans are often required for reclamation of exhausted mining sites. However, these plans are aimed at reducing the environmental impacts of mine closures and not promoting further development beyond the mine (Amponsah-Tawiah and Dartey-Baah 2011).

However, mining companies are permitted to enter into stability agreements not to exceed 15 years pursuant to the updated licensing law (Republic of Ghana 2006). This longevity is intended to help the company to be less susceptible to political and regulatory instabilities by keeping royalty and tax rates stable. Still, the government can incorporate other terms into these agreements. For instance, the 2004 Stability Agreement between AngloGold Ashanti (AGA) and the Government of Ghana resulted in the formation of community trusts for the two communities where AGA operates, Obuasi and Iduapriem. AGA is required to spend 1% of annual post-tax profits between the two trusts (Anglo Gold Ashanti 2012c). However, unlike regulation concerning CSR, these agreements are negotiable between the company and the government on an individual firm basis. The firm can opt out of CSR requirements by not entering into a stability pact. Thus, it cannot be treated the same way as a regulation requiring CSR, since entering into the process is voluntary in nature. In the case of AGA, social investments equaling 1% net profit after tax were already the established norm in South Africa under the Broad-Based Black Economic Empowerment Act (2003) (Republic of South Africa Department of Trade and Industry 2007). As such, this was already an evolving standard under their corporate structure.

As Figure 13 delineates, the Community Trust CSR process at each mine is conducted first through the steering committee (which bridges the community and local government to the trust). They make recommendations to the board who then ultimately decides how the funds will be used. A final body, the secretariat, serves administrative functions (Anglo Gold Ashanti 2012c). Figure 14 shows the general process for engaging with stakeholders and identifying social spending needs that are thereafter relayed to the corporate and regional headquarters.

When compared to the processes outlined in South Africa, there is a stronger direct link between the communities and the company via community forums. While the local government is present in both processes, it does not necessarily fill the role of filtering the community needs in Ghana as it does in South Africa. Local government is often seen as weak in the eyes of the communities, who may thereby opt to deal directly with the companies.

> *I have been involved in Ghana since 2001. So I have seen it go through the changes and now it is becoming more sophisticate, but in reality, I mean if I am a person living in Tarkwa, which is the most highly mined area in West Africa, yes, I could go to my local government, but really would I bother? I would just go straight to the company. The local governance in Africa is weak. Its weak here, it is weak everywhere. It's very weak, so, I wouldn't bother."*
>
> – *South Africa, CSR Expert – July 2014*

Because Ghana does not suffer the legacies of Apartheid, and hence the need for Black Economic Empowerment Initiatives, there is also no systematic political involvement through individual ownership of mining operations as in the case of South Africa. Additionally, the government of Ghana does not have direct involvement in the CSR process, as in Botswana, since they no longer have any ownership of AGA or most mining operations in the country.

This does not mean, however, that government or traditional leaders cannot play a role in the CSR process. Certainly, both types of leaders have historically made request of companies (whether for their constituents or for personal reasons) (Interview, Botswana, Botswana Expert –

July 2014) and they are consulted as participants in the steering committee. However, local informal pressures are not necessarily based on ownership structures, but rather on the companies need to have sound community relations in order to have an efficient working environment. Local leaders and elites remain key actors for companies in maintaining a SLO. Traditional leaders continue to hold personal power through informal institutions and the social networking that coexist with the democratic institutions now in place (Paller 2014). Thus, traditional or local politics can play a guiding role, but this role is more on an ad hoc basis and depends on the particular leadership in question.

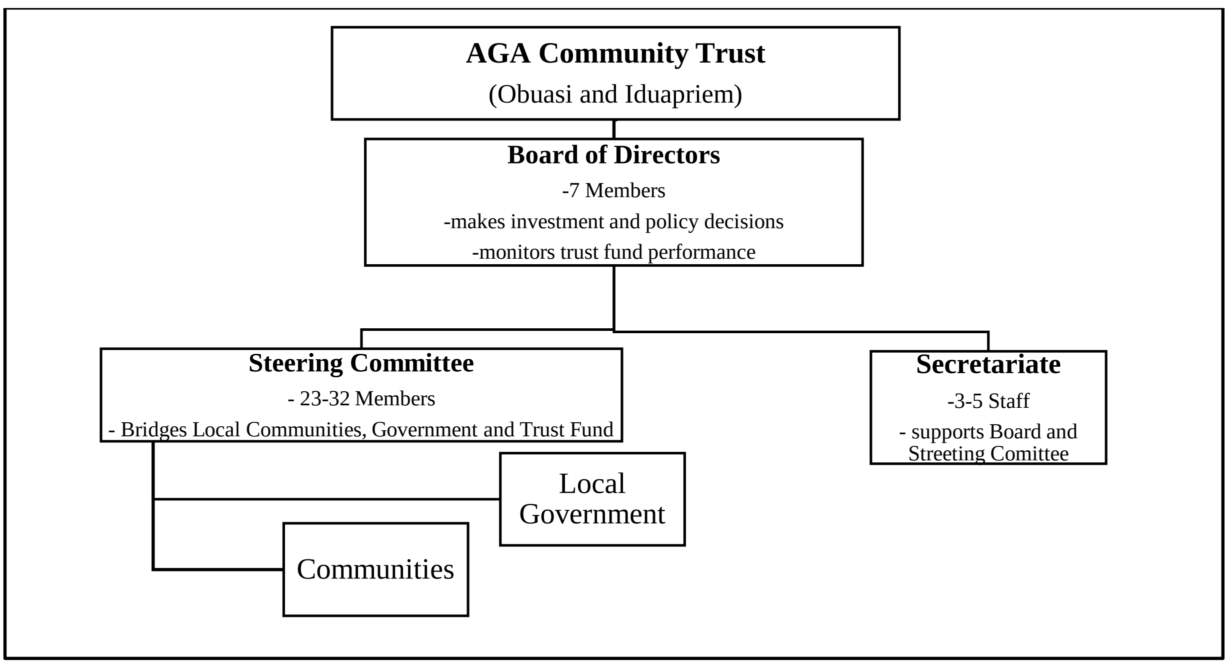

Figure 13: Anglo Gold Ashanti Community Trust Process

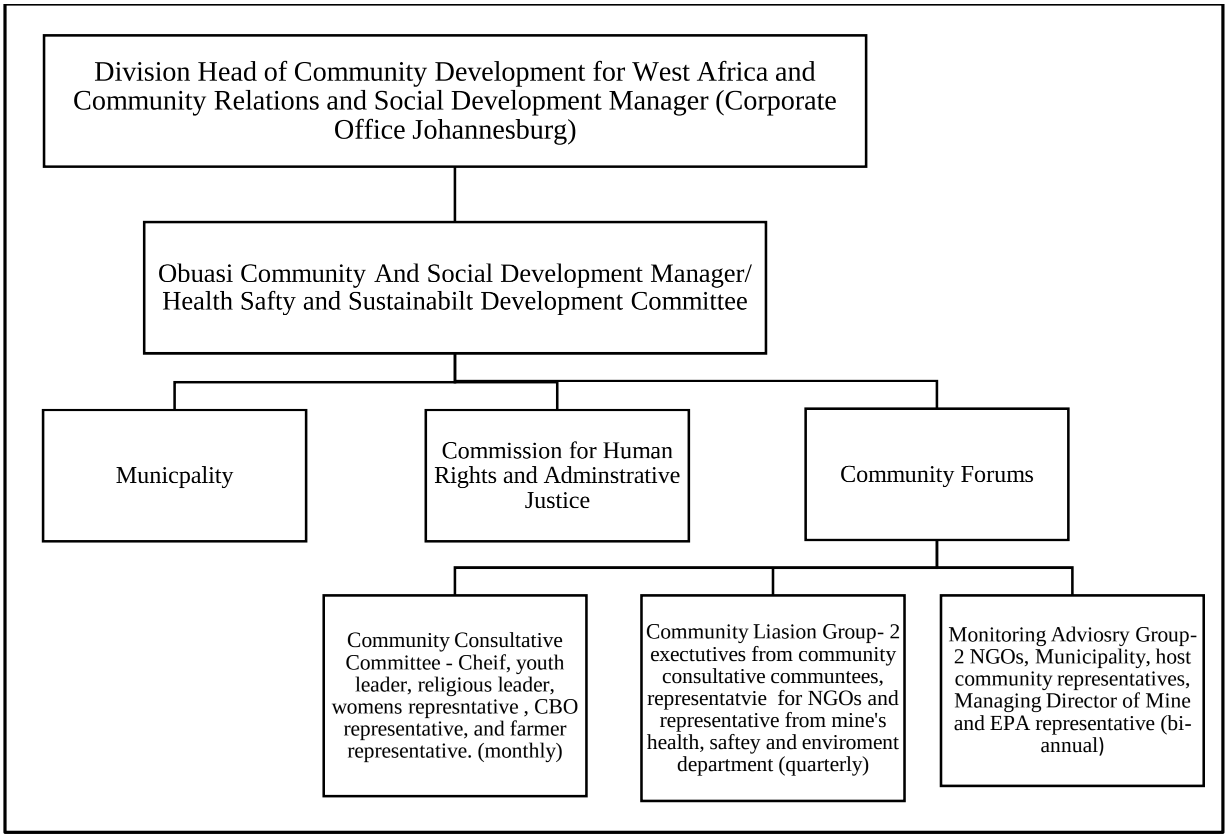

Figure 14: AGA Social Investment Process- Ghana

3.4 A COMPARATIVE ANALYSIS OF CORPORATE SOCIAL RESPONSIBILITY SPENDING

As mentioned above, there is no clear consensus about the definition of CSR. The definition used in this research incorporates the examination of both legally required and more informal efforts by companies to promote development in the areas where they operate. While CSR can encompass a firm's efforts to promote the environment, worker health and safety or broader ethics, this study focuses on corporate efforts to promote social and economic development (often in the form of the private provision of goods and services) specifically for identified communities.

Both De Beers and AGA have programs to assist with worker health and worker training. However, these efforts have direct benefits for the company in that they lead to nurturing a healthier and more efficient workforce. One could therefore argue that these efforts are heavily driven by the need for business efficiency and not broader social license to operate (SLO) motives. While the CSR efforts examined here could be near the mine in question or focused more nationally, they are focused specifically on members of the community that are not directly associated with the business of the mine and are therefore aimed at broader economic and social development.

The CSR data presented below focuses on comparing CSR efforts that are not directly benefiting employees or operations. There is little uniformity in terms of the raw data between mines or even within a single mine over time. Due to regulation, CSR data is more transparent and uniform in some countries (i.e. South Africa) than in others. The plans that companies submit to the government in South Africa are technically available to the public through the Public Access to Information Act (PAIA). However, this process is very difficult, time consuming and expensive

(Interview, South Africa, CSR/Legal Expert – July 2014). The author made attempts to access these plans through the PAIA process and is still waiting to hear back over a year and a half later. The most viable approach to collecting data, therefore, is to approach the companies themselves. This makes a large-scale analysis of CSR plans an arduous task. For this reason among others, case studies were chosen and the staff at De Beers was contacted directly for their data. AGA is the first company in South Africa to release their plans on their website. Therefore, their data was available for analysis as well.

Even though there is a lack of uniformity in the raw data, an effort was made to create some uniformity throughout the often cryptic data in order to compare the amounts and types of spending at various mining operations and overall within each country, keeping in mind the data limitations. The following data was taken from company SLPs when available, annual reports to society and reports from corporate social investment funds.

The first section examines the case of De Beers' operations in South Africa and Botswana with particular attention to the Venetia Mine in South Africa and the Jwaneng Mine in Botswana. Both of these mines are open pit and comprise the largest diamond mines in their respective countries. The second section examines AGA's, mostly underground, gold operations in South Africa and Ghana.

3.4.1 Case Study 1 - De Beers' Mining Operations in South Africa and Botswana

De Beers was established amid the diamond rush in South Africa in 1888, with Cecil Rhodes as the first chairman. De Beers is a majority stakeholder in 11 mines currently operating in four countries (South Africa (3 mines), Botswana (4 mines), Namibia (2 mines) and Canada (2 mines)). De Beers is the largest diamond mining enterprise in the world and until the mid-2000's was selling over 60% of the world’s uncut gems by value (these percentages were 90% in 1980 and approximately 35% in 2012). A historically established company, it has long been associated with the mining giant, Anglo American, who became a major shareholder in 1926, and now owns 85% of De Beers. Additionally, the vast majority of their operations take place in Sub-Saharan Africa. Therefore, the company represents a major player in the global mining industry and its presence throughout Southern Africa is undeniable. With respect to the comparative case studies, De Beers operations in South Africa and Botswana are similar in terms of industrial mining factors (i.e. the operations are large scale, kimberlitic, open pit and land based in both countries) (The New York Times 2006; Srinivas 2013; De Beers 2014a; De Beers 2014b).

In South Africa, as a direct result of the MPRDA and the Mining Charter, mining companies, including De Beers, have begun to produce SLPs that spell out the contributions they plan on making in terms of social development in host and labor sending communities over a five-year period. De Beers put out their first round of SLPs around 2007 and 2008 at their Kimberley and Venetia mines. The new round of SLPs have already been released for the Venetia Mine. This analysis concentrates on the data between 2007/8 and the most current data (2013/14).

In addition to SLP spending, most mining companies in South Africa, including De Beers, have some sort of discretionary spending programs, usually termed CSI. For De Beers, this is called the De Beers Fund and it is managed by a company called Tshikululu. The fund allocates a certain amount of money to be spent at each mining site and the site managers usually have control over how this money is spent. Additionally, the fund can choose to spend money near mining sites from their headquarters in Johannesburg. Thus, in South Africa, money for CSR is flowing into any particular mining area from at least three sources, SLP spending, local CSI and CSI coming from headquarters.

The South Africa example will focus on the Venetia mine, which is the largest diamond mine in South Africa and De Beers' greatest asset in the country (the context in which the mine is situated was discussed in Chapter 2). Venetia does not add local area committee spending (local CSI) or CSI from their headquarters into their SLP as other mines often do. This is logical in that the CSI projects are not pertinent to the issues of compliance with the Mining Charter. However, many mining operations report CSI spending in there SLP, most likely to highlight other ways in which they are doing social development and to hopefully make approval of their plans easier (See Kimberly Mines' SLP data and AGA's SLP data). The total spending per year for Venetia including SLP, CSI and Local CSI spending averaged R15,627,407 (South Africa Rand) (about $1,381,306) per year with a total spend of R109,391,849 (about $9,669,143) from 2008 to around 2013. Table 3 and Table 4 display Venetia Mines' SLP spending by project and year and the total CSR spending by spending category. More detailed data on CSR spending is available by request.

As is the preference of the Department of Mines, the CSR spending at Venetia focuses heavily on education and infrastructure. This constitutes the bulk of spending. The SLP spending, mandated by the government, from 2008-2012 makes up about a third of total CSR (spending including locally and nationally distributed CSI)**,** or R39,537,000 (about $3,521,035). If the planned SLP spending in 2013 and 2014 is taken into account (R34,640,000, about $3,077,770), it is clear that SLP spending is making up the majority of CSR spending at the mine between 2008 and 2014.

Table 3: Venetia Mine CSR Spending 2008-2014[22]

Category	Spend 2008- 2014
Arts and Culture	1,800,562
Education and Training	50,803,655
Enterprise Development (Excludes business hub support)	8,239,810
Environment	2,301,006
General Community Support	40,659
Health and Social Support	4,041,376
Infrastructure	41,717,859
Poverty Alleviation	76,370
Sports and Recreation	370,552
Total	**109,391,849**
Average per year, 2008-2014	**15,627,407**
	*All amounts are in South African Rand (R)

Table 4: Venetia Mine SLP Spending 2008-201223

Project	2007	2008	2009	2010	2011	2012	Total
Counter Funding Electrical Project	0	5,137,000	0	0	0	0	5,137,000
Counter Funding Electrical Project	0	3,000,000	2,000,000	0	0	0	5,000,000
Educational Support and Infrastructure Development	6,500,000	4,500,000	4,500,000	2,500,000	2,500,000	2,500,000	23,000,000
Aquaculture Project	50,000	700,000	700,000	200,000	200,000	200,000	2,050,000
Eldorardo Satellite Aquaculture Project	50,000	200,000	200,000	50,000	50,000	50,000	600,000
Aquaculture Cluster Project	50,000	700,000	700,000	200,000	200,000	200,000	2,050,000
Harper Satellite Aquaculture Project	50,000	200,000	200,000	50,000	50,000	50,000	600,000
Taaibosch Bakery Project	50,000	250,000	50,000	50,000	50,000	50,000	500,000
Medical Manufacturing Incubator	50,000	200,000	200,000	50,000	50,000	50,000	600,000
Per Year Provisioning	**6,800,000**	**14,887,000**	**8,550,000**	**3,100,000**	**3,100,000**	**3,100,000**	**39,537,000**
							*All amounts are in South African Rand (R)

[22] Source: (De Beers 2013c), See Appendix B for detailed list.
[23] Source: (De Beers 2007b)

In Botswana, Debswana, the company running De Beers operations in Botswana, releases far less information on its financials, including CSR spending, as compared to South Africa. The author even attempted to get comprehensive data from Debswana staff during interviews, however, after multiple attempts, the request was never acted on. There is no freedom of information act in Botswana and even if there were, companies are in no way required to do CSR in Botswana or submit any CSR information to the government. Therefore, the data on CSR was gleaned from annual reports and it is somewhat difficult to decipher exactly what is included in the reported amounts and what is not. However, with the additional information collected from interviews concerning the CSR process at Debswana, the data could be organized for analysis.

In general, Debswana conducts almost all of its CSR through its Corporate Social Investment (CSI) Program, which was described in the section above. This program runs very similarly to the De Beers Fund in South Africa, with the exception that government representatives sit on the CSI board in Botswana. As Table 5 displays, Debswana's CSI budget has grown over the last decade. In 2007, the company decided to devote a specific amount to CSI every year. This amount was then raised in 2010 and again in 2012. The amount of money to be spent in each location is also predetermined. Debswana spent 15% of its CSR near the Jwaneng Mine (the most valuable diamond mine in Botswana and in the world) and 15% of its CSR at the other collection of mines near Orapa. 70% of its CSR was spent nationally or on projects not near the mining sites. This was a deliberate choice of the company as it, like the government, has a policy of diamonds benefiting everyone in the country. This is much in line with Jones-Luong and Weinthal (2010) arguments about the influence of state ownership leading to a focus at the national level for benefits.

Through interviews, it was discovered that Debswana had plans to increase the share of CSR going to mining sites to 25% in each location. Therefore, closer to 50% is now going to be spent nationally. The 2013 Debswana stakeholder report already moves in this direction, stating that of the P16,555,766[24] (slightly more than the planned P15,000,000) allocated to social investment, P7,500,000 was split between the two major mining locations. This is about 45%, up from 30%. The move towards spending 50% of CSR funds in local mining areas is assumed to be the current state of distribution and is, therefore, reflected in the 2014 data. This is still significantly higher than in South Africa where only about 10% of CSR funds are spent in locations that are not host or labor sending areas.

Table 5: Debswana CSI Spending in Botswana 2005-201425

Project	Jwaneng	Orapa	National	Total
CSI 2005				2,400,000
CSI 2006				6,700,000
CSI 2007-2009	1,350,000	1,350,000	6,300,000	9,000,000
CSI 2010	1,800,000	1,800,00	8,400,000	12,000,000
CSI 2011	1,800,000	1,800,000	8,400,000	12,000,000
CSI 2012-2013	2,250,000	2,250,000	10,500,000	15,000,000
CSI 2014 (50/50 Split)	3,750,000	3750000	7,500,000	15,000,000
Hospitals ca. 2012 (per year)**	64,000,000	ca: 40,000,000	0	104,000,000
Hospitals 2013 (per year)	65,000,000	65,000,000	0	130,000,000
**Amounts are Listed in the Botswana Currency the Pula (P)*				
*** Specific amount spent on Jwaneng Hospital come from an interview*				

[24] Pula (P) – the currency of Botswana, similar in exchange to the South African Rand (R)
[25] Source: (Debswana 2006a; Debswana 2007; Debswana 2008; Debswana 2009; Debswana 2011; Debswana 2012) and Interviews. Note: Actual spending often end up looking a bit different than planned spending. For instance, interviews in 2014 suggested that the yearly CSI budget was P15million, however spending reports for 2013 put the CSI budget for that year actually at around P16 million (Debswana 2013).

The average yearly CSR spending (including discretionary and regulated spending) at the Venetia Mine in South Africa was about $1,381306. Jwaneng mine has in the past years had a planned CSR spending of between about $229,237 to $382,062 (P2,250,000-3,750,000), depending on the current national/local split. Seeing as though Jwaneng is by far the most valuable mine De Beers owns, this total spending is far less CSR than in the respective South African mines. Additionally, the majority of interviews conducted that touched on this topic found the system for social investment in Botswana to be very ad hoc.

> *It is totally random. It is totally random and a lot of it there is a sense of when the company is doing (CSR) … they are dragging their feet. And you know the thing about when we look at Botswana and South Africa is that you will find a lot of the same companies, especially your multinationals, you will find the FNB in South Africa and you will find FNB here, you will find Barclays there and Barclays here... But you will usually find that what is contributed in South Africa to the communities by the same companies that operate in Botswana is a hell of a lot more.*
>
> – *Botswana, Debswana Expert – August 2014*
>
> *It looks very flaky. Very flaky. What they count … it is small money, first of all, it doesn't seem to have any strategy behind, or long-term goals. … Debswana has a committee, a random committee, not people whose job it is to do this stuff. People who have other jobs … it is probably 30 years behind how big companies work in South Africa. It is very random. What you would get there is what I always call chairman's follies. Where you have the wife of the chairman or an executive's favorite pet project … there are no safeguards against it. Zero.*
>
> – *South Africa, CSR Expert – July 2014*

These findings are in line with the proposition that when there is less regulation of CSR there is less overall spending and it tends to be relatively unplanned or ad hoc.

However, there are some major social projects that Debswana counts outside of their CSR spending. Because of the government's strong focus on promoting development in Botswana, companies are often asked to partner with the government on various development projects and there is an expectation that companies take part in these partnerships (Phone Interview, Company CSR Specialist, April 2015). One project involved a one-time infrastructure investment where Debswana built an entire road to their mine at Orapa at a cost of approximately P22 million (about

$2,369,388) specifically for the workers, but it also benefited the surrounding communities (Debswana 2006a). While this is a public service provision, it was also the only way to have efficient transport from major cities to the mine. Therefore, it was more a question of efficiency for the mine rather than social contribution for the community.

Another major set of contributions made by Debswana are the hospitals that they run at both their Orapa and Jwaneng Mines. As Table 5 shows, Debswana spends P64 to P65 million (about $6.6 million) (data from Interview, Botswana, Debswana Representative – July 2014 and Debswana (2013)) alone running their hospital at Jwaneng each year. The hospital spending far exceeds CSR spending at Venetia per year. However, Debswana does not discuss this contribution as part of their CSI for several reasons. First, the hospital was originally built for mine employees, since no hospital existed beforehand in the mining town. For a long period of time it was only open to mine employees, and subsequently included their families. Now, however, it is open to the general community.

Second, the services offered at the hospital are often divided between those for employees and those for the community. Debswana pays for many of the services for the employees, but works in partnership with the government for the services that cater to the general community. For instance, Debswana runs two programs out of their Jwaneng hospital for HIV/AIDS treatment. One program is fully funded by Debswana and provides free treatment to mine employees. For the second program that serves the broader community, Debswana provides the staff and facilities, but the drugs are paid for by the government (Interview, Botswana, Debswana Representative – July 2014). In Orapa, the hospital is situated in a closed town where only mine employees and their families can live. Therefore, it is only directed towards benefiting workers, which again speaks to operational efficiency.

Therefore, while the road building project and the hospitals can give the appearance that CSR is higher in Botswana, as the De Beers annual reports often suggest, these projects are heavily influenced by the companies own operational efficiency (something that would not be counted under SLPs). Furthermore, the fact that the parts of the contributions that are focused on the community are done in partnership with the government is in line with the logic that if the government is development oriented, you may see CSR contributions in the form of large scale public service projects done through the state owned/partnered company.

3.4.2 Case Study 2 - Anglo Gold Ashanti's Mining Operations in South Africa and Ghana

AngloGold Ashanti (AGA) is the product of a 2003 merger between the South African company AngloGold (which was majority owned by Anglo American) and the Ashanti Goldfields Corporation (AGC). AGC has a long history in Ghana, being officially formed in 1897. Anglo Gold's majority owner was Anglo American (fully divested in 2009) and as such has similar roots in terms of corporate leadership and practice as that of De Beers. As part of the merger deal the Ghanaian government retained a 3% equity share in the company (International Council on Mining and Metals 2007). However, AGA acquired all of these shares as of 2007 and is now a fully privately owned company (Anglo Gold Ashanti 2014b).

Much like the case with De Beers, AGA is required to submit SLPs to the government every 5 years in South Africa. AGA has publically released their 2010 to 2014 SLPs for both their underground mining operations at West Wits and Vaal River. The regulation requiring SLPs calls for investing in host *and* labor sending communities due to the migrant labor system that dominates the mining industry in South Africa. Because diamond mining now requires a smaller, more expertly trained workforce, De Beers tends not to draw employees from traditional labor sending areas and, thus, their CSR focuses solely on the host communities.

AGA, however, draws significantly from populations of the Eastern Cape of South Africa and, therefore, focuses some social spending on towns in the Eastern Cape. The West Wits and Vaal River operations will be discussed together since they are in geographically similar areas of the country. In addition to the SLP spending, much like De Beers, AGA also allocates certain amounts of funds from their discretionary CSR efforts to each mining area (called "Social and Institutional Funds"). Table 6 illustrates that the average yearly CSR spending, including SLP and discretionary funds, at West Wits and its labor sending communities was R23,144,000 (about $1,951,195) over the 5 years. Vaal River had an average yearly spend of R33,595,040 (about $2,832,277). Tables in the Appendix include a project-by-project breakdown of spending in both of West Wits and Vaal River.

The data for AGA's operations at West Wits also gives a clear example of how the regulation about SLP spending can change the nature and amount of CSR provided to a mine. AGA's SLP for West Wits was submitted for 2010. However, the SLP was not approved by the Department of Mines as they considered the contribution to be too low. AGA then revised their SLPs upward to commit more than before. This explains why the recorded spending in Table 6 for the period of 2010-2014 only begins in 2011. However, the rejection of the SLP provides a unique opportunity to look directly at how government regulation influences CSR spending, holding all other factors constant.

Table 6: Anglo-Gold Ashanti SLP Spending 2010-2014[26]

Location	2010-2014	Average per Year 2010-2014	2011	2012	2013	2014
West Wits	**115,720,000**	**23,144,000**	**5,000,000**	**47,500,000**	**34,100,000**	**29,100,000**
Merafong	50,970,000	10,194,000				
OR Tambo District, Easter Cape	12,250,000	2,450,000				
Other Enterprise Development 2012-2014	30,000,000	10,000,000				
Social and Institutional Fund – West Wits	22,500,000	4,500,000		7,500,000	7,500,000	7,500,000
Vaal River	**167,975,200**	**33,595,040**	**2,603,000**	**42,964,000**	**63,879,000**	**58,529,200**
Matlosana	100,600,000	20,120,000				
OR Tambo District, Eastern Cape	43,000,000	8,600,000				
Social and Institutional Fund - Vaal River	22,500,000	4,500,000		7,500,000	7,500,000	7,500,000

*All amounts are in South African Rand (R)

Table 7 clearly illustrates the changes. The added pressure of SLP regulation resulted in an increase in Local Economic Development (LED) and Enterprise Development (small business investments) spending in host and labor communities by about R60 million (about $5 million). Moreover, while host community spending went up by about 160% of previous commitments, labor sending community spending went up about 260% from previous commitments. Overall, the proportion of SLP spending committed to labor sending communities increased from about 15% to 20%. Therefore, regulatory pressures increased CSR overall and increased the relative focus on labor sending areas. The data used in the comparison with spending in Ghana will also highlight the difference in South Africa before and after SLPs took effect.

[26] Source: (Anglo Gold Ashanti 2011; Anglo Gold Ashanti 2013g). See Appendix C and D for detailed list.

Table 7: Effect of SLP Regulation on CSR Spending - Anglo-Gold Ashanti 2011-2014[27]

Projects	2011	2012	2013	2014	Total
Previous Commitments					
West Wits	1,000,000	18,500,000	6,500,000	2,500,000	**28,500,000**
Labor Sending			2,500,000	2,500,000	**5,000,000**
Total Previous	1,000,000	18,500,000	9,000,000	5,000,000	**33,500,000**
Added Commitments					
West Wits	0	15,468,000	16,000,000	15,000,000	**46,468,000**
Labor Sending	4,000,000	6,000,000	1,625,000	1,625,000	**13,250,000**
Total Added	4,000,000	21,468,000	17,625,000	16,625,000	**59,718,000**
Total	**5,000,000**	**39,968,000**	**26,625,000**	**21,625,000**	**93,218,000**
			*All amounts are in South African Rand (R)		

In Ghana, there is no regulation concerning CSR and the state does not control any part of the AGA mines. AGA works in two mining areas in Ghana, Obuasi and Iduapriem. Obuasi has some open pit, but mostly underground mining, like the operations in South Africa. Iduapriem is open pit. However, the majority of production in Ghana for AGA takes place at Obuasi.

As Table 8 demonstrates, much like in the case of Botswana, without regulation demanding comprehensive data, the information about CSR spending is much more aggregated in Ghana. AGA essentially spends money in two ways in Ghana, via the community trusts that were established by the Stability Agreement they made with the government of Ghana, and through discretionary CSR spending or "corporate CSI". However, while the Stability Agreement was initiated in 2004, the trusts were only legally incorporated in 2012 (Anglo Gold Ashanti 2014a).

[27] Source: (Anglo Gold Ashanti 2011). Note: The data concerning the previous commitments sites a R15million project to be completed between 2012 and 2014 in host and labor sending areas. However, it does not mention what proportion of the money will go to each area in 2013 or 2014. In the analysis the funds were assumed to be split in half between the two areas. However, it is more likely that more funds went to the host community project, thus making the difference in labor area spending before and after the changes even more dramatic than suggested.

This delay in the formalization of the trusts gives some indication of the effectiveness of government enforcement of the agreement.

However, the disaggregated data is only available for 2008. After 2008, aggregated data is available through both AGA annual reports to society and integrated reports. Moreover, where there is detailed data, it is often cryptic. For instance, the community trusts are purported to be funded at $2.7 million to the Obuasi fund and $1.6 million to the Iduapriem fund, but it is not clear how much of these funds are used for social projects in any given year or if this spending is already included in the total CSR spending reported for Ghana.

What our data does show is that prior to the increase of SLP spending, CSR spending between South Africa and Ghana were relatively similar. Taking into account that South African mines are more productive, spending in Ghana was actually much higher per ounce of gold recovered in 2008.[28] While South Africa's overall spending increased dramatically as the projects from the SLP took shape in 2012, Ghana's CSR spending has remained relatively constant, even falling after 2011. This pattern is consistent with the notion that increased regulation will increase CSR spending. Furthermore, virtually all of AGA social spending is done near their mining operations, thus supporting the argument that private operations will focus more on directly affected communities rather than at the national level as seen in Botswana.

[28] In 2008, Ghana Produced 557,000oz of gold and South Africa produced 2,007,000oz. This would mean that Ghana is spending $4.11 per ounce gold on CSR, while South Africa is spending $1.58 per ounce. Productivity cannot account for all of the difference in spending (Anglo Gold Ashanti 2008c).

Table 8: Anglo-Gold Ashanti CSR Spending in Ghana and South Africa[29]

Location	2008	2009	2010	2011	2012	2013
Ghana	**2,287,000**	**2,530,000**	**3,804,000**	**3,264,000**	**2,542,000**	**1,499,000**
Obuasi						
Community Trust Fund	250,000					
Corporate CSI	1,955,000					
Iduapriem	332,000					
South Africa	**3,177,000**	**2,962,000**	**3,242,000**	**3,670,000**	**7,700,000**	**8,391,000**
						*All amounts in USD

3.4.3 Summary of Findings

Examining De Beers' mines in two countries allowed for a comparison of CSR under the circumstances of state ownership and no CSR regulation (S1, Botswana) and CSR under the circumstances of private ownership and strong CSR regulation (P2, South Africa). The findings from the De Beers case suggest that CSR spending in Botswana is more ad hoc, concentrated at the national level and lower as compared to South Africa, excluding the large scale public projects that are either done in partnership with the government or are aimed at enhancing operational efficiency. South African CSR spending, by comparison, is larger, more long-term oriented and locally focused.

The study of AGA allowed for a comparison of privately owned operations under different levels of CSR regulation. Within South Africa, spending at West Wits mine before (P1) and after (P2) the MPRDA regulation influenced spending suggesting that the MPRDA and the SLP process increased spending and also focused that spending to a greater degree on labor sending areas. This

[29] Source: (Anglo Gold Ashanti 2008b; Anglo Gold Ashanti 2013c; Anglo Gold Ashanti 2008a; Anglo Gold Ashanti 2013b; Anglo Gold Ashanti 2013d; Anglo Gold Ashanti 2013a)

makes sense because labor sending areas are not a real threat to mine productivity and, thus, the company does not need a social license to operate from them. Populations in the Eastern Cape, a major labor sending area, cannot block a road or protest operations in other ways because they would have to travel far distances. Because of this, operations would only invest in communities from labor sending areas due to the mandate of government regulatory compliance. Labor sending communities are often not even aware that they are entitled to support from the mines. Interviews corroborate this:

> *You have different challenges in your labor sending areas, those guys are far from the mines, they have no mine to march to and so the challenges there are different and the pressures are different.*
>
> – *South Africa, Chamber of Mines – July 2014*

Thus, regulation was required to make companies focus on these areas. In comparing AGA operations in Ghana (P1) and South Africa (P2), CSR spending has increased significantly in South Africa since SLP projects were launched, while spending has maintained similar levels and even decreased in Ghana.

On the other hand, because spending in Ghana is not driven by regulation or national politics, the CSR process seems to be aimed more directly at community engagement. As the analysis of the CSR process in Ghana showed, there is a more direct link to the communities in the stakeholder engagement process in Ghana, whereas in South Africa, community engagement is filtered more through the government. Findings from a GTZ general CSR study in Ghana and South Africa support these findings. They found CSR in Ghana to be rarely strategic and focused heavily on the most direct stakeholders, such as the immediate community. There is little political expectations for CSR beyond the desire for general promotion of economic growth through business (CSRWeltWeit 2012a). In contrast, they found CSR in South Africa to be more strategically oriented due to BEE and stock exchange regulations and found that the state plays a prominent role in CSR, focusing CSR away from philanthropy and more towards strategic development (CSRWeltWeit 2012b). These findings also reflect the typologies outlined in the framework. The final section will look at some of the potential effects of state control on CSR implementation and effectiveness.

3.5 POLICY IMPLICATIONS

As the case studies have shown, even when holding the company constant, differences in mine ownership and in national regulation translate to observable differences in CSR planning and spending. While the explanatory value of the framework still need to be tested on a larger scale and over a longer period of time within the mining industry, and in other extractive industries in other regions of the world, it is possible to draw several implications from these case studies. Particularly, implications can be discussed in terms of the effects of regulation and political involvement on the effectiveness of CSR.

3.5.1 Regulation

While regulation has increased CSR spending within South Africa over time, and also when South African operations are compared to countries without regulation, it has also turned the process into a question of compliance rather than being a good corporate citizen. Many observers have described the process as “box ticking” (this word was used throughout many interviews) rather than developing a relationship with stakeholders. Thus, more effective monitoring and sanctioning are required to make regulations effective since companies may look for loopholes in the regulation.

Transparency is also a key issue in monitoring. While companies must submit their SLPs to the national government, these documents are not readily available to local governments, NGOs or the community. Thus, these local actors, the direct beneficiaries of the SLPs, do not know the contractual social obligations that the companies entered into and cannot effectively monitor their implementation.

Regional DMR offices are supposed to monitor SLP compliance. However, the DMR lacks the capacity and does not have adequate personnel to carry out sufficient onsite monitoring. Companies are often aware of this fact, making compliance an ongoing concern (Smith and Rosenblum 2011). Interviewees collaborated this point:

> *With the limited capacity that we (the DMR) have... we are lucky in a region where we have two social plan people who can do actually the (compliance) assessment... So, companies are aware that we don't have the capacity, we are thin on the ground. So, some of them get away with (non-compliance), because they know ... even if you (the DMR) find non-compliance, chances of you coming back are very slim.*
>
> - *South Africa, Government Official* - *July 2014*

Table 9, Table 10, Table 11 and Table 12 below display the reported compliance with planned SLP spending for De Beers and AGA operations in South Africa. Even if the total actual spending is larger than the planned spending, in most cases, a closer look shows that this is usually accomplished by extreme overspending in some areas and extreme underspending in others. AGA Operations and De Beers' Kimberley Operation included CSI spending in their SLP. Both tended to over spend on CSI and enterprise development (which are more discretionary) and failed to meet their targets for some of the Local Economic Development (LED) initiatives that may be much harder to implement. Thus, even if overall compliance appears strong, monitoring is needed to ensure that the projects that are more difficult to manage and implement are actually completed.

For instance, Venetia Mine (Table 9) failed to reach their spending goal on 6 out of 9 of their LED projects. However, they appear to be compliant overall because they heavily overspent on their school project and their enterprise development initiative (bakery project). Since Venetia does not include their discretionary spending in their SLP reports, this appears even less dramatic than other mine reports.

In Kimberley Mine (Table 10), De Beers almost tripled their discretionary CSI spending and spent about R11 million (about $900,000) more than planned on their enterprise development initiatives. However, they failed to reach their goal on two of the LED initiatives requested by the municipality. Overall, they appear compliant.

For AGA's Vaal River and West Wits operations (Table 11 and Table 12) their discretionary CSI spending is above what they planned to spend (i.e. R7,500,000 each year was planned), but the LED commitments are nowhere close to the levels they were supposed to reach. Comparing their planned spending levels to their actual spending levels alone makes this clear, particularly since LED commitments in the original SLPs made up the vast majority of spending commitments, but they do not actually exceed CSI spending in their yearly reports.

Table 9: De Beers' Venetia Mine SLP Compliance 2008-2012[30]

Project	Committed	Actually Funded	Difference
Counter Funding Electrical Project	5,137,000	5,137,000	0
Counter Funding Electrical Project	5,000,000	1,300,000	-3,700,000
Educational Support and Infrastructure Development	16,500,000	25,500,000	9,000,000
Aquaculture Project- Blouberg	2,000,000	313,500	-1,686,500
Eldorardo Satellite Aquaculture Project	550,000	0	-550,000
Aquaculture Cluster Project- Musina	2,000,000	313,500	-1,686,500
Harper Satellite Aquaculture Project	550,000	0	-550,000
Taaibosch Bakery Project	450,000	831,000	381,000
Medical Manufacturing Incubator	550,000	0	-550,000
Totals	**32,737,000**	**33,395,000**	**658,000**
			*All amounts are in South African Rand (R)

Table 10: De Beers' Kimberley Mine SLP Compliance 2008-201231

Project	Committed	Actually Funded	Difference
CSI	**5,055,506**	**14,377,164**	**9,321,658**
Community Skills Development	**9,800,000**	**9,800,000**	**0**
LED Projects	**13,840,000**	**23,127,299**	**9,287,299**
Brick and clay pot manufacturing project (money spent 2008-2009)	1,890,000	290,000	-1,600,000
Galeshewe SMME Village	2,300,000	1,337,299	-962,701
Diamond Jewelry Academy	6,000,000	6,000,000	0
De Beers Matlafalang Business Hub	2,250,000	14,100,000	11,850,000
Sol Plaatjie Waste Water Treatment Plant	1,400,000	1,400,000	0
Total	**28,695,506**	**47,304,463**	**18,608,957**
Average Per Year Spend	**5,739,101**	**9,460,893**	
			*All amounts are in South African Rand (R)

[30] Source: (De Beers 2013b)
[31] Source: (De Beers 2013a)

Table 11: Anglo Gold Ashanti's Vaal River Mine SLP Compliance 2010-2014[32]

Project	2011	2012	2013
Enterprise Development		4,278,719	1,125,521
CSI	6,700,000	8,320,026	8,653,612
Labor Sending	6,140,000	4,397,652	4,658,470
Vaal River	560,000	3,922,375	3,995,143
LED Projects	4,023,600	5,957,113	4,784,897
Business Unit Spend	506,569	387,951	91,673
Metallurgy Hearts of Gold	98,825	31,958	293,134
LAC	422,970		506,898
Labor Sending			249,528
Vaal River			257,370
Total	**11,751,964**	**18,975,768**	**15,455,735**
Planned Spend	**3,926,600**	**48,034,000**	**70,879,000**
			*All amounts are in South African Rand (R)

Table 12: Anglo-Gold Ashanti's West Wits Mine SLP Compliance 2010-201433

Project	2011	2012	2013
Enterprise Development		1,498,000	1,269,000
CSI	10,419,688	9,415,965	9,358,955
Labor Sending		4,397,652	4,658,470
West Wits		5,018,313	4,700,485
LED Projects	3,950,000	5,030,126	8,402,964
Business Unit Spend	221,022	47,863	33,761
Metallurgy Hearts of Gold		106,511	89,679
LAC	262,480		483,634
Labor Sending			249,528
Vaal River			234,107
Total	**15,379,990**	**16,028,153**	**20,815,328**
Planned Spend	**5,000,000**	**47,500,000**	**34,100,000**
			*All amounts are in South African Rand (R)

[32] Source: (Anglo Gold Ashanti 2012a; Anglo Gold Ashanti 2013e; Anglo Gold Ashanti 2014c)
[33] Source: (Anglo Gold Ashanti 2012b; Anglo Gold Ashanti 2013h; Anglo Gold Ashanti 2014d)

Another limitation of regulation is the focus on spending rather than performance. Too narrow an emphasis on spending can actually have a negative impact on effectiveness. In South Africa, the SLP guidelines and the BEE score card are heavily weighted toward spending targets. In some other countries, governments evaluate companies' CSR initiatives based on performance. For example, in Chile the government will actually pay back some of an operation's CSR costs, if they can show positive outcomes (Phone Interview, Company CSR Specialist - April 2015).

The exclusive focus on spending results in two potentially negative consequences. First, companies might put more money where it is easier to spend, because they want to show spending. This is reflected in the data, where there was over compliance in easier to spend areas. Second, projects will be less efficient if total spending takes precedence over achieving the greatest impact per dollar spent. Preliminary findings from an Anglo American commissioned study of its operations found that projects in Chile were much more efficient and achieved higher performance on outcomes at lower cost than in South Africa. For instance, while the government of South Africa ranks the Venetia mine very high in terms of in terms of SLP and BEE compliance and spending, the mine ranks among the lowest of all Anglo American mines on the companies' measures of effectiveness, efficiency and sustainability. The operational staff has little interest in increasing efficiency because that will actually make them look worse to the government, since the government measures compliance in terms of spending. Because compliance with the regulations of the South African government is the major source of pressure for operations, this remains the operations CSR priority (Phone Interview, Company CSR Specialist - April 2015).

3.5.2 Government Involvement

Government involvement in the mining industry has varying effects on CSR, although these are sometimes difficult to identify in aggregated CSR data. However, the stark contrast between Debswana's CSR national focus (50-70% national spending) in Botswana and De Beers local targeting (10% national spending) in South Africa, points out one clear way in which the government influence has played a role in CSR spending. The Botswana government has a clear agenda of seeing to it that diamonds benefit the entire population. This agenda has made its way into CSR planning as well, where spending patterns in Botswana are in opposite to those in South Africa in terms of the national/local split.

> *A lot of our (Debswana) profit go(es) to the bigger government, and then the country decides where the money goes to, but in South Africa, if you're sitting in the community you would only develop this community. So our profits develop places very very far where there is not even a mine, but remember, diamonds are for every Matswana, it is not for only a few people.*
>
> – *Botswana, Debswana Representative – July 2014*

National CSR spending can have a positive effect in that it reduces unwanted migration to mining areas and prevents tensions between populations perceived to be benefiting from mining while other regions are not. On the other hand, it is the mining communities that are intensely feeling the negative externalities of diamond mining, such as environmental degradation. Thus, there is a reason that mining communities are frequently the focus of CSR in most countries. As was the case in South Africa, where a focus on labor spending communities increased only following the regulations that mandated spending in these areas, there is no financial or business reason for Debswana, as a company, to focus on areas outside of their mining regions. Far away populations cannot easily impede operations. The company does not need a social license to operate from these groups. Therefore, government pressure, in this case the government of Botswana's representation on company CSR boards, is needed to induce the national focus of CSR.

The case of Botswana also demonstrates how the deep connection between mining and politics could slow down the benefits that a country sees from its natural resources:

> *It is insane, but between politics and the government, the private sector get(s) away with doing very little. Nobody makes demands of the private sector.*
> – *Botswana, Debswana Expert – August 2014*

De Beers was able to slow down the process of beneficiation (which would have expanded Botswana's participation in the diamond industries supply chain beyond just extraction) by pressuring government representatives not to push the subject. While this is not the form of CSR that the data focused on in this chapter, beneficiation is considered one of the greatest ways a company can contribute to the local economy. However, the ability of De Beers to influence key politicians meant that it took a long time for the issue to be finally pursued in negotiations (Magang 2008).

More recently, there have been accusations that the government of Botswana and Anglo American (the parent company of De Beers) have created and committed financial funds (including close to four million dollars of direct government funding) to a multi-million pula project, called Tokafala, aimed enterprise development. These funds were committed to the project without consulting relevant ministers. There is little transparency about which companies are receiving funding, why negotiations took place without the relevant government departments and why the bank account opened for the funding is located in the US and not Botswana (Ganetsang 2015). This serves as an example of the effects of the intimate connection between the government and mining companies when it comes to CSR (in this case in the form of a public-private partnership project).

Political influence can also potentially lead to misallocation of CSR resources. In the case of South Africa, it could be that individual politicians with stakes in certain mining operations may use their shareholder and political pressure to make sure CSR is used in municipalities that benefit the politician's constituents or that the implementation of a CSR project is carried out by a company that benefits the politician. It is hard to determine the prevalence of this type of political influence from the data available for this chapter. However, the effect of individual politician ownership of mines on CSR is a topic that should be pursued in the future. Moreover, as was observed in the case study of South Africa, a politician's stake in a mining operation may influence how they act in government (i.e. not pressuring leaders in Zimbabwe because of financial ties to the mining operations there (Interview, South Africa, Academic – August 2014)). While this does not directly tie to CSR spending, it is also an indication of the adverse effects of the mixing of mining and politics. Many interviews also touched on this subject:

> *In my experience…there are some companies, when you have a problem… I come to them and I say, 'look I suspect there is going to be trouble in this community, you know what you're doing is not quite right, people are angry, I think this is what you need to do.' They say, 'don't worry, the government will protect us.'*
>
> – *South Africa, CSR Expert – July 2014*

3.6 CONCLUSIONS

The findings from this chapter demonstrate that the state has an important role to play in the CSR process even in countries that are considered developing and have low levels of state capacity compared to other contexts where the mining companies are operating. States can insert their influence into the process through regulation, government ownership or individual political interest. The form and extent of state intervention will influence the CSR process and the CSR outcomes in any given context.

The discussion about CSR compliance relates back to Ostrom's (1990, 2005) observations about the importance of monitoring and sanctioning mechanisms. Agreements will not function efficiently without monitoring and sanctions by local governments or the relevant national government departments, both of which are understaffed or underutilized in South Africa and in most African countries. Additionally, if CSR agreements between the government and mining operations, as well as political elites' ownership of operations, are made more transparent, the asymmetry of information between communities and companies would be reduced and citizens themselves could play a stronger monitoring role.

Thus, while regulation can increase CSR spending, the importance of local governance structures, local democratic participation mechanisms and local government capacity for making CSR regulation effective should not be underestimated. Companies should also be interested in increasing capacity and democratic participation at the local level in order to make their CSR efforts more sustainable and effective. Real citizen involvement in the CSR process not only makes the CSR spending more relevant to the needs of the community, but also ensures that citizen expectations are realistic. However, regulation is not the only way to increase CSR in mining areas, and local institutions can provide similar but informal pressure on companies in some cases. Thus, the next chapter will examine more closely the impacts of local institutions on the CSR process in mining regions.

4.0 CORPORATE SOCIAL RESPONSIBILITY AND LOCAL INSTITUTIONS

Abstract:

Local institutions play an important role in the CSR process. This chapter provides a detailed analysis of that role, focusing on relationships among communities, local governments and mining companies. Many of the activities that companies engage in under the label of CSR in developing countries involve the provision of public goods and services to local communities where local governments often lack financial and administrative capacity and good governance. Two factors believed to be relevant to the CSR process are; (1) the capacity of the local government to finance public goods and (2) a community's confidence in the local government to accurately reflect community concerns and deliver services. These factors are explored using the cases of South Africa and Botswana. Furthermore, using the example of a traditional community in South Africa, the Royal Bafokeng Nation, the potential for credible alternative mechanisms for community consultation is demonstrated. Finally, the governance implications of the private provision of public goods and services are discussed. The chapter draws heavily on data from field interviews in South Africa and Botswana, company and local government reports, secondary sources and publically available survey data.

4.1 INTRODUCTION

The previous chapter examined national level institutional influences on CSR decision-making processes for two companies operating in three African countries. There are strong indications that national governments exert pressure on mining operations in these countries. However, the strength of and mechanism for exerting pressure vary depending on the government in question. Furthermore, as the analysis of interview and CSR spending data suggested, legislation and direct state participation through operational ownership are key mechanisms of national influence on how decisions are made and how CSR funds are dispersed in a country.

However, the actual process of determining community needs, prioritizing potential CSR projects and assessing their viability and monitoring those projects is mostly a local process. This fact is of great importance to mining operations because it means they have to effectively interact with interested local parties to create and execute a CSR strategy that gives them a social license to operate (SLO). Throughout all stages of the mining process, from exploration to closure, the more the community and other stakeholders interact locally with a mining project the more likely they are to accommodate the project's needs (Hilson and Murck 2000). Due to the form CSR often takes in mining communities in developing countries, CSR activities are also tied closely to the process of providing public goods and services to the community (a government led activity in most developed countries). Thus, in this chapter, CSR is approached from a framework outlining the local private provision of public goods and service (which will be simplified as 'public goods').

The presence and strength of various local actors (e.g. government officials, traditional leaders or civil society groups), as well as local deliberative institutions (e.g. community meetings or councils), directly influence the process and effectiveness of community engagement for a mining operation. Community participation and consultation is vital to assuring that CSR actually promotes development and, therefore, it is important to understanding how these processes work in reality.

This chapter begins with an examination of the relationship between public goods and the private sector, building upon concepts of non-state actor governance with specific reference to the role of the private sector. Based on an analysis of the definition of public goods and previous literature, the chapter lays out an innovative framework that expands the role of the private sector in providing public goods, so as to make it more applicable to developing countries.

The following sections consider two variables that help to explain the process for involving the private sector in public goods provision; (1) local government capacity and (2) community confidence in local government. These sections are informed by interview data collected in Botswana and South Africa (see Chapter 1 for more detail on fieldwork methods), publically available survey data on local government perceptions and social conflict and examples of mining community institutions and processes to illustrate the importance of the two factors. Following that, institutional alternatives to formal government are discussed in more detail as potential sources for organizing the CSR decision-making process. Finally, the governance implications of private provision of public goods through CSR are explored.

4.2 BACKGROUND ON THE FINANCING OF PUBLIC GOOD AND SERVICES

In that CSR often times manifests itself in the form of public goods, or if not pure public goods, at least goods the government would normally provide[34], one needs first to discuss the

[34] Public goods are often also identified by their physical characteristics and use. Unlike private goods, characteristic of a pure public good make it hard to exclude individuals from access. Furthermore, in order to be a pure public good, one individual's use of the good cannot diminish the ability for another individual to use that good as well

underlying logic of the provision of goods to the public. There are three characteristics of public goods that often compel the government to consider providing them. First, public goods arise from efforts to control indirect consequences, externalities or spillover effects, something not easily controlled by individuals. Second, they are goods that cannot be easily packaged, making it is difficult to identify ownership and use. And third, public goods consist of the maintenance of a preferred state of community affairs at some optimal level of performance where the benefits exceed the costs (V. Ostrom, Tiebout, and Warren 1999). The fact that public goods are normally provided, or at least coordinated by government, indicates the importance of understanding the connection between local government processes and CSR processes.

An important aspect of publically provided goods is that they are intended for a relevant community or constituency. Thus, in order to have an efficient provision of goods, there must be correspondence, however inexact, between beneficiaries of public goods (normally community members) and those who pay for them (normally the government). Therefore, mechanisms for communication are vital and local participatory institutions can play an important role in fulfilling this need. There is also a broader association between economic development and decentralized institutions (Acemoglu and Robinson 2012) and a correlation between strong and enduring institutions and participatory and inclusive decision-making mechanisms (E. Ostrom 2005; E. Ostrom 1990). Thus, it is important to consider how institutions that promote communication between community members (beneficiaries) and public goods providers affect the private provision of public goods (i.e. CSR).

(non-rival) (V. Ostrom and Ostrom 1999). CSR is not often aimed at providing pure public goods, such as national defense, but often companies provide community goods which are often available or of benefit to the public at large and are goods that would normally be provided by government.

It has been proposed that if there is a smooth process of communication between provider and beneficiary, then the private production of public goods can be economically efficient. In reality, nearly all publically provided goods involve the private sector at some point, whether this is in the physical production of the good (i.e. private production of weapons for national defense or private production of vaccines for public health programs) or the distribution of the good or service (e.g. NGOs or private companies being contracted to carry out a development program or campaign). Therefore, one must distinguish between who is producing a good and who is providing that good when looking at local governance and the provision of public goods (V. Ostrom and Ostrom 1999; V. Ostrom, Tiebout, and Warren 1999).

V. Ostrom & Ostrom (1999) differentiate between what they term consumption units and production units. Consumption units are usually in the form of a government that aggregates and articulates the demands of its constituents (i.e. the collective community). They have the ability to obtain funds to pay for public services and can regulate consumption. They pay producers to deliver public goods and they can monitor the production unit. Production units can be a government, a private company or a non-government or non-profit organization. They are in charge of producing goods to the specification of a collective consumption unit. They receive payment from the consumption unit for delivered goods. Therefore, as long as the consumption unit can articulate their particular needs, provide funding for those needs and monitor the production of the needed goods, the private sector can be efficiently involved in the process through the production or distribution of goods.

4.3 AN EXPANDED FRAMEWORK FOR THE PRIVATE PROVISION OF PUBLIC GOODS

There are two assumptions underlying the relationship between consumption and production units outlined above that do not often apply to the developing world or many of the mining community contexts identified in this research. First, most local governments in the developing world are under-resourced. Therefore, the consumption unit is altered or perverted because it is not necessarily able to pay for needed or demanded goods. For this reason, CSR can often be used as supplementary financing for public goods normally paid for by the government. Under these circumstances, the private sector not only produces and/or distributes public goods, but can also *finance* said goods. This role in financing distinguishes the efforts of private sector governance actors that are for-profit development oriented companies (meaning they make their profit by consumption units paying them for public goods provision) from firms whose profit-making activities have nothing to do with governance and economic development, but who contribute to governance through CSR that finances or implements public goods provision (Cammett and MacLean 2014b). This chapter will be referencing the latter when discussing private sector actors.

Second, there is often a lack of capacity at the local level in developing countries to accurately collect and articulate the demands of the community (i.e. the consumption unit). Often this incapacity is exacerbated by the presence of corruption. Therefore, companies providing CSR cannot rely on the articulated demands of local government as actually representative of community needs. Additionally, the community can lose faith in the government to effectively assess their preferences and needs. Under these circumstances, the private sector may also have to play a *communication* role between beneficiaries (i.e. communities) and themselves as the financiers of public goods.

Therefore, what V. Ostrom & Ostrom (1999) describe is only part of the picture in terms of the role of the private sector in the provision of public goods. Table 13 outlines the role of CSR or private sector provision of public goods with respect to the characteristics of local governments and communities. Interestingly, the process for this seemingly private sector activity of CSR is contingent upon the relationship between government and communities, not between companies and communities. The CSR process, or how the private sector participates in the provision of public goods, will be determined by two factors, (1) local government capacity to fund the provision of public goods and (2) community confidence in the government's ability to assess and articulate the communities' public goods demands.

Table 13: Pressure for CSR and the Relationship between Government and Communities

		Government	
		Low Capacity	**High Capacity**
Community	**Low Confidence**	Government and Community Pressure Company for CSR – Case C	Community Pressures Government – Case D
	High Confidence	Government Pressures Company for CSR – Case B	No Pressure- Case A

Case A, represented by Figure 15, represents a context with a high capacity government and a community that has high confidence in its government's ability to understand and articulate its demands. This is the context that exemplifies V. Ostrom & Ostrom's (1999) discussion of private sector involvement in public goods. Here, the private sector has two possible roles, (1) to pay the required taxes that contribute to the government's ability to fund public goods[35] and (2) to be the possible production units (i.e. producing or distributing) for the publically financed public goods. However, in both cases, the private sector is not directly funding the production of public goods. In terms of CSR, in this case, there would be little demand from the government or a community for a company to finance the provision of pubic goods because the government is able to meet the demands of its citizens and the citizens are confident that the government will do so.

[35] While tax revenues come into the government from multiple sources including community members, this figure is simplified to focus on the role of the private sector in relation to public goods.

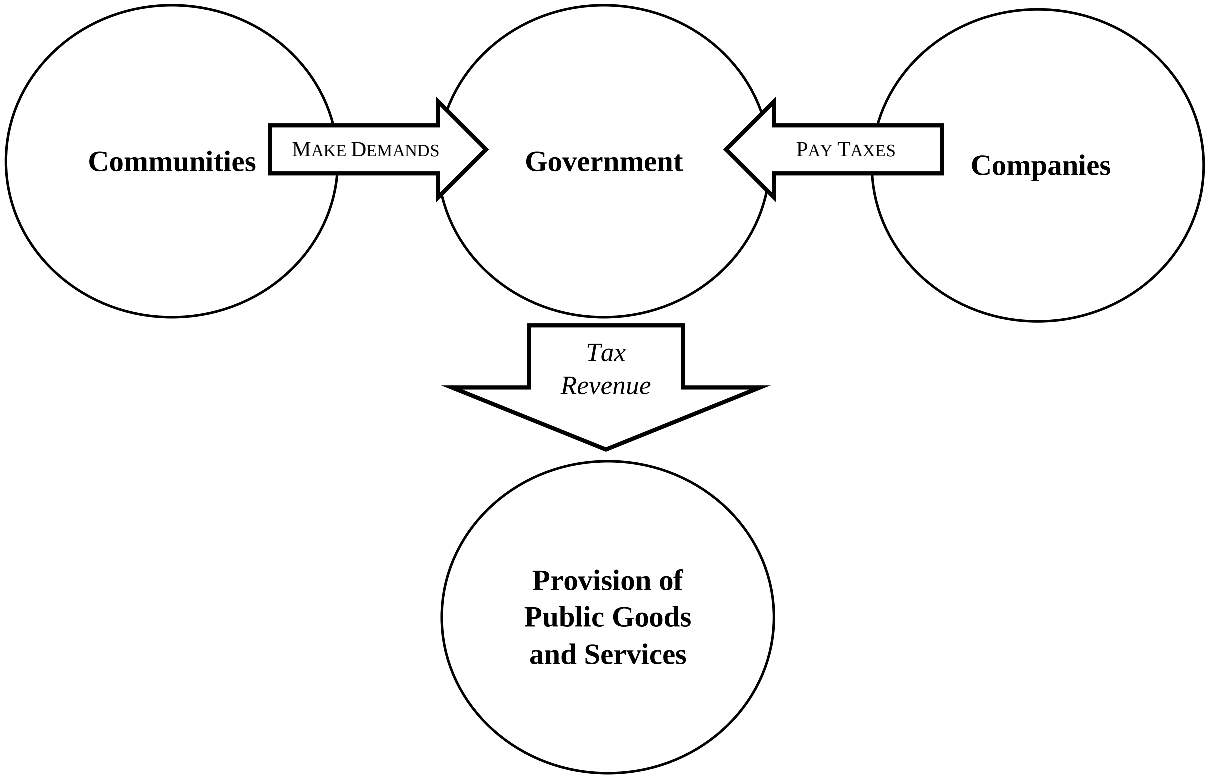

Figure 15: Case A: High Capacity Context

When a government is receiving enough tax revenues to provide public goods for its citizens, but the citizens feel that the government is not able to accurately assess their needs or does not have interest in responding to their needs, this situation should theoretically not change the role of the private sector in public good provision. This is the context of Case D. A different relationship between local government and communities may emerge under these circumstances, compared to Case A. However, because realistic examples of this context are less obvious and do not concern a context where CSR would play a role in public good provision, it will not be further explored in this chapter.

However, when dealing with a government that is financially or administratively under-resourced and, therefore, unable to meet the needs of its constituency, as are most of the local governments in the developing world, the private sector can play a direct role in the provision of public goods. Cases B and C from Table 13 represent this context and will be the focus of this chapter.

Under both of these circumstances, the government still collects taxes from companies, and other sources, but due to either bad regulation, bad governance (i.e. corruption) or less than adequate sources of tax revenue, the government is unable to provide all of the public goods required or demanded. In this case, companies may be compelled, either through regulatory or informal pressure, to assist with the provision of public goods through CSR.

However, even in the context of a government that has inadequate capacity, the process for decision making about CSR can differ depending on the relationship between the government and its citizens. Figure 16 represents the CSR process in context of Case B where the government has low capacity, but the community has confidence in the government's ability to assess and articulate their needs. Here, pressure on companies to carry out CSR comes mainly through the government. If the government has in place local institutions that build trust between community and government, it can convey to community members that the government is accurately relaying their demands to private actors. Thus, companies can be assured that their CSR efforts are will not be in vain and they will also benefit from having a clear point of contact for dealing with the community.

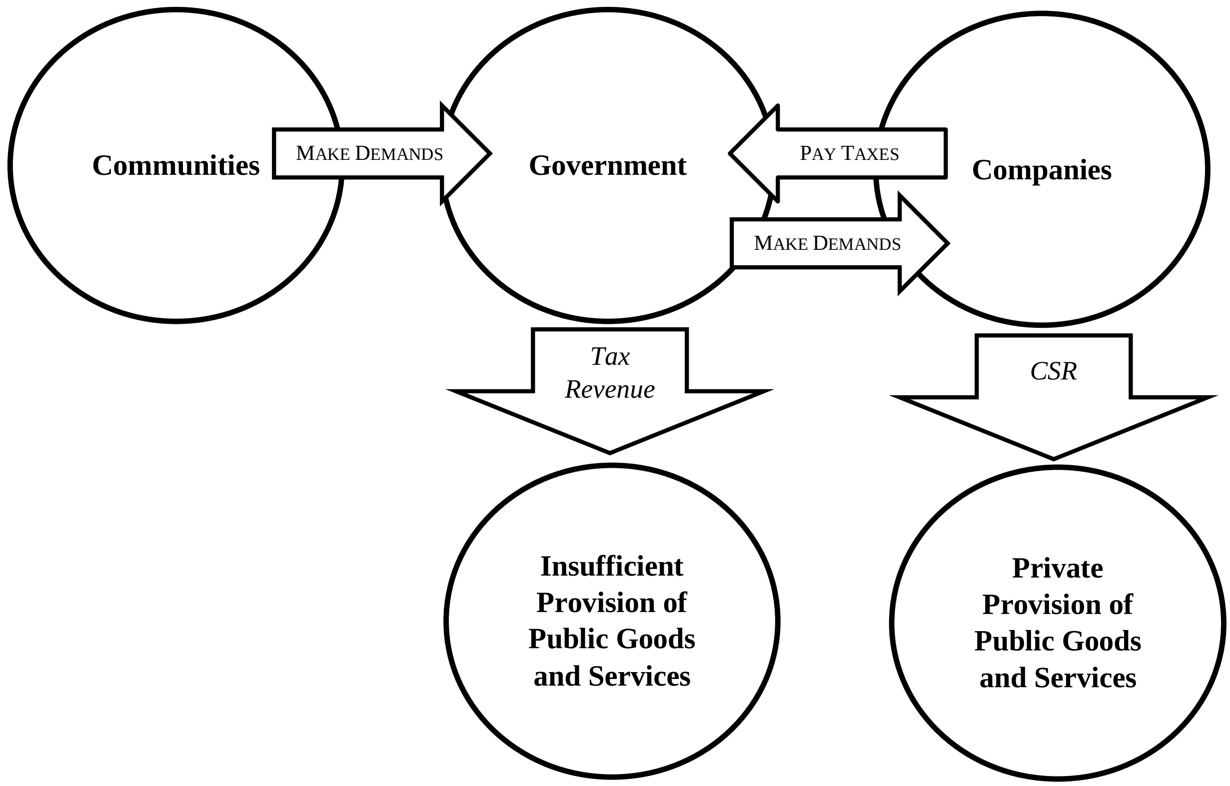

Figure 16: Case B: Under Capacity Context with Community Confidence in Government

Figure 17 illustrates Case C, where government is financially under-resourced, but is also not effectively representing the community, or the community does not believe this to be the case (i.e. low confidence). Under these circumstances, local governments may still attempt to convey the needs of the community to mining companies, but community members will also try to articulate demands directly to the companies, bypassing the government. Therefore, in this context, companies are dealing directly with at least two types of actors, government and communities, in their decision-making process. The complexity of the process of dealing directly with diverse and non-unified community members can be mitigated if there are informal or traditional institutions, made apparent to the company, which can then more accurately represent the community needs to the companies, as the section on alternative institutions will demonstrate.

The interaction of local government capacity and the relationship between the community and the government will, therefore, influence how the CSR process unfolds in a given location. Interviews from fieldwork in South Africa and Botswana made the importance of these two factors clear. The following sections examine these two factors in detail with reference to the context of mining communities in South Africa and Botswana.

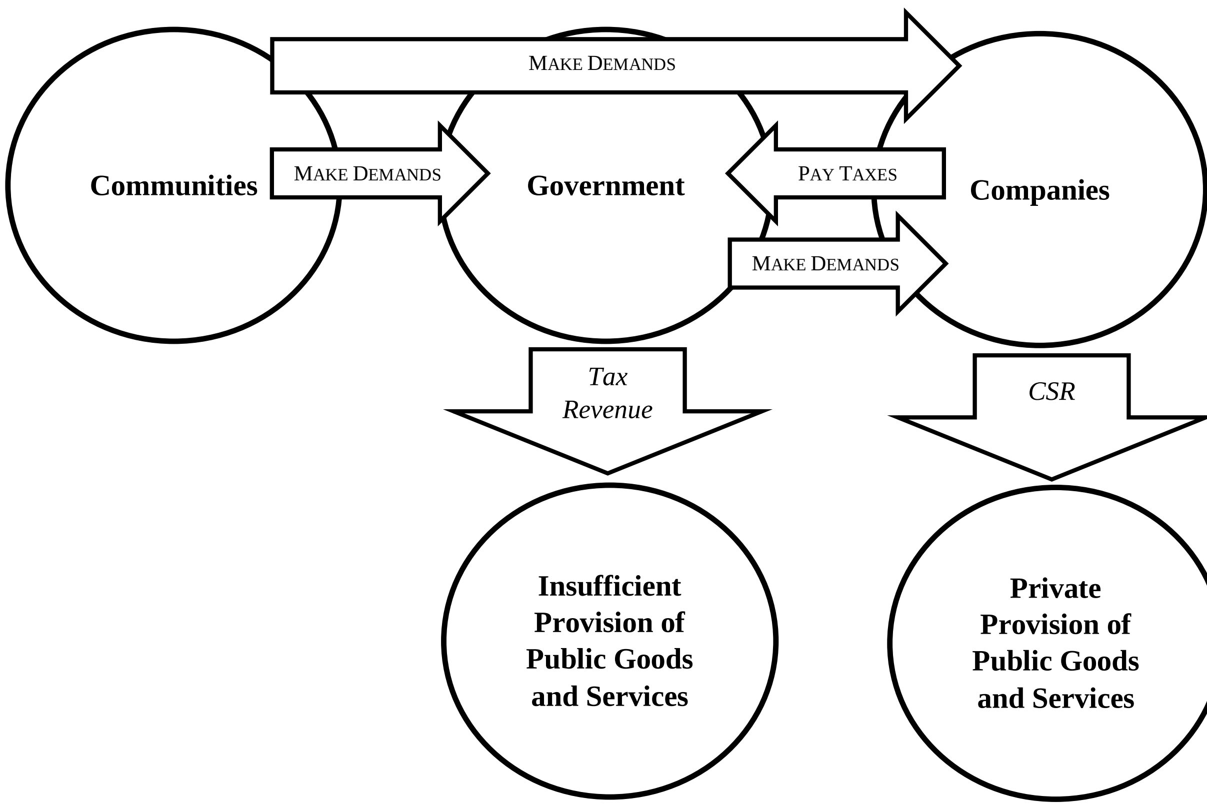

Figure 17: Case C: Under Capacity Context with Low Community Confidence in Government

4.4 LOCAL GOVERNMENT CAPACITY IN SOUTH AFRICA AND BOTSWANA

As previously noted, initial concepts of the private sector provision of public goods failed to recognize that many governments do not have the financial capacity to provide needed public goods. This is the more prevalent situation for most of the developing world, particularly at the local level, where governments normally cannot meet the needs of their communities. This vital factor, known as capacity, divides cases A and D from cases B and C in terms of the framework. When private industries are operating in a region where public needs are not being met by the government, they will often provide financial support, in additional to potentially providing production or distribution support for goods in the form of CSR.[36] The mining industry, being significantly entrenched in the community (see discussion in Chapters 1 and 2), is a clear example where companies will often play this important role due to being closely connected to the land, often in remote areas and often the biggest “game” in town (Interviews, July 2014, see Appendix E/1 for quotes). These provisions will often benefit the mining operation and the community simultaneously.

In order to provide public goods, governments need to raise revenue to finance such goods. Local governments in many developing countries rely heavily on their national governments for their revenue and lack the capacity to raise revenue on their own. In terms of the two case studies in this chapter, in 2009/2010 in South Africa, local governments made up only 7.5% of all government revenues. National governmental transfers to local governments occur, but are normally based on a variety of needs based factors, including the revenue generating capacity of

[36] This does not imply that companies do not preform CSR in developed countries where governments have sufficient budgets to meet major public needs. CSR still exists, but often is a different form. However, this area of research on CSR still requires more specific inquiry.

the local government in question. In the case of mining communities, local governments may lack the administrative capacity or skills (so called “know-how”) to collect tax revenues from mining operations on their own and yet they may also be at a distinct disadvantage to receive intergovernmental transfers owing to the perception that their needs are being met simply because they have a large industry in their area as a potential revenue source. (Republic of South Africa - Department of National Treasury 2008; Republic of South Africa - Department of National Treasury 2011).

While South Africa has seen impressive improvements in service delivery since the end of apartheid, this is partially the result of the long-standing and historically significant shortages of local development geared to service delivery in the past, and thus local governments have been playing catch up. In addition, local governments are facing a current legitimacy crisis. The Local Governance Barometer survey, although implemented on a limited basis (in 15 municipalities), indicated that measures of local governance for the two regions surveyed declined from 51 (out of 100) in 2007 to 43 in 2011. This finding is supported by the increase in service delivery protests throughout the country (van Hoof 2011).

Botswana also has very little local level revenue generation capacity. Local governments are entirely dependent on national government for development expenditures and the majority of recurring expenditures (Sharma 2010). One interview in Botswana commented:

> *This re-centralization is awful, even what power the (Local) Council still has, they are totally dependent on central government for funding, 100% of their development funding, capital funding and about 96% of their recurrent funding. And now all of their staff were re-centralized and made part of the department of public service management. They used to have some independence up to a certain level, they could recruit locally, but now it is all gone.*
>
> – *Botswana, Regional Expert – July 2014*

Even with national government revenue transfers in both countries, local governments are still under capacity in terms of local service provision, leading to private sector financing being seen as a stopgap solution. Political priorities and national policy changes since the end of Apartheid in South Africa have energized and empowered the private sector as an important actor in leveling the playing field for historically disadvantaged South Africans (HDSAs) in a post-Apartheid era.

> *We had a clear call from government, where government sent an appeal to the private sector to say that we cannot do this on our own, we (the government and private sector) need to step up service delivery in order to meet the needs of the previously disadvantaged.*
>
> – *South Africa, CSR Expert – July 2014*

A similar call has been made by government in Botswana:

> *We are not a population that demands from the company, we demand from the government. We have been taught that. And we do it very well. The government is under a lot of pressure. I think that the government is now actively looking to the private sector to get more involved.*
>
> – *Botswana, CSR Expert - August 2014*

Additionally, the legislated CSR processes directed to mining in South Africa outlines and proscribes financial needs at the local level. Local governments are required to produce Integrated Development Plans (IDP) that stipulate all of the public goods and service projects needed or desired by the municipality and community. The municipality then must go through the process of prioritizing these projects and calculating which projects they have the financial capacity to implement. Mining companies, pursuant to the Social and Labor Plan (SLP) requirements (discussed in detail in Chapter 3), meet with local government officials to discuss which projects cannot be financed by the municipality. Through this, the government is directing where the companies can fill in with private financing (explained in detail in an interview, South Africa, Local Government Official – August 2014). As such, in South Africa, mining companies play a deliberately mandated and formally regulated financial role in supporting and completing development plans at the local level. The context for the mining industry in particular is succinctly crystallized by one interviewee:

> *I think mines are required to do perhaps a lot more, and it is through legislation, but also just through the need… Because mines do go into some fairly remote areas… and we don't have very strong local governments… So, mine plays a big role in supporting local communities and local government and then that creates, I suppose, a bit of a dependency… Because of the need in South Africa, I think mines have a greater role to play than elsewhere.*
>
> – *South Africa, CSR Expert – July 2014*

As was discussed in Chapter 3, Botswana does not have a regulated process for CSR in the mining industry and, therefore, pressure from government is not as clearly documented. The Botswana government has been repeatedly praised internationally for its focus on promoting internal development. Even so, the government has begun to realize that it is an unsustainable formula for the state to be providing all development services on a permanent basis with little outside contribution. While the government of Botswana has yet to identify or quantify the role for the private sector in development (as the Chapter 3 findings demonstrated that CSR is still quite ad hoc), the government has called upon the private sector to become more involved in promoting development (a good example is housing needs) (Interview, Botswana, Academic – August 2014).

However, government financial hardship is not the sole reason that companies end up providing public goods. Local governments often become dysfunctional when a lack of human capital and/or expertise to implement projects, government absence or outright corruption threaten the progress of development. Several interviews concerning South Africa spoke to this problem. In South Africa, there is often little experience or expertise at the local level (or as one interview mentioned, even criminal activity) (See Appendix E/2 for additional interview quotes).

Mining companies in South Africa are required to work closely with municipalities, pursuant to their SLPs drawn from local development plans (IDPs). However, when municipalities lack capacity, the IDP may not be reflective of actual priorities. A 2004 study revealed that only 37% of municipalities had effective IDPs. IDPs often fail to include marginalized groups in their consultations, fully incorporate intergovernmental transfers, accurately budget projects and collect enough information to make accurate forecasts about needs and costs (Good Governance Learning Network 2008). Interviewees support this concern:

> *Social and labor plans are a requirement for the mining license… And you should align it with the IDPs, but a lot of the local government isn't always very strong and so there is a problem in terms of how good are the IDPs. Is there actually one that exists? A recent one? How good are they? How can you (a mining company) sort of slot into (them).*
>
> - *South Africa, CSR Expert – July 2014*

Furthermore, many mining areas are extremely remote and historically have had the problem of an absent state. So, if mining companies want to function efficiently and economically, they must step in:

> *The retreat of the state is real, and it happened in the wake of the neoliberal legislation (and) of various strikes, but in the case of the platinum belt is actually been more a case of no services ever being delivered, ever. No roads, no schools, nothing. So people didn't see … a presence of the state ever. And because of the SLPs, there are sort of mines doing more and more and more.*
>
> - *South Africa, Regional Expert – July 2014*

The capacities of local government vary from region to region, as well as country to country. In the developed world, local governments are able to provide most of the expected basic public goods though tax revenue and sound management skills. Where financial or human capital are lacking, as they are in many remote areas in developing countries, other actors may be asked to step in to help finance much needed public goods. Countries such as South Africa and Botswana have begun to realize the untapped potential the private sector has for promoting development. In South Africa, the call from government on the private sector has been quite formal, in Botswana it is still fairly ad hoc.

However, within the circumstances of limited financial and human capital at the local level (i.e. cases B and C), there is a variation in the focus or extent of CSR investments by a company depending on whether the state is truly absent, or is capable of providing some basic needs, but requires financial support for other priorities (this was also discussed in Chapter 2 when comparing the local needs near De Beers' Kimberley Mine and Venetia Mine). Overall, under the circumstance of low local government capacity, the private sector does not merely contribute to public goods provision through taxation or potentially being contracted (i.e. paid) to build or distribute demanded goods (as V. Ostrom & Ostrom (1999) conceptualize), they are also often the *financiers* of the public goods.

4.5 COMMUNITY/GOVERNMENT RELATIONSHIPS IN AFRICA

Functioning relationships of any kind are built on some element of trust, and as such, a discussion of the concept is necessary. Levi and Stoker (2000) conceptualize trust as "arising when an individual finds herself in a relationship entailing the possibility of risk or vulnerability (p. 495)." If trust is present, the individual need not worry or is freed from the need to monitor the others behavior. Political trust can then be interpreted as citizens having confidence that their government or political actors will perform as promised or intended. This relates to the CSR process by determining (1) how much community members rely on government or official representatives to convey their needs and expectations to companies, (2) whether companies are confident that the needs communicated by the government to a company actually represent community preferences and (3) whether communities find it more effective to bypass the government and go straight to companies with requests or have the incentive to leave the participation process entirely. The essential question becomes whether or not communities are willing to use and participate in the local formal institutions that cater to the CSR process or will they seek out other more informal institutions or act independently?

The literature on political trust speaks to the importance of quality institutional arrangements at the local level. Levi and Stoker (2000) argue that while citizens enter into relationships with their national government (as they are bound by national laws), most of the ordinary relationships that citizen have with political authorities are at the local level. In general, the quality of institutional arrangements in a society will influence the degree to which citizens trust, respect or accept things like democratic institutions, institutional decisions, rules and rule breaking and, more broadly, the regulatory system (Zannakis, Wallin, and Johansson 2015; Marien and Hooghe 2011; Tyler and Huo 2002; Dalton 2004).

Thus, understanding the confidence that communities have in their local government and the institutional arrangements that foster local democratic participation will be vital to understanding the process for CSR decision making within companies in any given context. Confidence is influenced by past experience and reputation as well as the quality of the institutions currently in place that foster participation and democracy. This section will first examine measures of confidence and trust across countries and across government actors in Africa as well as potential indicators for measuring trust on a local level. Following the broader look at Africa, the context for local confidence and its effect on CSR in Botswana and South Africa will be discussed drawing on fieldwork evidence.

The relationship between a government and its citizens varies even throughout developing countries in Africa. Many factors contribute to the levels of trust and confidence that a community or a group of citizens has in their local or national government. History certainly plays a major influential role. Citizens have expectations as to the responsiveness and reliability of their government based on past experiences with government officials. If a community has previously approached the government about a problem and there was a lack of commitment by the government to solve that problem, they would likely be frustrated and lose confidence in the government's ability to fix societal problems. In that case, communities might be driven to approach actors outside of the government who could potentially solve the problem more effectively.

While it is hard to quantify citizen trust or confidence in their government without specific and widespread survey data, there are some publically available indicators that speak to perceptions of trust and corruption, as well as the propensity for citizens to take action against governmental and non-governmental actors. Other indicators for measuring governance at the local level have been developed on a regional basis and could potentially be used to test theories in the future if the data is expanded to cover more areas. Some of this data from the Local Governance Barometer for South Africa was presented in the above section and will also be discussed below.[37]

Figure 18 and Figure 19 display data from the Social Conflict Analysis Database (SCAD) for Africa. This data set reports on all social conflicts such as protests, riots, strikes, inter-communal conflict, government violence against civilians, and other forms of social conflict, that took place in African countries between 1990 and 2013. It includes data about the various targets of the social conflict (i.e. whether actions were aimed at government or other targets). This data could potentially indicate a propensity for citizens of a country to take social issues to their government, or to try to approach other actors.

[37] The Local Governance Barometer, for instance, has been implemented in 15 locations across six countries (Botswana, South Africa, Cameroon, Ecuador, Ghana, Madagascar and Tanzania). However, data collection and processing have not continued or expanded. The research looks at good governance at the local level in case study municipalities based on effectiveness, rule of law, accountability, participation and citizen engagement and equity (Bloom, Sunseri, and Leonard 2007; Wilde et al. 2009).

Figure 18 reports on the percentage of all recorded social conflicts aimed at a regional or national government entity. Countries vary widely in propensity to target government with social conflict issues. In countries like Algeria or Congo, over 75% of social conflicts are aimed at government. In Somalia and South Sudan less than 25% of conflicts involve government targets. These of course are extreme examples complicated by their history of conflict. But in terms of the case studies, Botswana has a much high rate of social conflicts aimed at the government compared to South Africa.

Figure 19 looks at the same data, eliminating the types of events for which the only possible target could be the government. Thus, social conflict coded in the data base as related to elections, foreign affairs/relations, domestic war, violence, terrorism, human rights, democracy, pro-government were eliminated. The remaining data identifies events where at least one of the concerns were the economy, jobs, food, water, subsistence, environmental degradation, ethnic discrimination, ethnic issues, religious discrimination, religious issues, education, economic resources/assets, other or unknown (not-specified). Many of these issues speak specifically to public goods and basic community and livelihood needs. When you compare the propensity for citizens of a country to approach the government with this narrower set of issues, the differences, particularly for the case studies in question, become very clear. In Botswana, social conflicts (with the narrower definition) are aimed at the government over 75% of the time, in South Africa, this is less than 25% of the time.

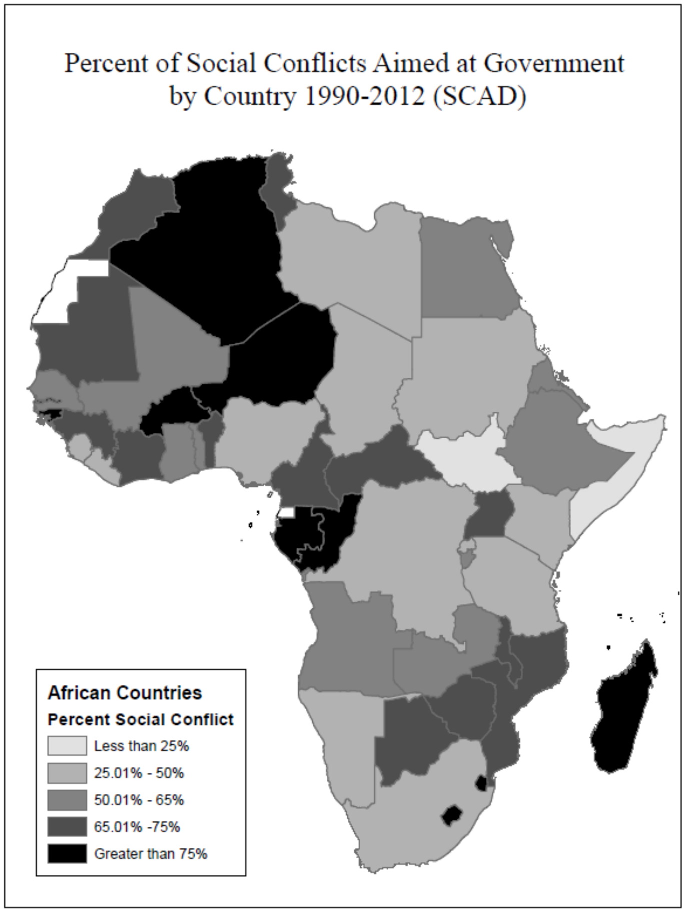

Figure 18: Social Conflicts Aimed at Government by Country[38]

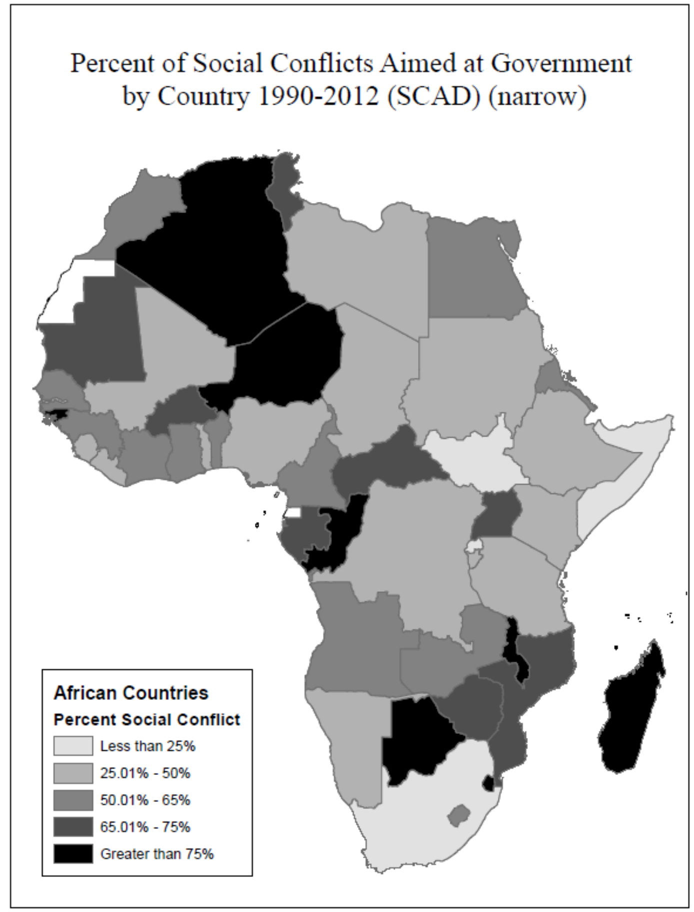

Figure 19: Social Conflicts Aimed at Government by Country (narrow definition)[39]

[38] Source: (Salehyan et al. 2012)

[39] Source: (Salehyan et al. 2012)

Some survey data has looked more specifically at levels of trust and perceptions of corruption in African countries. The Afro-Barometer Survey examines both of these questions for various government entities. One set of survey questions from the latest round of surveys (2012) probed perceived levels of corruption of local governments as well as the national government, judges and government officials. Another set of questions gauged perceived levels of trust for local government, regional government (in South Africa), national government and political parties. Figure 20 and Figure 21 display Afro-Barometer survey data for our two case study countries (South Africa and Botswana) as well as the case study from Chapter 3 (Ghana). In general, all three countries perceive local governments to be more corrupt than their national level counterparts (President and Parliament). By contrast the level of corruption perceived for judges and government officials varied depending on the country.

Additionally, the president, followed by the ruling party and the parliament, have higher levels of trust from their citizens in all three countries as compared to local government councils. In South Africa, the regional government falls somewhere in-between. Furthermore, in terms of the comparison of community relationships with government in Botswana and South Africa, Botswana citizens perceive their governments to be less corrupt (Figure 20), more trustworthy (Figure 21) and more responsive (Figure 22) across all levels of government as compared to South Africa.

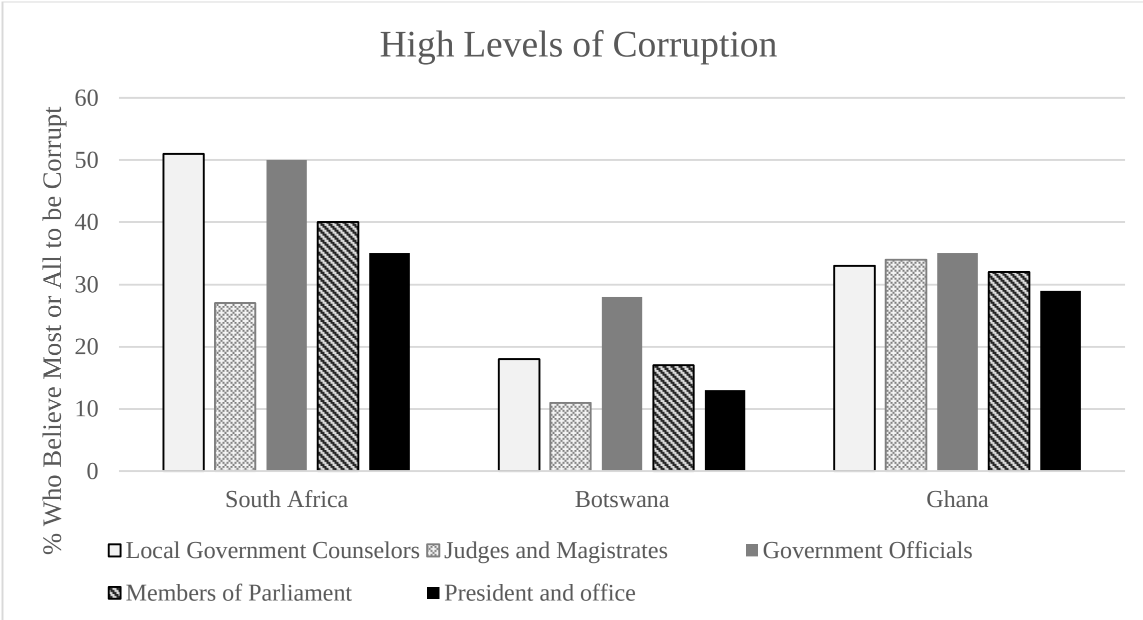

Figure 20: Corruption Level of Government Actors[40]

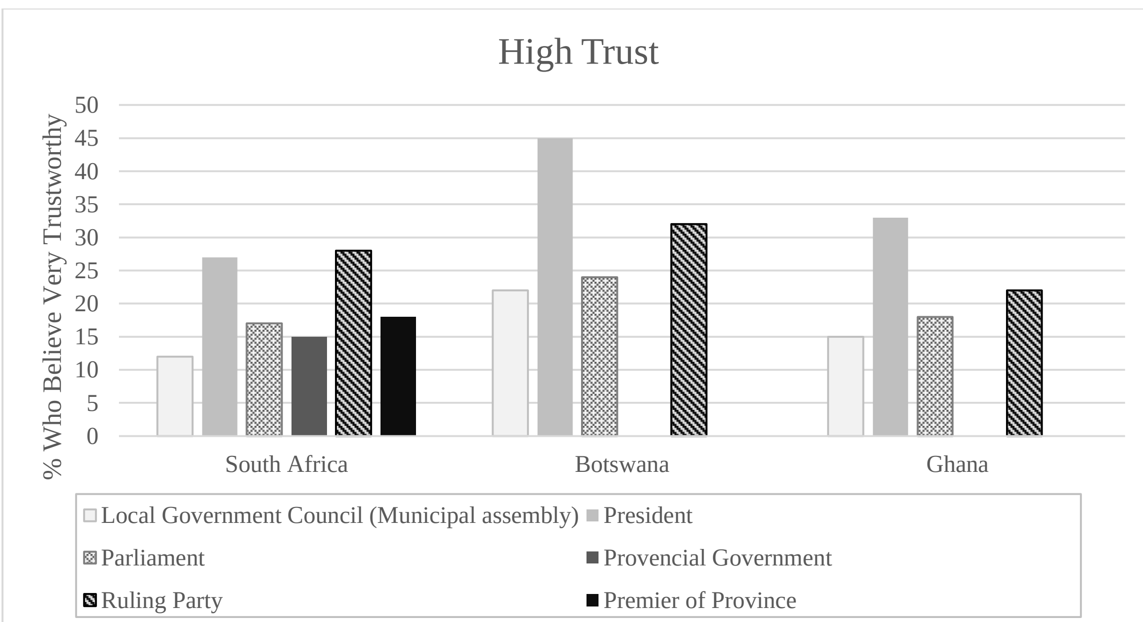

Figure 21: Trust Levels of Government Actors[41]

[40] Source: (Afrobarometer Data 2012)
[41] Source: (Afrobarometer Data 2012)

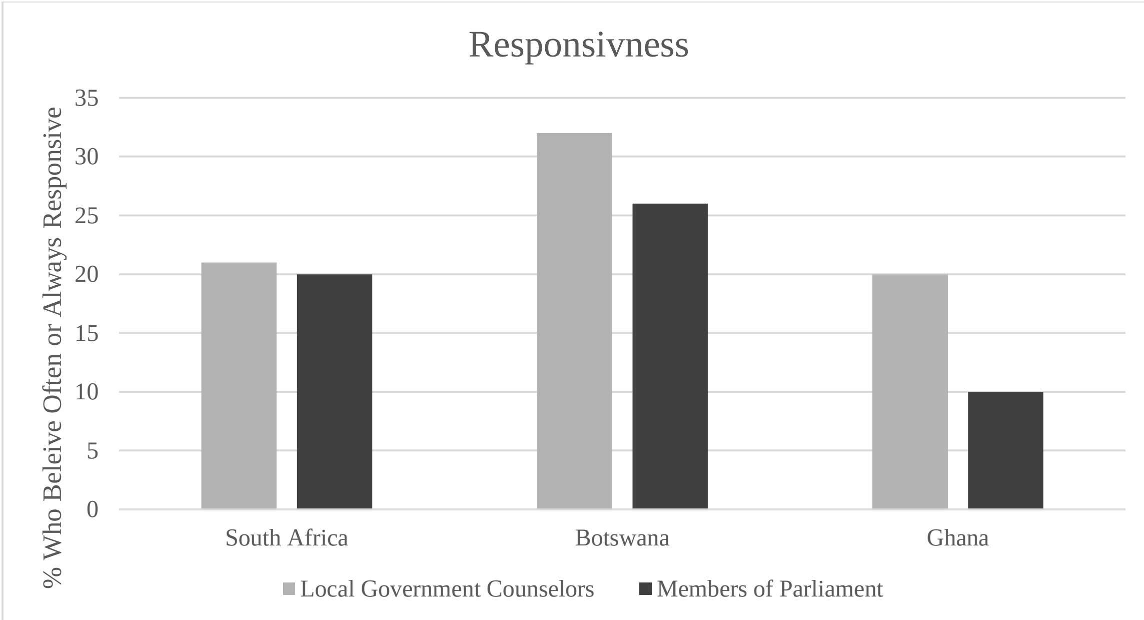

Figure 22: Responsiveness of Government Actors[42]

While this survey data, along with the social conflict data, does not speak to why citizens of Botswana and South Africa may differ in their perceptions of government and their propensity to approach government with issues, it does appear from these findings that (1) the propensity to approach government verses non-government actors with social conflicts varies widely across Africa and is nearly opposite in Botswana and South Africa, (2) overall, local governments are considered less effective and trustworthy than national political institutions in the case study countries and (3) communities in Botswana are more willing to trust their government and go to them with social issues compared to South African communities. The next section will look more closely at the historical relationship between citizens and government in the two case study countries. Fieldwork findings based on interviews in Botswana and South Africa will then be

[42] Source: (Afrobarometer Data 2012)

examined to provide support for the above findings about the tendencies for mining communities to approach government verses mining companies, specifically, with their concerns. The use of local democratic institutions for voicing these concerns are then examined with further analysis of the implications for the CSR process.

4.5.1 Political Trust and the Role of History in South Africa and Botswana

Field interviews in South Africa and Botswana revealed very different perspectives on the relationships between communities and their governments, particularly when it comes to mining regions. One factor that affects the relationship between communities and local government is the communities' previous experience with the government. Does the community trust the government to act in their interest? Do they have historical evidence to back these beliefs up? Even if formal democratic institutions have been put in place (as is the case in both South Africa and Botswana now), past experience can determine a community's level of faith in these government institutions in general. This can affect the relationship the companies have with both the government and the community in terms of the CSR process.

For instance, in South Africa, the history of Apartheid overshadows the current relationship between government and communities, particularly when it comes to the mining industry. As outlined in Chapter 3, the mining sector was viewed as being very complicit in the emergence of Apartheid. Additionally, the apartheid government was perceived as giving the mining companies significant leeway in terms of the social and environmental externalities created by operations (Interview, South Africa, CSR Expert – July 2014).

Now remember, we come from a history recently in South Africa… when we were a divided nation. We had a mining industry that was not really rooted in what should be the best interest of communities. And government supported that.

– *South Africa, Chamber of Mines – July 2014*

As such, and particularly in mining, but also in general, there continues to be little trust of government or companies by communities in South Africa when it comes to mining and social interests. There is often a feeling that the ills of the past by the mining industry resulted in an unwritten debt to the communities (Phone Interview, Company CSR Specialist, April 2015). This quote also exemplifies this feeling:

I will call it historical grudges that the communities have against the mines. Don't tell us now in 2014… there's not enough money to do everything. Let's talk about the money you made for the past 60, 70, 80 years, and you didn't put back into the community.

– *South Africa, Chamber of Mines – July 2014*

In the case of Botswana, there is no dark history of Apartheid. The primary mined resource, diamonds, has been closely associated with the economic development of the country since their independence. In other words, there is no major historical baggage to poison the communities in Botswana so as to not trust that their government has their best interests in mind when it comes to the mining industry. Trust is, more or less, the default reaction in Botswana, overall, as compared to South Africa (Interviews, Botswana, NGO official - August 2014; Botswana, Academic, August 2014).

4.5.2 Political Trust and Approaching the Government in South Africa and Botswana

Interviews revealed that in Botswana communities are often not aware that they can approach a mining company about an issue and a community's first reaction to an issue will usually be to approach the government, and not the mining companies directly (Interviews, July/August 2014, See Appendix E/3 for quotes).

In South Africa, interviews indicated that communities would more often approach companies directly (Interviews, South Africa, CSR Expert – July 2014; South Africa, De Beers Representatives – July 2014 and August 2014; South Africa, Chamber of Mines – July 2014; Phone Interview, Company CSR Specialist, April 2015). Thus, local demands are often aimed at the government *and* the mining companies directly, based upon the perception that the companies command sufficient money to address the problems (See Appendix E/4 for additional quotes).

Additionally, corruption and patronage networks at the local level are a stark reality in South Africa. Not only is there a perceived lack of service delivery at the local level, but an unevenness of service delivery based on historical relationships (Dawson 2014). Mining companies may, therefore, be approached directly for CSR as a way for the community to bypass a corrupt government:

> *Because the other challenge we have is an element of corruption and fraud… The money does not reach the beneficiaries, the recipients of the community level, it is being diverted to other services… People are aware that this company has got corporate social responsibility towards us… They approach the company to say; 'let's start talking. You don't have to give it (the money) to them (the government), give it to us, so that we can see what we can do with that money in our own community.'*
>
> – *South Africa, Academic - August 2014*

Overall, there appears to be a striking difference in the approaches communities take in South Africa and Botswana. In Botswana, the first point of call is to approach the government with any social issue. In South Africa, there are deep frustrations and disappointment with local government over the lack of service delivery and the isolation and disempowerment of civil society groups to hold local elected officials accountable (Good Governance Learning Network 2008). The perception that government is ineffective, broken or corrupt leads communities to consider approaching companies directly with their issues. The political history of both countries has contributed to these perceptions which define, in minds of the citizens, government motivations and priorities. However, as the next section will address, local institutions can play a role in mending the trust between parties as well.

4.5.3 Political Trust and the Role of Local Institutions in South Africa and Botswana

> *Do you trust your local government to speak on your behalf? Do you trust your government to protect you? Or do you take your chances to just go straight to the mining company and risk being shot at? Or do you go to your government and risk being shot at?… With the mining company you (maybe) have greater chances of not being shot at, because they are responsible for image or they are liable for certain things. They don't want this to come in(to) the newspaper. What does the government care?*
>
> - *South Africa, CSR Expert – July 2014*

While rather extreme, this quote dramatically illustrates that existing levels of trust coupled with past experience with one actor verses another may influence the actions a person will take. Development of trusting relationships is heavily influenced by the historic experience between the actors involved. However, history is immutable and cannot be changed and the only way to overcome the loss of trust is to put in place new mechanisms to facilitate safe communication between parties who need to feel that they are being heard. Formal as well as informal democratic institutions help to facilitate this process.

One factor that is not fully discussed in the chapter's framework is the role of democracy. However, the assumptions underlying the efficient provision of public goods allude to the need for democracy to some extent implying that clear and accurate communication between communities and government is required in order to accurately delineate what the "consumption unit" actually needs. Moreover, the fact that confidence in local government influences the CSR process demonstrates that responsiveness to citizens matters. However, this type of democracy may not be fully described or captured by macro indicators or the presence of elections because the form of communication needed for effective public good provision relies on local participatory democratic institutions rather than mechanisms that allow for national free and fair elections or other elements normally associated with democracy.

For instance, while the two main case studies, South Africa and Botswana, rank similarly in terms of macro indicators for levels of democracy (Voice and Accountability and Polity IV) and levels of need (i.e. GDP per capita) (Table 14), interviews indicated very different relationships among communities, local government and mining companies when making decision concerning CSR. This was already demonstrated in the previous section in terms of the greater tendency to approach companies directly in South Africa compared to Botswana. This section will continue to look at these differences with regard to local institutions.

Table 14: Governance and Economic Indicators - Botswana and South Africa[43]

Average 2002-2012	**South Africa**	**Botswana**
Voice and Accountability	0.61	0.51
Polity IV	9	8
GDP Per Capita (USD)	5513	5562

It is important to examine in both case study countries the local participatory institutions on a more qualitative basis in order to understand CSR processes for the provision of public goods. Looking exclusively at more macro indicators of democracy may not as clearly identify the institutions that are vital to facilitating a trusting relationship between local government and communities.

[43] Source: (Kaufmann, Kraay, and Mastruzzi 2010; World Bank 2015; Marshall, Gurr, and Jaggers 2014). Worldwide Governance Indicators (Voice and Accountability) range from -2.5 to 2.5, with 2.5 being the highest levels of governance. Polity IV Indicators range from -10 to 10 (10 being most democratic).

In the case of Botswana, the Tswana tradition of community meetings, known as *Kgotla*, have played a major role creating a sense of trust and responsiveness between community and government representatives. After independence in 1966, traditional institutions were incorporated into the formal governance and administration process through the Chieftainship Law, as well as other acts, as recognized by parliament. The national government and ministers are thereby authorized to keep chiefs in check (they are appointed by the community but can be removed if necessary by the appropriate minister), but the chief maintains many duties at the local level, including presiding over the *Kgotla* (Sharma 2005; Sharma 2010; Sharma 2003; Poteete, Mothusi, and Molaodi 2014). Therefore, while many of the local institutions are traditional in nature, they have been brought into the formal governance process. One interviewee argued that people in Botswana are not empowered in the traditional sense of protests and airing grievances out loud but they can work at problem solving and compromise through the government and *Kgotla* as this is a form of empowerment to them as well.

You are unlikely to see opposition or grievances over mining issues come directly from communities in Botswana. If citizens have a problem they would go to government. People trust the government to protect their interests more in Botswana (Interview, Botswana, NGO spokesperson - August 2014). Furthermore, in more rural settings, villages discuss their needs through Village Development Councils (VDC) as well as the *Kgotlas* (community forums). The communities view this as a credible way to voice their opinions to local government (Interview, Botswana, Academic - August 2014). Another interviewee indicated a more pervasive trust in the governance process:

> *"Here (Botswana), they try to resolve it (problems) through a political process, through elected politics. Not by complaining about their employer or taking it to the employer. And I don't think it is a cultural thing either. There are more Setswana speakers in South Africa, then there are here."*
>
> - *Botswana, Regional Expert – July 2014*

As will be discussed more in the next section, there are areas in South Africa with Tswana populations that have maintained traditional *Kgotla* institutions. They differ from much of the rest of South Africa in their relationship with their local governance structures (even if more informal and traditional).

In terms of the diamond mining company (Debswana), the local institutions mentioned above, the *Kgotla* (represented by the Chief) and Village Development Committees, have been brought into the CSR process. Since communities have confidence in their local institutions to relate any concerns to the appropriate actors, Debswana's CSR process must ensure consultation with the leaders of these institutions. When a Debswana representative was asked about requests for CSR funding from the mine they replied:

> *In community structures, we have what you call the Village Development Committees (VDCs) and request will always come through the Village Development Committee… So we will engage with the community and we try by all means to make sure that when it comes to the face-to-face engagement, all the key structures are present. In a community setting we have the VDCs… And we have the politicians, and in this case they are represented by the local councilors. And then we also have the village development trusts. We also have the village leadership, presented by the village chief. So all of these people must be there.*
>
> – *Botswana, Debswana Representative – 25 July 2014*

In South Africa, there was a lesser consensus about the ability for the community to use local institutions to convey concerns. Many mining communities will have public meetings with ward councilors, municipality officials or even with the mine operation managers themselves. The South Africa Local Governance Barometer survey report maintains that in the surveyed municipalities there are few mechanisms for citizen oversight of local government or clearly delineated intermediaries or communication channels between councils and citizens. There is also little civil society organizational involvement in this capacity. The survey reported that during "consultations" citizens are normally informed about decisions after they are made rather than being asked for their opinion on the issues prior to decision making (van Hoof 2011). While these findings do not pertain directly to mining areas, they speak to the overall local governance situation in South Africa. In fieldwork interviews, there was also a clear impression that there is no reliable and standard place where people could go to voice their opinion to government and feel that they are actually heard or that their problems would actually be fixed, resulting in erosion of trust and public frustration with government and mining companies (Interviews, July 2014, See Appendix E/5 for quotes). Alternatively, this also means that there is often no clear place where companies could go to assess community needs.

The lack of effective and ongoing community consultation was also identified as a general problem in mining areas. Mining operations deal with differing community interests and the relevant groups and representatives may differ depending on the context. It is often up to the mine to determine who need to be consulted. Companies may also assume, incorrectly, that the municipality has clear knowledge of the needs of the community, but this is not always the case and inappropriate projects may then be financed by mining operations. Furthermore, while community consultation may occur at the onset of the mining licensing process, it often wanes or abates altogether after licenses are granted (Interviews, July 2014, See Appendix E/6 for quotes).

In South Africa, many interviewees identified frustration with the government and/or the private sector (see mention of collusion in Appendix E/5), to the point of being defeated in purpose failing to approach anyone with demands at all. This kind of non-response from the government or companies' indicates a lack of effective institutions for local participatory democracy (See Appendix E/7 for example quotes).

These frustrations often lead to an overall feeling of voicelessness and a mistrust that goes beyond the mining industry to effect the country on a wider scale:

> *I will tell you, our mistrusts in delivery, it is not about mining, it is across… If you just reflect on when we came out of Apartheid and this promise of the new nation, the new rainbow nation, jobs, affirmative action. We have more unemployment, a youth that does not have much options and people are saying, 'but we were promised'…What I'm saying is (there is) the apathy over a sense of voicelessness. We want to be engaged. It is across the board. And you see these spurts of protest and service delivery strikes, saying that 'we are tired, you are not hearing us, we're going to these drastic means.'*
>
> – *South Africa, CSR Expert – July 2014*

Furthermore, local people often insert themselves as defacto leaders of the community making it difficult for companies to determine if these leaders are actually representative. Even *with* government institutions, it is often hard for companies to glean if the official development plans are actually representative of the community needs This ambiguity can make it difficult for companies to definitively determine the appropriateness of a particular CSR program for its intended community development (Interviews, July/August 2014, See Appendix E/8 for quotes). On the other hand, the relevant municipal officials may be unaware of community consultations organized by the mines themselves (Interview, South Africa, Local Government Official – August 2014). In general, there is often a lack of systematic communication between communities, government and companies in South Africa.

Overall, the process for a company seeking consultation to obtain accurate information about which CSR investments they should consider is much less straight forward and is far less delineated by experience or local guidance in South Africa than in Botswana. While South Africa may have more formal regulation in place concerning mining company community investment requirements, the institutional structure of the communities varies widely between locations and regulation does not specify a clear process for community engagement (purposefully leaving it up to the mines and the municipalities instead). The types of stakeholders, potential community leaders and the consultation processes for creating municipal development plans (IDPs) vary from village to village. Some IDPs are created through consultation with ward councilors (as was the case in Kimberley), while others are based on information that comes through mass community forums. Other IDPs and SLPs draw on the views of traditional leaders (as was the case in Venetia). The CSR process for mining companies can vary in these same ways depending on the community manager and structures near the mine. Furthermore, what should happen in terms of community consultation in theory, often does not reflect what happens in practice, as several interviews revealed (Interviews, July 2014, see Appendix E/9 for quotes).

4.5.4 Summary of Community/Government Relations

The case studies of Botswana and South Africa demonstrate that even though these countries shave similar degrees of overall democracy, local inclusive institutions are important in facilitating trust between communities and local governments. In South Africa, the history of government collusion with mining companies and the belief among many citizens that mining operations and the government have little concern for the welfare of the majority of their citizens means that the population does not look to their local governments when looking for solutions to social problems as often as in Botswana.

From a CSR process perspective, even though there are regulations regarding CSR in mining companies in South Africa, these regulations do not include any clear guidelines or instructive language on how the community should be initially, and thereafter continuously, involved in the CSR process. This seriously impacts the CSR process for mining companies by not enabling companies to identify one clear community leader or government institution which they can approach and know that specific CSR requests will accurately reflect the needs and priorities of the community. An underserved community is a risk for a mining operation (Interview, South Africa, South Africa Expert – 16 July 2014). Thus, a company has an interest in verifying that their CSR efforts are not in vain. Companies in South Africa may be approached directly by community members, traditional leaders, civil society groups or government officials, resulting in the need to balance all of these requests and priorities. One interview referred specifically to the inefficiencies of dealing with multiple communities and actors:

> *The mines all do engage at various levels, at a local government level, at a tribal level, at a community representative level, at the union level. And there's often not a consistent way to deal with the community. And what we also find (is) that if they then listen to what the community says… they then end up holding six community forums, which are just a waste of time. Each of the own communities want their own community forum. Which is the never used for anything, but that's what they said they wanted. See, you can engage forever, but sometimes… it doesn't result in the best outcome.*
>
> – *South Africa, CSR Expert – July 2014*

As a practical matter for companies in South Africa, it is harder to negotiate expectations with multiple parties, as it often it takes longer. However, from the standpoint of power asymmetry, companies actually may desire the one-on-one negotiations, even if it is more time consuming. A united community can exercise more power over an operation then several smaller groups. Operations may have more power if they are negotiating with smaller groups. Therefore, in terms of effective CSR, it is in the practical interests of mining operations to have strong representative local institutions (even if not always in their power interest). Maybe more importantly, it is also in the interest of the communities to maintain a greater balance of power in negotiations by setting up clear communication channels (Phone Interview, Company CSR Specialist, April 2015).

In comparison, while regulation concerning CSR is nearly absent in Botswana, there are clearly identified governance structures that companies can approach at the local level, allowing the companies to be more certain that they respond more accurately to community needs. The coopting of the traditional Tswana leadership and governance structures (*Kgotla*) into the overall governance process as well as the creation of local Village Development Committees gives mining companies in Botswana more clarity in the process of dealing with community leaders. The country's history also lends clarity to the issue of trust between the government and the communities. As communities tend to approach these local governance institutions with their concerns (and not the companies directly), companies find they have less individual actors to deal with. This gives companies a more simplified framework for CSR to work with and still have assurances that their CSR efforts speak more accurately to community needs.

4.6 ALTERNATIVE INSTITUTIONS - THE EXAMPLE OF THE BAFOKENG

While formal local governments have a role to play in facilitating an effective CSR process, other traditional or informal institutions and networks can serve similar roles of credibly and accurately relaying information from communities to companies.[44] As was mentioned above, the local participatory institutions that are present in Tswana culture in Botswana play an important role for mining companies' community consultation:

> *The other consultation is where the chief now calls the entire village to a gathering and then we (the mine) can engage them in that kind of meeting. Presenting whatever we want to them and waiting for comments and questions from the public… because we want to address his community, we need first to engage with him.*
>
> – *Botswana, Debswana Representative – July 2014*

However, Tswana tribes are not confined to Botswana and extend across the borders into South Africa as well. The Royal Bafokeng Nation (RBN or simply Bafokeng) was mentioned throughout fieldwork interviews as an example of how traditional institutions and governance has

[44] This section focuses on an example of traditional institutions, however other community groups or civil society organization, if inclusive, could have a similar function.

had a positive impact on development and relations with mining industries, even within South Africa, where the more formal IDP process has run into difficulties with community consultation. The RBN is a community of 300,000 people. About 160,000 members live in the northern mining region of South Africa near the town of Rustenburg.

In general, traditional authorities can substitute for a formal institutional mechanism for communication or representation as long as the Chiefs are constrained by and responsive to the people (Acemoglu, Reed, and Robinson 2014; Baldwin 2013). Many other traditional authority systems across Africa are not perceived as development oriented or accountable to the community (See Appendix E/10 for examples from interview quotes).[45] However, the RBN, which is located in the middle of the platinum belt in the northern region of South Africa, has been used as an example by many of how traditional systems can foster development. Many interviewees commented on this:

> *I think, we underestimate the things that we can accomplish. You look at Bafokeng and what has happened there, it is amazing. It is good and enlightened leadership. I think we can do more. We are not totally helpless. After all, companies, they are mining in our own land. And of course as owners of the land we have the right to demand more.*
> – *South Africa, Academic – August 2014*

4.6.1 Background on the Royal Bafokeng Nation

The RBN has a unique status as both a community/traditional nation, as well as a corporation (one of South Africa's largest community based investment corporations) (Cook 2011). Their success is rooted in the history of the nation, along with the existence of the Tswana

[45] In the case of Ghana, for instance, in the mining community of Prestea reports indicated that while many in the community did recognize the authority of traditional leaders to make decisions for the community, they argued the Chief is required to consult with their community, and this is often not done. Displaying the importance of standardized consulting mechanism for community mining decisions and consultations even within traditional institutions (Greenspan 2012).

tribal system and strong and democratic leadership and institutions. These factors help to explain the Bafokeng's success in promoting economic development in an area of extreme poverty. The history of the RBN gives them leverage that most tribal systems, communities or even local governments do not have, sub-soil property rights.

The Bafokeng have communally owned their land by title since the late nineteenth century. The fact that they have legally, and not just traditionally, held their land since that time has set them apart from other traditional communities and has allowed them to profit from their holdings. They have successfully exercised their rights to the land and sub-surface assets. Platinum was discovered in the area in 1920s and Bafokeng began leasing parts of their territory to mining companies in the 1950s. However, conflicts between the Bafokeng and the president of the Tswana homeland during Apartheid led to constant tension on this issue. Additionally, in the post-Apartheid era, where the Mineral and Petroleum Resources Development Act (MPRDA) (discussed heavily in Chapter 3) identified the state as the owner of all mineral rights, the Bafokeng came into conflict with the state over mineral rights ownership. However, because the Bafokeng were already using mining royalties for local economic development, Bafokeng representatives argued that they should be exempt for five years and then should resubmit for review. This was agreed to and the Bafokeng continue to hold on to their mineral rights (Cook 2011; Manson and Mbenga 2003).

The royalties and revenues collected from platinum mining are reinvested in a community owned investment company called Royal Bafokeng Holdings (RBH). While they have many investments, 85% of their dividends come from the platinum mining company Impala Platinum. They also have a 50/50 ownership of a platinum mine with Anglo Platinum that brings in royalties. Additionally, they converted their Impala Platinum royalties into shares in 2007. This has earned them the nickname "the richest tribe in Africa"(Manson and Mbenga 2003). The dividends from these holdings go to local development project such as electrified homes with clean water, better schools, clinics, paved roads and extra law enforcement personnel (Cook, 2011; and Interview, South Africa, Bafokeng Expert - July 2014). Over R2 billion (South African Rand) (around $160 million USD) from RBH has been invested in infrastructure in the area in the last decade (Thornhill and Selepe 2010).

While the RBN fears that the state may try to take away their mining rights again at some point, they argue that a conversion of royalties to the state will result in a lower standard of living for community members. This implies that the RBN believes that they can extract and use resource rents more efficiently and effectively than the state. In terms of interactions between the traditional community and the mining operations, one interviewee commented on how communal property ownership has allowed the RBN to work with the mining operations in the area:

> *I think it (RBN ownership) is 12.5% of their (the mining operation's) shares, which is the largest single shareholder. So it does allow us to say 'fellas don't sink a shaft there, we have a plan for that area already or there is a village that has been there for several hundred years.' So we do have some guide. It's not obviously an overriding guide. We are not a majority shareholder, but there is the potential to help steer. But it puts the Bafokeng in the strange position of being a community of people, being a supplier of labor and having a finger in the pie at the mine management and being the traditional authority.*
>
> – *South Africa, Regional Expert – July 2014*

4.6.2 The Royal Bafokeng Nation and Representation

There are a multitude of local institutions and leaders that make up the Bafokeng governance structures. In each ward, *dikgosana* (hereditary herdsmen) attend to the people's day-to-day matters while they are assisted by their wives and wardmen. They also have a traditional council made up of 11 community members, 5 elected and 6 appointed. The *dikgosana* council, together with the traditional council, make up the Bafokeng Supreme Council. Led by the traditional rule (*kgosi*), their council debates and ratifies all financial and policy matters for the community. Communities are able to discuss and debate issues openly at the *kgotha-kgothe* (much like the *kgotla* in Botswana) (Cook 2011; Thornhill and Selepe 2010). The strong and credible leadership has created a point person in Bafokeng territory for companies to contact in terms of CSR, much like in the case of the Village Development Committees and *Kgotla* in Botswana.

> *In Marikana, there is this settlement… it is closer to the mining operation. All of these cultures are living together. They (companies) don't look as an intact community. But they look at the nearest tribal community, which is Bafo(keng), because they can talk to one person in that community. They have many issues. They have many causes. It is easier for them to address (the) basic needs of the community, because all of the communities, they want their own voice to be heard.*
>
> – *South Africa, CSR Expert – July 2014*

Also, similarly to Botswana, the local participatory institutions of the Bafokeng provide for effective community consultation mechanisms and community trust of these traditional forums exceeds that of the municipality institutions:

> *My opinion is that the traditional community set up that I have seen… does give massively increased community voice because it has forums and representative structures that are open… And that (issue) gets noted and written down and is followed up on.*
>
> – *South Africa, Regional Expert - July 2014*

Figure 23 displays data from a self-commissioned RBN Census from 2011. It asked question about membership, knowledge of and trust in traditional and local government institutions and leaders. It shows that almost 75% of the members of the Bafokeng tribe were also members of the traditional community forum, the *kgotla*. In comparison, according to the latest Afro-Barometer Survey, only 32% of South Africans reported attending community meetings "several times" or "often". While only 9% of Bafokeng tribe members knew their municipality councilor, 25% knew their Bafokeng elected councilor and 87% knew their traditional councilor. Virtually everyone knows the traditional leader (*kgosi*).

Furthermore, if a member of the community knew a leader in question, the survey also asked if they trusted that leader. While only 73% of those who knew the municipal councilor said that they trusted that councilor, 91% trusted their Bafokeng councilor and 92% trusted their traditional councilor. Since 98% of the population knew who their leader was and 91% of those people trusted him, close to 90% of the population both knew and trusted the traditional leader. Compared to a leader like the president of South Africa or the premier of the province (where according to the Afro-Barometer Survey only 27% and 18% trusted the president or premier "a lot", respectively), this is very high.

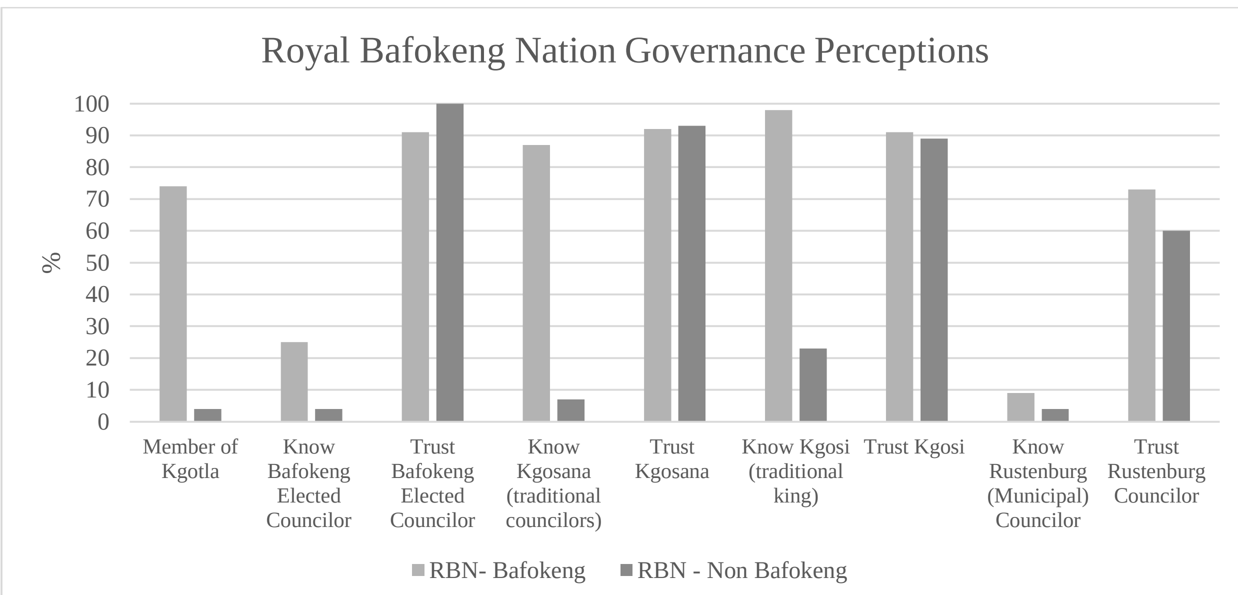

Figure 23: Royal Bafokeng Nation Governance Perceptions[46]

However, there was a major difference between those members of the population that belong to the Bafokeng tribe, and those who did not. Non-Bafokeng tended to know their Bafokeng

[46] Source: (Royal Bafokeng Nation 2011)

representatives about the same (in the case of the traditional representative a bit more) than their municipal representatives. However, of those that did know the Bafokeng leaders and representatives, they tended to trust them about the same as Bafokeng members. While this data demonstrates a higher degree of political trust of the Bafokeng people for their traditional leaders compared to municipal leaders, it is important to keep in mind that exclusion of non-Bafokeng members in the population could pose a potential problem in representation and actual consensus (Royal Bafokeng Nation 2011; Afrobarometer Data 2012). This problem of exclusivity can generally effect tradition institutions.

4.6.3 Pitfalls of Traditional Governance

The RBN has had the often conflicting experience of being both a traditional community and a corporation. The rents that they have been able to collect from platinum mining have allowed the community to invest in development in ways that may not have been possible through municipal government spending. Moreover, because they are part owners in the major platinum operations, they have limited influence over operational developments which affects their efforts to assure alignment with the wellbeing of the community. However, there are some drawbacks to having dual capacities in this kind alternative path to development and company/community relations.

First, there is political tension between the local municipality and the RBN. As was mentioned above, citizens do not regard the municipal institutions as trustworthy as compared to their Bafokeng institutions. However, the area does have both Bafokeng and municipal ward councilors who often do not communicate or work well together. Citizens do not view the municipal ward councilors as successfully delivering services to the area. On the other hand, populations that may be more excluded from the traditional structures (non-Bafokeng, women, youth) may draw on municipal institutions more often (Cannon, Thebyane, and Cook 2010).

Second, the other side of the Bafokeng not trusting the municipality to listen or deliver services is that the municipality, being aware of the large profits the Bafokeng are making, chooses not to insert extra development funds into the traditionally held areas. While the Bafokeng population pay taxes to the municipality, the municipal budget does not contribute to the Bafokeng. As such, there is a small scale crowding out of the state. Thornhill and Selepe (2010) argue that RBN is now essentially a corporate entity delivering municipal services, but not under the South Africa Integrate Development Plan (IDP) structure. Mineral assets are diminishing and RBH will not be able to support or finance all of the envisioned development initiatives in the long run. In order for the Bafokeng populations to continue sustainable economic development and to maximize their benefit from traditional and municipal institutions, these institutions need to work together more effectively to identify where each can fill in for service delivery and governance gaps (Interview, South Africa, Regional Expert – July 2014; Cannon, Thebyane, and Cook (2010); Horner (2012)).

Finally, while the traditional institutions in place in the RBN appear to inspire more political trust as compared to the municipality institutions, thereby making CSR processes clearer in the area, the significant differences between Bafokeng and non-Bafokeng responses concerning trust speaks to the inequalities or the skewed nature of representation that can result from traditional rule. The fact that a large number of the non-Bafokeng provide the migrant labor in the surrounding mines foretells that this is an issue mining companies would do well to be concerned with now and in the future (Breckenridge 2014).

4.7 GOVERNANCE IMPLICATIONS

Within the framework of how local institutions influence decision-making processes over CSR and the overall effectiveness and appropriateness of CSR initiatives, a wider discussion about the governance impacts of CSR is appropriate at this point. In a system where public goods and development initiatives are no longer funded or, more often, not even implemented by the state but by profit-making institutions, questions about accountability are raised. Issues include the increasing weakness of the state, the equity of service delivery and the focus on root causes of weak governance and service delivery gaps (B. Campbell 2012). The connection between state capacity and economic development points to the importance of this issue (Acemoglu and Robinson 2012). More generally, non-state provision of public goods and services may pose more challenges than benefits in terms of state capacity, equity of access to social welfare and accountability for citizenship depending upon the type of non-state partner and the relationship that partner may have with the state (Cammett and MacLean 2014a).

Thus, it is important to examine the ways in which CSR at the local level may strengthen or undermined the state in the context of mining communities in Botswana and South Africa. Many interviewees in Botswana and South Africa acknowledged concern about CSR undermining government. First, mining operations are time limited, and, thus, their CSR efforts are also limited to the time it takes to explore, extract and rehabilitate a given mining area. This is particularly relevant for *private* non-state actors, as their engagement in governance is driven by other profit motive and once their involvement becomes unprofitable, their engagement will also subside. As a result of this practical reality, relying on CSR efforts is not necessarily sustainable as a policy.

> *Government are the ones that will remain with these people. Mines are here for short time and then they go away. There will always be a government running a community. But, if you don't invest in capacity building for government, that is where our weaknesses is. People will then ask us, 'was this project (sustainable)?'... It will be sustainable if we are still running it. But the moment I leave it, will government be able to handle it?*
>
> – *Botswana, Debswana Representative – July 2014*

A second, more important reality is that partnerships with government are essential in some situations, in that a company may be able to build a school or hospital, or provide supplies to these facilities, and yet they have to work with the respective government departments to identify and locate licensed teachers, nurses and other critical staff. If partnerships do not form, the potential of the CSR project cannot be fully realized.

> *All of these things have to be done in partnership with government. Because you can set up a school, (but) you need the department of education to do the teaching… You can build a hospital and you can buy phones, but the doctors and nurses have to be department of health, because they need to get a salary from government. So it (CSR) needs strong partnership. I think that is a big thing (issue), CSR with local government and when there is a lack of capacity.*
>
> – *South Africa, CSR Expert, July 2014*

On the other hand, the lack of local government capacity often hinders the ability for CSR projects to reach their full potential, while at the same time distorting the community's perception of who is actually responsible for service delivery. Companies are often faced with CSR requirements (such as in South Africa), while simultaneously faced with a local government that lacks the human resource capacity to implement the programs the company is willing to help fund (Interviews, July 2014, see Appendix E/11 for quotes).

A third danger comes from the fact that a mining operation's CSR investments can give the government a false sense that the social needs in the areas surrounding the mining operations have been addressed by the companies in question, when in reality these CSR services are often aimed at only part of the population.

> *It is the mine that builds the road, it is the mine that builds a school, it is the mine that puts up the fencing, it is the mine that cleans the water, it is the mine that has the bus to come pick you up and bring you in to work,… it is the mine that runs the hospital, only for mining… But the state will not put another clinic up or anything like that, because, as far as they are concerned, that area is covered… If you don't have access, you are not cared for….The rollout of social services is driven by the mining company because they are obligated to do so and in the minds of people it perverts whatever they make or think of the social contract.*
>
> – *South Africa, Regional Expert – July 2014*

As the above quote indicates, sustainability, partnerships and improving long term state capacity and accountability all need to be taken into account when mining companies are making decisions concerning CSR spending processes. Otherwise, CSR initiatives are at best temporary solutions to community problems and, at worst, are actually undermining the state and the social contract between government and citizen. However, partnerships and sustainability are not by any means an easy task. Rising community expectations about the riches that come from mining activities pressures companies to show development benefits to the community as soon as possible. Whereas building state capacity at the local level is a long and often largely invisible process. However, for mining to have any lasting development impacts, and not just be another example of the resource curse, companies need to constantly keep in mind how they will be able to hand off existing CSR projects to local government or other local non-state actors. A focus on increasing local government capacity is essential to the task of project sustainability and successful partnerships.

4.8 CONCLUSIONS

Chapter 3 demonstrated the role of the state in the CSR process in Africa and found that the unregulated and state owned system of CSR in Botswana has led to lower overall levels of

CSR spending and more ad hoc spending patterns compared to the more regulated CSR process in South Africa. However, that chapter did not speak to whether regulation or state ownership created a situation where CSR spending better reflected the needs of the community. Therefore, this chapter set out to create a framework for how local institutions also affect the CSR process by examining the role of various institutions in the process of the private provision of public goods. Once again, the findings in this chapter display that CSR is not purely a product of self-regulation or voluntary philanthropy, but is directed and influenced by the type and capacity of local institutions present where operations occur.

The information presented in this chapter does not allow one to draw strong conclusions about the accuracy or effectiveness of CSR spending in Botswana or South Africa or the comparative efficacy of the private provision of public goods. The findings here, however, do allow for the consideration of how local government institutions play a role in the CSR process, and more broadly the private provision of governance, because of how they facilitate the relationship between communities and companies. Having representative processes with capable local leaders can make the CSR more efficient for companies by simplifying the process and making sure CSR accurately reflects the needs of the community. United representatives of the community also help with the power asymmetries during CSR negotiations.

However, the local institutions need not be formal or municipal structures. Traditional leaders/institutions and civil society groups can be effective mechanisms for conveying community needs to companies where the state is not an effective participant. However, both traditional and civil society actors have the same potential as corrupt government officials to coopt the CSR process for their own gain if they are unchecked.

Finally, because this chapter focuses on CSR as a way to privately provide public goods, it is important to understand how the private provision of public goods effects state led governance. In order for CSR to be an effective form of governance it must keep one eye on strengthening the state at the same time as it is filling in for the state. Interviews in Botswana and South Africa confirmed these concerned in the mining industry CSR context. The increasing focus by companies in both case study countries on sustainable CSR projects that increase local capacities in the long run speaks to a growing awareness and concern with this issue.

5.0 CONCLUSIONS

This study is among the first to examine how institutional and political processes within countries and communities influence corporate social responsibility (CSR) in the African mining industry, or even more generally in a developing country context. Understanding how these immediate contexts shape CSR processes and decision making is pertinent to a better understanding of the resource curse and economic and social development. Many countries with a large natural resource sectors suffer from weak economic development despite their resource wealth due to low levels of governance. While the contributions that companies make through their CSR efforts represent only one way in which citizens can benefit from resource wealth, CSR investments can play a significant and increasingly relevant role in development in locations where states are weak or absent. Given the potential importance of CSR to communities, this study sought to understand how CSR processes and practices differ across operational locations and are shaped by their immediate context.

By using a comparative case study design within a single industry and region, the study was able to uncover how a complex set of national institutions and local organizations and actors comprise a milieu for CSR actions. The ability of the study to isolate the effect of national and local politics and institutions was further enabled by holding company level differences constant (i.e. looking at operational locations within a company). To this end, the study focused on De Beers' diamond mining operations in Botswana and South Africa throughout all of the chapters, as well as the addition of AngloGold Ashanti's gold mining operations in Ghana and South Africa when looking at national level institutions in Chapter 3. The data used for the comparative case study analysis included qualitative field interviews (see Chapter 1 for details on the fieldwork process), a database developed from mine specific CSR spending records, publically available survey and statistical data sets and other secondary sources.

This chapter will first discuss the main findings of the research presented in this dissertation. Second, the implications of these findings are examined. Third, the limitations of the study are outlined. Finally, future research topics are discussed with reference to the limitations of this research.

5.1 CONTRIBUTIONS AND FINDINGS

This research contained two overarching themes. The first revolves around understanding the non-voluntary nature of CSR at an operational level, specifically by examining the role of local politics and institutions in the CSR decision-making process and comparing CSR processes across varying institutional contexts. Second, this thesis broadly examined the role of the private sector (as distinct from other non-state actors) in the provision of governance and public goods and services by examining CSR aimed at community development in particular.

Each of these themes were touched upon in the findings from the three empirical chapters. Broadly, this research looked into the role of operational context in defining the CSR process in any given location. However, each chapter examined a series of specific research questions aimed at understanding the role of various contextual factors and local (meaning domestic or regional) institutions in the CSR process. Each section of the research, therefore, also produced its own findings, which will be examined below with reference to the broader themes.

5.1.1 A Corporate Social Responsibility Framework

The first contribution of this research is the application of an adapted Institutional Analysis and Development (IAD) framework (E. Ostrom 2005) to the CSR process, with a particular focus on the mining industry. The question was, how can local factors (i.e. domestic factors, both national and sub-national, where companies are operating) be systemically incorporated into the conceptualization of the CSR process. The answer lies in adapting an IAD framework to clearly understand the elements of CSR decision-making processes at each individual mining operation.

The CSR process must be viewed in a holistic manner to fully account for the resulting activities, investments and impacts. While there are several international factors that may affect firms as a whole[47], initial conditions, community attributes and institutions in the local area will differ depending on where a company is operating. This is why within one company, working in one industry, CSR processes and programs may look very different depending on the local site. These local factors will affect many aspects of CSR decision making, such as who is able to participate, the roles of each actor and their power relations. By adapting the IAD framework to distinguish international and local factors, it can be used, both by academics and practitioners, to inform a holistic and systematic understanding of the CSR process at a local or operational level.

The adapted IAD framework posited three categories of local factors affecting CSR processes including initial conditions of the operational site, community attributes near the operation and the national and local institutional context. Two comparative case studies within the diamond mining company De Beers helped to illustrate how these factors elucidate the CSR

[47] In the framework, international factors include international norms, corporate ethics and leadership, industry specific requirements and risks and home country institutions.

process as it unfolds in local contexts and how the framework may be used to understand how CSR practices have to be adapted for new circumstances.

The first comparative case study (Venetia and Kimberley Mines in South Africa) allowed for insights into the importance of initial conditions and community attributes in particular. Even though Kimberley and Venetia operations are subject to the same international and national laws, their CSR process and spending look very different. Initial levels of development in both regions affects the amount and type of projects that are considered for CSR investment. The higher levels of need in Venetia as compared to Kimberly have led to higher overall spending on CSR in this area. Furthermore, the differing needs in the two mining regions are reflected in the CSR projects, with Venetia projects focusing more on basic infrastructure (such as roads and electricity) and Kimberley initiatives aimed at educational/job training or tourism. Additionally, in terms of community attributes, the type of stakeholders and their power relations within each community are shown to affect the CSR process through these case studies. For example, in Venetia, traditional leaders are important stakeholders and must be consulted in any CSR decision making. In Kimberley, traditional communities are non-existent so the local government representatives are the primary stakeholders speaking for the people.

A second comparison of De Beers' holdings in South Africa and Botswana (Venetia and Jwaneng Mines) also pointed to the effects of initial conditions, the presence of regulation and state ownership and the structure of local institutions on CSR decision making. In Venetia, De Beers is subject to the strong South African regulations over CSR and, thus, has higher overall spending levels. Additionally, in terms of initial conditions, the residential areas serving the Venetia mines are two towns that were established before the mine was built and, therefore, the mine was not responsible for investing in the initial infrastructure needed to establish a town. In

Jwaneng, the mine is not subject to any CSR laws, but is constrained by the fact that the operation is 50% owned by the government of Botswana. Thus, the government of Botswana is a significant and formal stakeholder in the CSR process. In terms of initial conditions, the town of Jwaneng was also established solely to cater to the mine and therefore the mine was responsible for building much of the initial infrastructure such as roads and hospitals.

These examples illustrate how viewing CSR through a framework that systematically takes local conditions into account can add to our understanding of companies' decision-making processes concerning CSR. Essentially, this chapter demonstrated that the expanded IAD framework is applicable to understanding the elements that go into creating a CSR "action arena" (E. Ostrom 2005) or the place where decisions over CSR are made. Moreover, the case studies demonstrated that the nature of national and local institutions (such as government) factor into the CSR decision-making process. The fact that CSR is considered a private sector activity and the role of the state in the CSR process in developing countries has been argued to be relatively low, makes the finding that the state has an important role to play in the action arena interesting or somewhat "surprising".

5.1.2 CSR and the State

The third chapter further explored this interesting finding concerning the role of the state in the CSR, specifically, using comparative case studies to observe the effect of different types of national level state control (or influence) on CSR programs and spending. A framework for understanding state control of CSR was initially identified. Two factors, the extent of regulation over CSR and whether operations had state ownership, were examined in relation to their effect on CSR at an operational level. Thus, four categories were created, (1) operations where there is little or no regulation of CSR and no state ownership (the market driven CSR case/P1), (2) operations where there is no regulation of CSR but there is state ownership (the government driven case/S1), (3) operations where there is regulation of CSR and no state ownership (the compliance driven case/P2) and (4) operations where there is regulation of CSR and state ownership (compliance/government driven case/S2). The first three categories were examined using within company case studies in South Africa, Botswana and Ghana. Because there were no fitting real world comparative examples of category four in the mining industry in Africa, it was discussed on a theoretical basis only.

CSR processes and spending data for De Beers mines in South Africa (Venetia Mine) and Botswana (Jwaneng Mine) were examined in order to compare the circumstances of state ownership and no CSR regulation (S1, Botswana) and private ownership coupled with strong CSR regulation (P2, South Africa). The findings from the De Beers' case suggested that, due to significant state ownership of the operations, CSR spending in Botswana was lower in amount,[48] relatively ad hoc and more concentrated at the national level as compared to South Africa. South African CSR spending, by comparison, is greater in terms of investment numbers, more long-term oriented and focused locally due to regulatory requirements.

The second case study of AngloGold Ashanti (AGA) allowed for a comparison of CSR processes and spending between privately owned operations where there is little CSR regulation (P1, Ghana and South Africa before the regulation requiring CSR (the MPRDA[49])) and where there is strong CSR regulation (P2, South Africa post-MPRDA). The comparison of AGA's operation at West Wits in South Africa before and after the company implemented MPRDA's

[48] This observation excludes the large-scale public projects that are done in partnership with the government or are aimed at enhancing operational efficiency.
[49] The Mineral and Petroleum Resources Development Act, 2002

guidelines was particularly informative in that it allowed for a *within company, within operation* comparison of CSR spending between a P1 and P2 scenario. The findings suggested that the MPRDA and the Social and Labor Plan (SLP) requirements did affect CSR spending. The results indicated increases in the level of spending (compared to operations in Ghana and South African operations before the MPRDA) and the shifting of a greater portion of investments toward labor-sending areas[50], as opposed to only host communities.

It is logical that labor-sending areas would only receive increased attention after companies felt regulatory pressure to do so. Labor sending areas are not a real threat to mine productivity and, thus, the company does not need a social license to operate[51] from them. Populations in the Eastern Cape (a major labor sending area in South Africa) cannot block a road or protest operations on the other side of the country in that they would have to travel far distances. Labor-sending communities are often not aware that they are entitled to any support from the mines. Therefore, community or market pressure is not going to be the driver of CSR spending in labor-sending areas. Regulatory compliance is the necessary driver for increasing spending in these remote areas and AGA spending data supports this.

The examination of the role of the state in the CSR process relates back to the overarching theme of the non-voluntary nature of CSR, but also the different roles the state may play in the context of a developing country. The case studies call into question the idea that regulatory or political pressure for CSR is non-existent or non-predominate in developing countries. Indeed, state pressure (whether through ownership or regulation) drives a significant portion of CSR decision making. Moreover, the historical and politically driven nature of government involvement

[50] Areas where migrant mine labor comes from.
[51] Gunningham et al. (2004) define a social license as demands on and expectations for a business enterprise that emerge from neighborhoods, environmental groups, community members, and other elements of the surrounding civil society (p. 308).

in CSR regulation in South Africa in particular, and the focus on historically disadvantaged populations and regions, also demonstrates how the forms and effects of state pressure on CSR in Africa may look different than regulation in Western countries, yet it is nonetheless an important driver of CSR.

5.1.3 CSR and Local Institutions

The fourth chapter’s findings relate, in part, to the role of government (in this case local government/institutions) in regards to CSR decision making, but also speak more directly to the theme of private sector governance. The role of the private sector in public goods provision has often been depicted as either a producer of public goods (paid for by the state) or a distributor of public goods (also as contracted by the state) (V. Ostrom and Ostrom 1999; V. Ostrom, Tiebout, and Warren 1999). This chapter begins by expanding the understanding of the role of the private sector in governance by incorporating the concept that companies in developing countries often play the role of public goods producers/distributors *and* financiers through CSR. Thus, they often become the de facto provider when local governments and civic organizations lack capacity to produce or pay for goods. While playing the role of both the producer/distributor and financier of public goods would seem to take local governing institutions out of the realm of public goods delivery, local institutions still maintain an important role in communicating the needs of the community to the companies in question. Thus, even at a local level, CSR is not completely isolated from other governing institutions, allowing CSR decision making to be influenced by the types and strength of institutions that exist.

More specifically, using data from field interviews along with publically available surveys and statistics, the influence of local institutions, both governmental and non-governmental, in the

CSR process were examined in Botswana and South Africa. Findings demonstrated that having a local democratic participatory process with capable local leaders often makes it easier for companies to have a clear consultation process with those who accurately represent the community and, thus, have more appropriate and focused CSR programs. Alternatively, if local institutions are not considered credible or effective by citizens, community members may seek to circumvent the local government and go straight to company administrators with their needs. When that happens the company must juggle various opinions making the CSR process less efficient and likely less effective.

However, as the in the example of the Bafokeng, capable local institutions need not be defined as municipal structures. Traditional leaders/institutions and civil society groups can be effective mechanisms for conveying community needs to companies in situations where the state is not an effective alternate participant. Often, traditional institutions may have more perceived credibility with the population than municipal offices, even though they are not as formally democratic. However, one must also be cautious when considering the use of alternate governance institutions, as both traditional and civil society actors are substitutes at best and have the same potential for derisive and corrupt influences as government officials to coopt and derail the CSR process for their own gain if their power remains unchecked.

5.2 RESEARCH AND POLICY IMPLICATIONS

A major conclusion of this research is that CSR decision making must be understood as a dynamic and nested process. Every operation will have a unique "action arena" (E. Ostrom 2005), containing various sets of actors with different priorities and strengths. Thinking through the context systematically, using an adapted IAD framework, allows for a fuller appreciation of the conditions under which CSR commitments are made. This purview is important for a research design, but also has very real implications for how companies approach CSR. There has been a recent movement towards the creation of broad, international guidelines for how companies should approach and implement CSR. Creating standards for CSR in the mining industry is a positive step, but these guidelines should integrate mechanisms for tailoring CRS activities to the specific location of operations.

For example, the case study of Southern Africa (Botswana and South Africa) found that civil society was overall quite weak. While local institutions played a role in the CSR process in Southern Africa, the majority of pressure for CSR and the largest risk to operations turned out to be the national government. Even when the government itself was weak in terms of monitoring capacity, compliance with regulations and government approval was seen as a major risk for operations and a major incentive for promoting CSR. However, in other regions, this is not necessarily the case. In Latin America, for instance, civil society groups and community members are often seen as the greatest source of pressure for CSR. This was evidenced even more so in West Africa as compared to Southern Africa (Interview, CSR expert, July 2014). Having a useable adapted IAD framework, therefore, is helpful in working through the strength or importance of the various institutions and local conditions that may be pertinent in a given mining operation context both on an academic and practical level.

A second policy implication expands upon the overarching theme of the role of the state in CSR decision making, or the non-voluntary nature of CSR. As mentioned above, the state was a major driver for CSR, in terms of regulation in the South African context and state ownership in Botswana. This finding challenges the assumption that CSR is necessarily a voluntary process in developing countries. But, in terms of policy implications, one must also examine the effectiveness or efficacy of CSR that is driven by compliance with state regulation or state ownership. While regulation does seem to increase overall CSR spending and make it more strategic and long-term oriented, it often creates a situation where CSR is compliance driven and not a product of corporate citizenship. Thus, if monitoring capabilities are inadequate, as they are in most developing countries, CSR implementation and follow-through can be an issue.

This was dramatically illustrated by examining the yearly Social and Labor Plan (SLP) compliance reports that companies are required to submit to the government of South Africa and analyzing the lack of compliance with CSR promises (See Chapter 3). Operations have a tendency to overspend in the easier areas of social investment, and underspend on the harder projects, thus, giving the appearance of compliance when one looks at total amounts spent on CSR. Moreover, because government evaluation of compliance in South Africa, for example, is based on the amount of money spent on CSR by an operation and not how effective the CSR projects are in terms of development indicators, spending may reach an acceptable level, but these same operations rank low in terms of project effectiveness (Phone Interview, Company CSR Specialist, April 2015). Therefore, increasing monitoring capacity and including measurements for compliance that look at effectiveness, and not just spending, may increase the actual benefit of regulations concerning CSR to communities.

State ownership and political involvement in the mining industry also have policy implications for CSR. The case studies suggest that state ownership leads to more CSR spending at the national level. However, a preference for national level spending has both positive and negative effects. On the positive side, there is less mass migration to resource rich regions and less animosity for the regions with resource wealth if the benefits are more evenly spread out. On the negative side, local populations around the operations feel the negative social and environmental effects of mineral mining much more than the country as a whole, but they are not directly compensated by being the focus of CSR investments. State ownership in the mining sector can contribute to overall economic development for the nation if done correctly, as has largely been the case in Botswana. However, state ownership has also led to national development concerns taking priority over the local mining regions' development. Reduced attention to social impacts at the local level can have negative effects on the community if not recognized, which can lead to local tensions with mining operations. Thus, a careful balance has to be struck between making sure resources benefit the whole nation and making sure the local population does not have a disproportionate amount of the burden to bear.

State ownership, or in the case of South Africa, personal financial stakes in mining operations by politicians, can also increase the appearance or occurrence of collusion between politicians and the mining industry. The resulting distrust engendered in the community for its government and the industry makes it harder for an operation to maintain a social license to operate. Thus, corruption and the possibility for preferential treatment must be closely monitored in these cases and transparency will be key. However, monitoring and transparency are often not possible if there are low levels of governance capacity. Therefore, NGOs and civil society may have a large role to play.

These findings concerning the effects of state level drivers point to the fact that it is important to not only discuss whether CSR is in fact voluntary, or what forces shape CSR decision making, but to look at the effect that state influence has on CSR outcomes. Some of these implications were already evident from the case studies of South Africa and Botswana, but should be expanded upon, which will be discussed more in the section on future research.

Another important policy implication concerns the fact that not only are companies being driven to do CSR by state forces, but companies should actually have motivation to increase the power and capacity of state institutions (including local civic capacity, political trust and governance) if they want CSR programs to be sustainable. This suggestion may seem counter-intuitive since the prevailing notion is that companies want less state interference. However, if an operation has a credible point of communication in the community, this eases the consultation process and assures mining operations that their CSR programs will be more appropriate. Companies need to ensure that the community is not a risk to operations. If communication lines are scattered or unreliable, CSR will not effectively mitigate this risk. Thus, investing in building institutional capacity and participatory mechanisms at the local level is in the interest of companies wishing to establish effective CSR aimed at reducing community risk to operations. Companies would be wise to initially focus CSR on building governance capacity so that the local governments and institutions can be effective partners in implementing future projects, taking over and maintaining the projects once the companies are no longer present.

The final implications return to the overarching theme of the role of the private sector in governance and development. The use of non-state actors to provide governance has been viewed both as a way to hollow out the state and also to strengthen it through partnership (Brechin and Salas 2011; C. Collier 2000). Private sector actors hold certain qualities that differentiate them from non-profit actors in terms of governance provision and this can affect their role in the community. This study adds to this discussion through suggesting that CSR cannot be viewed as a permanent strategy for effective governance. It may be very useful in developing countries where local governments are often weak or absent and can contribute to strengthening local government capacity and proving lasting infrastructure if done correctly, but CSR cannot replace the government as a public service provider in the long term.

This implication of this is that the role of private sector governance in Africa is interlinked with the non-voluntary nature of CSR in developing countries. While CSR is a seemingly private sector activity, this study demonstrates that national and local institutions play a significant role in the process. Government involvement can influence the levels of CSR spending and the forces that drive these investments (i.e. compliance, government agendas or the market). However, not all CSR promises or investments are equally valuable and formal and informal institutions help to determine the effectiveness of CSR initiatives. If the government has the ability to monitor compliance and sanction non-compliance, increased government regulation or involvement may increase the benefits communities see from their natural resource wealth through CSR. However, without monitoring and sanctioning capacity, increased regulation or state involvement may simply lead to inefficiencies in the CSR process.

Furthermore, the ability for CSR initiatives to contribute positively to local development and governance depends on their sustainability, but government is essential here as well. Mining operations are not in place indefinitely (this distinguishes them from non-profit initiatives or development oriented for-profit initiatives as well). Their presence in a community is driven by the profitability of the mine in question, which is not related to how well they have accomplished their auxiliary mission of improving community development. Often a CSR project works very well while a company is managing it, and collapses once the company pulls out of an area. To contribute positively to long-term development, CSR projects must partner with the state or other local institutions because these actors will have to take over the projects as mining operations close. Therefore, CSR investments must be done in partnership with local institutions and must have an eye on strengthening local capacity in the long term in order to be sustainable and to meaningfully contribute to local development.

5.3 LIMITATIONS

In terms of a research design, this dissertation explores how CSR efforts and processes vary within companies depending on operational locations. This area of inquiry is relatively underdeveloped for many practical reasons. First, most companies do not release detailed data on CSR efforts and spending by site. Typically, companies report an overall level of CSR spending, but do not provide specifics on where or how that money is used. Thus, researchers have more often compared efforts across companies or industries rather than looked at variation within them. Second, companies usually have a single headquarters or are on one primary stock exchange. However, they may have operations in dozens of countries on many different continents. Because of this, even when examining how institutional factors affect CSR, it is easier to look at institutions at the location of the headquarters as opposed to the many locations where operations may occur. These two hurdles mean that there is little data available for examining the effect of operational location on CSR practices and, thus, there has been less research looking in depth at the topic, particularly in developing countries. Given the limitations of data availability, this dissertation utilized a comparison of within company case studies to formulate frameworks for understanding the role that operational context has on CSR. To accomplish this aim, it drew on the efforts of two companies in the mining industry. However, drawing broad conclusions from this method of inquiry has many limitations.

First, there is a geographic limitation because the bulk of the data comes from Southern Africa. It is difficult to know whether the same patterns hold in other parts of the continent or in other parts of the world. The frameworks and typologies of the role of state and local institutions in the CSR process speak to the factors present and relevant to the context of South Africa, Botswana and to an extent Ghana. However, whether these conceptualizations are completely applicable to other countries or continents needs to be further examined.

Along the same lines, this research only looks at examples within the mining industry. There are characteristics of natural resources in general, and extractive industries in particular, that make mining unique with respect to CSR. Most importantly, mining industries are very location dependent and their temporal horizons are limited to the expected life of the mine. While the findings here may speak to the oil and gas industry, or possibly other natural resource industries (e.g. timber or large scale agriculture), the frameworks may have to be altered to examine CSR in industries such as banking or textiles, as they have different pressures and alternatives for choosing an operational location.

The research was also incomplete in many ways. Out of the three categories of the local/domestic level variables mentioned in Chapter 2 (i.e. initial conditions, community attributes and institutions), only institutional factors were examined systemically and in depth. Also, for one of the categories in the framework for Chapter 3, there was not a representative case of a state owned operation in a highly regulated context since no comparative example for this category was located within the African mining industry.

Relatedly, in order to fully measure community attributes and community relationships with local governments and locally operating companies, it would have been appropriate to survey the population in mining areas about their perceptions. However, there were no publically available surveys that spoke directly to many of the concepts in the framework. The study was only able to draw on the interviews that asked key informants about their opinions. While this type of data is useful and suggestive, the lack of a representative sample of the population's opinions remains a limitation.

Another limitation of the research is inherent in the majority of measures of CSR practices as well. The level of CSR is mainly evaluated by the inputs, primarily spending by the companies. Therefore, this research focused on comparing CSR across contexts in terms of the focus of projects and the overall amount of spending. However, spending does not measure outcomes such as the effectiveness, sustainability and performance of CSR projects, which are the subject of many of the policy implications. Any information obtained on effectiveness was purely qualitative. While inputs may be useful in the context of the questions asked in the research and because monetary promises are indicative of the pressure put forward in the CSR process, they fail to indicate whether companies actually follow-through with what they promised or whether CSR projects make a meaningful difference.

The process of developing frameworks and theories for academic and practical use often begins with observations from the field in specific, but nonetheless important, contexts. The limitations of the comparative case study design do not reduce the value of the findings here, as they represent a starting point for better understanding how local factor influences the CSR process. The case of the mining industry in Sub-Saharan Africa is also a significant and important case in its own right. However, discussing these limitations helps to direct the needs of future research in this area.

5.4 FUTURE RESEARCH

5.4.1 Expanded Quantitative Analysis

Based on many of the limitations mentioned above, there is a vast amount of future research that needs to occur in this area of inquiry. First, a full assessment of some of the frameworks developed in this study requires similar investigations that cover a wider spectrum of mining companies in additional parts of Africa and on other continents. Collecting the needed data for such a project is a large undertaking because companies do not release detailed enough data and local fieldwork would be required. However, with increased research resources, this would be a worthwhile undertaking.

Data from the World Gold Council provides an example of how such a study might be carried out, and a short analysis of this data will be presented below even though for valid results the analysis would need to be conducted on a larger and more accurate dataset. The World Gold Council surveyed companies on in-country gold mine operational spending for 23 countries in 2009, 28 countries in 2012 and 26 countries in 2013. The survey gathered information on disaggregated spending in the form of taxes, royalties, employee wages, local content purchases and community investments (i.e. CSR) in each mining country. Therefore, it is possible to look at differences in average community investment spending per operation between countries or differences in the ratio of community investment to total spending between countries. Looking at the ratio helps to offset differences in CSR spending as a result of larger numbers of operations or more valuable operations in particular places. The database contains information on how many companies and operations were included in the survey in each country, but does not disaggregate spending between operational locations, only between countries. While ideally the data would disaggregate between operations or companies, in order to hold firm level factors exactly constant, the fact that all firms in the report are large-scale and multinational, are mining the same commodity and all belong the World Gold Council (therefore, having similar pressure from international norms), allows for partial controlling of these factors.

In addition to the data from the World Gold Council, an indicator was created to identify the influence of state ownership, specifically for demonstrating in this short analysis the potential of large-scale data sets. Each mining operation in the data set was examined using U.S. Geological Survey and company websites to establish how many of the represented operations in each country had some level of state ownership. An indicator for the percentage of operations in the survey with state ownership in each country was created. Additionally, World Wide Governance Indicators and World Development Indicators were included in the data set in order to examine how income and levels and quality of regulation, rule of law, and democracy affect company community investments (World Bank 2015; Kaufmann, Kraay, and Mastruzzi 2010).

With less than 30 countries represented and only 3 years of spending data, the short analysis presented below is at most suggestive. Additionally, the use of World Wide Governance Indicators to measure governance levels in each country is a limitation in that the data does not speak specifically to regulation concerning CSR (discussed in Chapter 3) and does not look at levels of governance at a local level (examined in Chapter 4). Ideally, having these type of indicators on a large scale that specifically look at resource governance or local government effectiveness near mining activities, would give more accurate results. The Resource Governance Index, put out by the Natural Resource Governance Institute, has the potential to be useful in this regard (Natural Resource Governance Institute 2013). At this point, however, it does not cover all countries in the World Gold Council surveys and only has results for 2013. For this reason, qualitative case study analysis of the local factors affecting CSR still remains the most viable option for research on this topic. Nevertheless, a short quantitative analysis is undertaken below as a basis for how future research could potentially look at factors affecting CSR on a larger scale.

In the preliminary analysis, simple regression models were estimated to examine if there was any effect on CSR spending of some of the factors argued to be relevant in the previous chapters. As Table 15 displays, in Model (1) the ratio of CSR spending to total spending by operations increases as economic development (GDP per capita) decreases. This suggests that greater need does lead to more spending (on a very macro level). Furthermore, with relation to findings in Chapter 3, as the percentage of operations with some sort of state ownership increases, the ratio of community spending to total operation spending decreases (Model 1).

Model (2) focuses on governance related indicators and also displays the negative relationship between GDP per capita and CSR spending. The model also indicates that as regulatory quality increases, so too does the ratio of community spending in operations. This supports the findings from Chapter 3 that regulation does influence social spending (although again, this indicator does not speak specifically to CSR or mining regulation, so is at most suggestive). In accordance with the findings of Chapter 4, Model (2) also indicates that democratic institutions (as measured by Voice and Accountability) matter. Although it is of weaker significance, the model does indicate that as democracy increases, so too does community spending (but again, a very macro level indicator of democracy). Interestingly, community spending seems to decrease as rule of law increases. If this finding holds when a more extensive data set is created, this is a puzzle that should definitely be explored further.

Table 15: Cross Country Analysis of CSR Spending [52]

Log Community spend/total spend ratio	(1) State ownership	(2) Governance
Log GDP per Capita	-0.43***	-0.23*
% of Operations with State Ownership	-1.01***	
Regulation Quality		0.84**
Rule of Law		-1.24***
Voice and Accountability		0.54*
	Observation= 66 F= 10.92 r-sq= 0.25	Observation= 66 F= 6.28 r-sq= 0.29

***, **, * = significant at .01, .05 and .1 alpha level, respectively

Other potential future data sources for this type of research come from the newly enacted European Union Directive and section 1504 of the Dodd-Frank Act of 2012, which will soon have official rules in place. These directives specifically speak to companies in the extractive industries (and the forest industry in the EU case). The companies in these industries must report on overall financials, including country-by-country and project-by-project payments made to individual governments for specific projects.[53] With this type of public data, one could analyze the differences in the amounts and types of CSR spending within companies and between operational locations. Such data could be compiled on a much larger scale since all U.S. and European based companies will have to report once the directives are fully in place and analysis can be done over a longer period of time.

[52] Sources: (World Gold Council 2013; World Gold Council 2014; Kaufmann, Kraay, and Mastruzzi 2010; World Bank 2015)
[53] (The European Parliament and the Council of the European Union 2013; Mailey 2015)

5.4.2 Research on Political Influences on CSR Outside of Mining

This research only examined one industry operating in developing country contexts. While mineral mining is an important case for Sub-Saharan Africa, and the developing world more generally, it is certainly not the only important industry that affects communities and economic development. Research needs to be undertaken that would investigate how the adapted IAD framework for CSR, which guided the focus of this research, applies to other sectors and in what ways it must be adapted when moving away from the extractive industries.

Additionally, extractive industries are heavily regulated and, thus, are strongly influenced by government and politics. Other major industries, such as banking, textiles, manufacturing or agriculture, may have varying relationships with government and be more or less susceptible to political influence. Also, because other industries are not as dependent as the mining industry on location, they often carry out their CSR projects in locations at great distance from their headquarters or offices. This would change the dynamic between local institutions, local communities and companies. Essentially, these other industries are not as reliant on a 'social license to operate' and therefore may pursue CSR for different reasons and in different ways. Examining CSR in these additional industries through an adapted IAD framework, may give some insights into how industries differ in their CSR processes.

5.4.3 State Owned Enterprises

Chapter 3 outlined a framework for understanding state control of CSR with one major factor being the state's direct involvement with the mining operation through ownership. State owned enterprises (SOEs) are an increasingly important topic in research on the extractive industries. The fact that they are both the regulators and part of the industry being regulated puts SOEs in a conflicted position.[54] However, SOEs do carry out CSR type initiatives through the SOE itself. This is perplexing because, as state owned companies, their profits would accrue to the state and could be used for public goods provision through the appropriate departments or local governments. However, we do see that SOEs have their own community development initiatives. While not described in detail, CODELCO, the state owned copper mining company in Chile, has a community development arm of their sustainability platform (CODELCO 2011). Gecamines, the national mining company of the Democratic Republic of the Congo, also has environmental, medical and educational initiatives in the areas where the operate (Gecamines S.A. 2013). Case study research has been done on the governance issues facing SOEs in the extractive industries, but not on a comprehensive scale or with CSR initiatives in mind (Natural Resource Governance Institute 2015; Natural Resource Governance Institute 2013).

It would, therefore, be very interesting to look specifically at SOEs, how their CSR programs work and how they may differ from country to country or between commodity types (oil vs. minerals, for instance). Such studies could provide insight into the origins of the pressures and influences for CSR, the costs and benefits of community development through SOE as compared to the state and the process for CSR decision making in SOEs.

[54] It would be very interesting to expand this research to find an example of a mining operation working under state ownership and strong CSR regulation and compare it to that same SOE operating under weak CSR regulation (the one state control category not thoroughly examined in this research). Because SOEs usually operate within their own borders, this comparison may have to be made in one country before and after a regulatory change occurred. Again, being the regulatory agency and the operator that has to comply with regulation at the same time may influence outcomes.

5.4.4 Surveys on Local Institutions and Political Trust

Chapter 4 delved into the role of local institutions and community confidence in those institutions as a factor in the CSR decision-making process. This analysis drew on qualitative fieldwork in the form of semi-structured interviews with key actors in mining regions and the mining sector. While these interviews gave insight into how communities in Botswana and South Africa may differ broadly, they could not give measurable indications of how communities varied in terms of their trust in local institutions, perceptions of mining operations, levels of social capital, tendency to participate in civic affairs or social movements or the ability for local government to provide public goods and services. While survey data at a national level was employed in the analysis to compare levels of trust between countries, it would be very valuable to develop survey-based research in the future that gives a clear measure of a community's level of political trust and engagement specifically in mining communities. This would allow for a more accurate comparison of community attributes and local institutions between locations. In combination with more extensive measures of CSR spending on a local level, or a systematic measurement of CSR decision-making processes, targeted survey data could be used to test the frameworks developed in this research quantitatively.

5.4.5 CSR Implementation and Effectiveness

As the policy implications section began to describe, more research is also needed on how to move CSR from an issue of compliance to an effective model of corporate citizenship even where the state is heavily involved. As was discussed in Chapter 3, regulation may increase overall

CSR spending, but does not have much influence on whether it is effective, especially if the local and national governments do not have the capacity for monitoring and sanctioning.

An example of potentially useful work along these lines comes from Anglo American, a major multinational mining company and the parent company for De Beers. They have begun baseline studies at various operational locations investigating performance of social investments at operations looking at three broad factors: effectiveness, efficiency and sustainability. The factors are defined from the company's perspective. Effectiveness indicates that the CSR projects were actually able to manage the risk of the operation being slowed down or stopped by the local populations, that the projects responded to expectations from the community and that the projects created tangible value for the company in terms of opening doors for new financial opportunity or new mining opportunities. Efficiency measures evaluate whether the cost per unit of outcome is as cost-effective as possible. Finally, sustainability looks at whether the project is highly dependent on the company or one actor, and whether a project will be able to keep growing and functioning in bad times, not just when the operation is doing well.

Data has already been collected by Anglo American in Chile and South Africa. Results show, as corresponds to the findings in Chapter 3, that projects in Chile often rank much higher in terms of performance than in South Africa, even if operations in South Africa are outspending Chilean operations. Large-scale measurements of effectiveness of CSR projects would be of significant value to future research on this subject (Phone Interview, Company CSR Specialist, April 2015). While Anglo American will most likely use this data internally, and not release it in detail outside of the company, this type of assessment would be very useful for understanding more about how context effects CSR effectiveness and performance.

Additionally, if CSR agreements between the government and mining operations are made transparent, the asymmetry of information between communities and companies would be reduced and citizens themselves could play a stronger monitoring role. Thus, future research could explore not only how local institutions and power structures affect the processes for CSR decision making, but also how strength and inclusiveness of local institutions or community access to information affect the quality of CSR. A clear measurement of the effectiveness of CSR programs, and not just the amounts of money invested, will be vital to seeing whether CSR can make a real impact in terms of contributing to local development.

Appendix A: ADDITIONAL DE BEERS DATA 1

DE BEERS - KIMBERLEY MINE CSR DATA

Table 16: De Beers' Kimberley Mine SLP and CSI Spending 2008-2012[55]

Project	2008	2009	2010	2011	2012	2008-2012
CSI						5,055,506
Local Area Committee grants to NGO/CBOs	200,000	200,000	200,000	200,000	200,000	
Isibindi Project	254,666	851,389	851,389			
Schools Mathematics and Science Programme	600,000	600,000	600,000	600,000	600,000	
Kimberley Field Band and NC field Band	400,420	400,420	0	0	0	
Community Skills Development						9,800,000
Lesedi Youth Skills development Programme	0	4,200,000	2,100,000	2,100,000		
Youth Development - Support for dysfunctional Schools	700,000	700,000	0	0	0	
Total Community Development Projects (CSI)	**2,155,086**	**6,951,809**	**3,751,389**	**2,900,000**	**800,000**	**14,855,506**
Local Economic Development Projects (LED) (SLP**)**						
Brick and clay pot manufacturing project (money spent 2008-2009)	0	1,200,000	690,000	0	0	1,890,000

[55] Source:(De Beers 2008; De Beers 2013a)

Table 16 (continued)

Galeshewe SMME Village	200,000	525,000	525,000	525,000	525,000	2,300,000
Diamond Jewelry Academy	3,000,000	3,000,000	0	0	0	6,000,000
De Beers Matlafalang Business Hub	250,000	500,000	500,000	500,000	500,000	2,250,000
Sol Plaatjie Waste Water Treatment Plant	0	1,400,000	0	0	0	1,400,000
LED Yearly Spend	**3,450,000**	**6,625,000**	**1,715,000**	**1,025,000**	**1,025,000**	**13,840,000**
Per Year Spend	**5,607,094**	**12,178,818**	**5,468,399**	**3,927,011**	**1,827,012**	**28,695,506**

*All amounts are in South African Rand (R)

Table 17: De Beers' Kimberley Mine CSI (Discretionary) Spending 2002-2012[56]

Category	Project	Spend 2002-2012	Number of Transactions
Local Area Committee	Various	2,375,000	12
Arts Culture and Heritage	Art Drama Ballet and Music	2,047,714	12
Arts Culture and Heritage	heritage	877,000	4
Arts Culture and Heritage	museums	10,000	1
Arts Culture and Heritage	Music	2,091,110	11
Education	Bursaries	100,000	1
Education	Early Childhood Development	1,000,000	3
Education	Educare	1,057,000	5
Education	Educational Organizations	1,050,000	4
Education	Infrastructure/Building	350,000	1
Education	Leadership Development	375,000	1
Education	Literacy	581,820	2
Education	Maths	3,358,472	10
Education	Maths, Science, Language Education	680,000	1
Education	Pre School	85,000	3
Education	Primary	1,611,404	4
Education	Special Schools	350,000	1
Education	University	80,000	1
Health	AIDS Education	170,000	1
Health	General	23,440	1
Health	Health Organizations	500,000	1
Health	Primary Health Care	500,000	1
Health	Rehabilitation	210,000	6
HIV-AIDS	HIV AIDS	10,097,800	30
HIV-AIDS	Hospice HIV/AIDS Program	202,039	1
Policy and Advocacy	Policy	70,000	1

[56] Source: (Tshikululu Social Investments 2012)

Table 17 (continued)			
Skills and Training and Job Creation	Job Creation	200,000	2
Skills and Training and Job Creation	Skills Training	2,276,500	9
Skills and Training and Job Creation	training	420,000	2
Welfare and Development	Feeding Schemes	1,395,000	2
Welfare and Development	General	960,000	4
Welfare and Development	Homes	660,000	5
Welfare and Development	Welfare Organizations	600,000	9
Welfare and Development	Youth Development	1,072,000	5
Total		**36,180,799**	**162**
Average Yearly Spend		**3,289,164**	**14.73**

*All amounts are in South African Rand (R)

Appendix B: ADDITIONAL DEBEERS DATA 2

DE BEERS - VENETIA MINE CSR DATA

Table 18: De Beers' Venetia Mine Overall Social Spending 2008-2013[57]

Category	Project	Where	Amount Spent	State Year	End Year
Education and Training	Bursaries and scholarships	Limpopo	300,000	2008	2008
Environment	Community Clean Up Programme	Blouberg	5,000	2008	2008
Environment	Mapungubwe Research	Limpopo	223,000	2008	2008
Health and Social Support	Soul City Venetia	Venetia Area (Musina and Blouberg)	273,473	2008	2008
Infrastructure	Rugby Stadium Flood Lights	Musina	172,425	2008	2008
Sports and Recreation	Grassroots Soccer	Musina	174,214	2008	2008
Health and Social Support	Family Planning and Reproductive health	Musina	1,132,000	2008	2009
Health and Social Support	CMR Social Workers Project	Musina	173,000	2008	2009
Education and Training	Skills development	Limpopo	2,436,932	2008	2010
Education and Training	Maths and Science Programme	Musina	700,000	2008	2010
Development (Excludes business hub support)	Small Enterprise Business Support	Limpopo	116,168	2008	2010
Poverty Alleviation	Community food gardens	Blouberg	53,326	2008	2010

[57] Source: (De Beers 2013c)

Table 18 (continued)

Arts and Culture	Musina and Blouberg Field Band	Venetia Area (Musina and Blouberg)	1,793,568	2008	2011
Environment	WWF South Africa Eco School	Blouberg	1,913,006	2008	2011
Sports and Recreation	Sponsorships	Venetia Area (Musina and Blouberg)	58,800	2008	2011
Education and Training	Donations to School	Limpopo	278,073	2008	2012
Education and Training	Enhancement of school facilities	Limpopo	141,747	2008	2012
Education and Training	Sponsorships	Limpopo	2,682,424	2008	2012
Education and Training	School management and education support	Musina	22,824,000	2008	2012
General Community Support	Sponsorships	Venetia Area (Musina and Blouberg)	40,659	2008	2012
Health and Social Support	Medical Services supports	Venetia Area (Musina and Blouberg)	2,180,000	2008	2012
Infrastructure	Electrification	Venetia Area (Musina and Blouberg)	9,301,534	2008	2013
Education and Training	Musina School Subvention Programme	Musina	20,935,754	2008	2017
Infrastructure	Limpopo Rural Schools Programme	Venetia Area (Musina and Blouberg)	7,450,000	2008	2017
Arts and Culture	Smaller Donation	Venetia Area (Musina and Blouberg)	6,994	2009	2009
Enterprise Development (Excludes business hub support)	Taaibosch Community Bakery	Blouberg	882,635	2009	2011
Environment	Limpopo Greening Project	Limpopo	160,000	2010	2010
Sports and Recreation	Musina Golf Club	Musina	137,538	2010	2010
Education and Training	Funding of educational staff members	Venetia Area (Musina and Blouberg)	42,575	2010	2012
Health and Social Support	Support drop in centers in rural communities	Blouberg	112,903	2010	2012

Table 18 (continued)

Health and Social Support	Refugee Support	Musina	170,000	2010	2012
Infrastructure	Small Infrastructure development projects at schools	Blouberg	164,653	2010	2012
Enterprise Development (Excludes business hub support)	Aquaculture and Vegetable Farming	Venetia Area (Musina and Blouberg)	1,627,890	2010	2017
Education and Training	Bursaries and scholarships	Limpopo	10,000	2011	2011
Education and Training	Winter School program	Musina	61,450	2011	2011
Infrastructure	Ratanang Special School	Blouberg	10,860,998	2011	2011
Poverty Alleviation	Mapungubwe Poverty Alleviation Team	Musina	23,044	2011	2011
Enterprise Development (Excludes business hub support)	Venetia Business Hub	Limpopo	5,613,117	2011	2013
Education and Training	Bursaries and scholarships	Venetia Area (Musina and Blouberg)	90,700	2012	2012
Infrastructure	Nancefield Community Hall	Musina	104,314	2012	2012
Infrastructure	Musina Vehicle Testing Station	Musina	1,400,000	2013	2014
Infrastructure	Renovation of Roads in Musina	Musina	12,263,935	2013	2014
Education and Training	Maths and Science Programme	Venetia Area (Musina and Blouberg)	300,000	2013	2017
Total 2008-2014			**109,391,849**		
Average per year, 2008-2014			**15,627,407**		

*All amounts are in South African Rand (R)

Appendix C: ADDITIONAL ANGLO GOLD ASHANTI DATA 1

ANGLO GOLD ASHANTI - VAAL RIVER MINE CSR DATA

Table 19: Anglo Gold Ashanti's Vaal River Mine CSR Spending[58]

	2010-2014	Average 2010-2014	2011	2012	2013	2014
Total Spending (Rand (R))	**167,975,200**	**33,595,040**	**2,603,000**	**42,964,000**	**63,879,000**	**58,529,200**
Matlosana (Host Community)	**100,600,000**	**20,120,000**				
Slaughter and Meat Processing Plant	5,000,000					
Business Development Park	15,000,000					
Community Center Moqhaka	2,000,000					
School and Educational Facilities	12,000,000					
Solid Waste Management System*	5,000,000					
Urban Planning and Formalization of AGA non-urban land and property holdings	14,000,000					
Agriculture Project	4,000,000					
Tlokwe Compost Project	100,000					
Youth Multi Carwash	1,000,000					
Swimming Pool	2,500,000					
Township/Land Development-Khuma	3,500,000					
School Sport Facility*	1,500,000					

[58] Source: (Anglo Gold Ashanti 2013f; Anglo Gold Ashanti 2013g)

Table 19 (continued)						
Sanitation-Khuma and Kanana	5,000,000					
Enterprise Development	30,000,000		2,603,000	7,397,000	10,000,000	10,000,000
OR Tambo- Eastern Cape (Labor Sending Area)	**43,000,000**	**8,600,000**				
Business Development Park	10,000,000					
Community Center OR Tambo	1,000,000					
Schools	2,000,000					
enterprise Development	30,000,000		0	10,000,000	10,000,000	10,000,000
Social and Institutional Fund -Vaal River	**22,500,000**	**4,500,000**	**0**	**7,500,000**	**7,500,000**	**7,500,000**
Total LED	**85,475,200**	**17,095,040**	**0**	**18,067,000**	**36,379,000**	**31,029,200**
Total Enterprise Development	**60,000,000**	**12,000,000**	**2,603,000**	**17,397,000**	**20,000,000**	**20,000,000**

*All amounts are in South African Rand (R)

** amount /project was given in 2012 reports, not in 2010-2014 SLP

Appendix D: ADDITIONAL ANGLO GOLD ASHANTI DATA 2

ANGLO GOLD ASHANTI - WEST WITS MINE CSR DATA

Table 20: Anglo Gold Ashanti's West Wits Mine CSR Spending 2010-2014[59]

	2010-2014	Average per Year 2010-2014	2011	2012	2013	2014
Total Spending (Rand (R))	**115,700,000**	**23,140,000**	**5,000,000**	**47,500,000**	**34,100,000**	**29,100,000**
Merafong (Host Community)	**50,970,000**	**10,194,000**				
Urban Planning and Formalization of Non-Urban Property Holders	7,000,000					
Waste Management Project	3,000,000					
Sub-Acute Hospital	2,000,000					
Business Development Park	15,000,000					
Community Parks	1,000,000					
School and Educational Facilities	10,000,000					
Egoli Housing Development	land donation, no monetary value					
Peanut Butter Factory	1,200,000					
Cooking Oil Production Place	4,000,000					

[59] Source: (Anglo Gold Ashanti 2011)

Table 20 (continued)

Fish and Chips Outlet	570,000					
Landscaping	568,000					
Trailer Manufacturing	150,000					
Small Children Events	43,000					
Agricultural Projects	4,000,000					
Bakery Upgrade	439,000					
building materials project	2,000,000					
OR Tambo District, Easter Cape (Labor Sending Area)	**42,250,000**	**8,450,000**				
School Laboratory	3,000,000					
Live Stock Development	1,000,000					
Waste Minimization Project	2,000,000					
Community Development Programme	2,500,000					
Enterprise Development	3,750,000					
Enterprise Development Other (2012-2014)	30,000,000					
Social and Institutional Fund –West Wits	**22,500,000**	**4,500,000**	**0**	**7,500,000**	**7,500,000**	**7,500,000**
Total Local Economic Development	**46,500,000**	**9,300,000**	**5,000,000**	**19,500,000**	**12,000,000**	**10,000,000**
Total Enterprise Development	**46,720,000**	**9,344,000**	**0**	**20,500,000**	**14,600,000**	**11,600,000**
Total	**115,720,000**	**23,144,000**	**5,000,000**	**47,500,000**	**34,100,000**	**29,100,000**

*All amounts are in South African Rand (R)

Appendix E: ADDITIONAL QUOTES

SELECTED QUOTES - CITED IN CHAPTER 4

1. Community Need and CSR

If you are going to do your basic business, if you are going to mine, or build a mine… you very often have to put the infrastructure in. You'll build a road, you'll drill for water, you'll lay the pipes. Inevitably, because you are so close to a community you will provide them with something. Which a lot of companies then call CSR.

– South Africa, CSR Expert – July 2014

The provision in an area, whether it's government failure (or not), it is going to impact the company negatively. Because the community is on its back foot, the expectation is there is a mine coming in and it might not be the(ir) (the company's) responsibility, they might not want to do it, but an underserved community is a higher risk. They are underserved, they don't have their basic rights, and that is something a company needs to be very aware of. And they can't build a wall and not attend to it.

– South Africa, South Africa Expert – July 2014

2. Local Government Capacity

The municipalities are so dysfunctional, in Rustenburg we have had four mayors in five years. The last one of the five is in jail for murder… Unfortunately, if you remotely perform at the municipal level you get pulled up to the provincial or state level, so there is just a dearth of skills at the municipal level. Not because we don't have good policies in South Africa, it is on the implementation level that we fall down.

– South Africa, Regional Expert – July 2014

We would never encourage a company to be building roads and fixing potholes or put electricity into the village. That is the role of the government. But that's what the mines end up doing. Any company where they're the biggest thing in town… they employ everyone and there's no capacity of the local municipality. Ideally that's (public goods provision) not what company should be doing. In an ideal world that what the government should be doing. So it definitely imperfect.

– South Africa, CSR Expert – July 2014

3. Community/Government Relationship in Botswana

You know what the issue is, we demand things from our government. We don't demand them from private businesses. That is our first point of call… If there is an issue that sometimes you look at and you think, this would be perfect as CSR, you ask the government. That is our first point of call, we don't know that we can actually demand things or ask private companies to step in.

- Botswana, CSR Expert - August 2014

The people in those villages (near the mines) are not aggressive. They are not politically inclined. They go on with their normal lives. So sometimes you cannot really know if there is an issue... or they (the villages) are not sure that you're supposed to do something for them. So even (if) you ask them, what you think of the mine, they will say, no, it is not the mine's responsibility.

– Botswana, Debswana Representative –July 2014

4. South Africa, Mining and Service Delivery Gaps

You have the service delivery gaps within the communities… For the past three years there has been a serious increase, a rise, in service delivery protest. (The protests are) primarily aimed against government, municipalities not even. But the issues are in those communities where there are mines. The anger gets deflected to the mines. And there is this perception in communities that there is no money in government and I think that is one of the greatest tragedies of the South African story. That our people don't really understand how government finances are working, how taxes are being paid, how the taxes get recycled and so on... The perception is (that); 'well there may be money in government, but there isn't as much money as you would get in the mines' and there are reasons why those perceptions exist… And that's how you find mines ending up doing what government is supposed to do. And honestly it is not because the mining industry feels a… moral obligation to assist where government is lacking. It is the pressure coming from government's failure to deliver. It is deflected onto the mining industry in order to ease the pressure.

– South Africa, Chamber of Mines –July 2014

If there is a lack of service provision, and people have done demonstrations because they're lacking water, sanitation, electricity and so on, they might have a perception that actually the mine is here and it's making a lot of money. Why don't they give us something?

– South Africa, CSR Expert –July 2014

5. Mining Communities in South Africa

When the community starts mounting the pressure, it is because they are frustrated. And what they perceive, sometimes correctly, is (a) lack of progress, is (a) lack of initiatives that are life-changing. And more often than not they are frustrated with the mines and they are also frustrated with the response that the DMR (Department of Mineral Resources) brings forth to this perceived lack of progress. They will also march, but there will be ones (protests) directed at the mines and ones (protests) directed at the DMR.

– South Africa, Chamber of Mines – July 2014

Mines would usually say to communities, ‘if you have issues, go to government, we report to government, government puts legislation in place, we report to government and, therefore, if you’re not happy go to government.’ But everybody knows government. It really seems helpless and that they are not doing anything to ensure that these things happen. And I suppose that’s why, eventually, we find that there is this perception of collusion between government and the mining houses if nothing is happening. But there (are) instances where the mines feel the pressure of the community more. Because the government is here in Pretoria, but the community (is) there. They are blocking these roads, they are marching every day.

– South Africa, Chamber of Mines – July 2014

6. Challenges of Community Consultation in South Africa

There isn’t one structure in terms of who is represented. You really have to find that out (on your own). Because, in South Africa, you have the municipal structures and regional structures and you will have traditional leaders and then you will also have the youth groups and the women’s groups and the church groups and so on. So, and all of those (people) can come with requests. But whether they are the ones presenting a risk…

– South Africa, CSR Expert –July 2014

We might go to some communities where housing might not be an issue, but rural water infrastructure may be an issue, but the mine still keeps building houses. Because they are not in touch with what the community needs are. And sometimes they see engaging with the communities as engaging with the municipalities, which are supposed to represent the community, but it is not the same thing.

– South Africa, CSR and Legal Expert - July 2014

I have pictures that I took last week in Limpopo, where they (the mining company) consulted with the community in 2004. Lots of meetings, making all kinds of promises. So I go there and I take pictures of the noticeboards of the community meeting place… all the notices are dated 2004. So that the last time they (the mining company) did anything with the community. So I went and I asked the community, when last (did) you see these people, (they said) in 2004. That’s when they (the mining company) needed a mining license. So, once they got their mining license, the CSR is gone, out the window.

– South Africa, NGO Representative –July 2014

7. Approaching the Government in South Africa

You can send letters to your local councilor until you’re blue and nothing is going to happen. Nothing is going to happen. It could be that we are a nation of stamped lickers and letter writers, but if there is not a violent protests, the state will not open his eyes.

– South Africa, Regional Expert – July 2014

We got elected people everywhere in South Africa at a local level. Lots of them, thousands of them. Why not go to them. It’s obvious, it is never done.

– South Africa, CSR Expert – July 2014

8. Community Leaders and Representation

As long as there is a mining activity, grassroots people are seldom consulted. Seldom consulted. If they are consulted, it is when it comes to a push that their voice needs to be heard, but more often than not they are not anywhere in the picture. Only their representatives (are consulted), which are self-imposed, they are people that end up imposing themselves, but in actual fact they hadn't been elected by their grassroots people to go and voice their concern. When you look at the mining communities, they are mostly rural communities where the illiteracy level is very high. Normally people are surviving out of substance farming and, based on that, they cannot represent or factually advanced their concerns. But with the self-imposed representative, they can manipulate.

– South Africa, Academic – August 2014

You got to understand, the communities you are working in… have a (bad) municipality, that (is something that) you have to understand and then you have to work around it or with it. Otherwise you are putting yourself in a very high risk. And then, actually, investments are worth nothing, and sometimes it (investment ideas) might be in the IDP, but is it really what the communities wants? Again, whose voice is that?

– South Africa, CSR Expert –July 2014

9. CSR Consultation in Practice

I would say, like most things, it comes down to the person who is leading the community engagement process. They need to manage that relationship and his ability to tell the community (about the process). For instance, if I don't know something exists or something is going to happen, I cannot get engage. So it is about the community manager, the company and, ultimately, the person whose job it is to engage the community and to tell them what is going on.

– South Africa, CSR Expert – July 2014

The mines certainly do make a big effort to get the community along and they all have forums that all their mines include the local municipality (and) the community representatives. They call it 'community engagement forum'. So there structures in place to get in at the local level and municipalities are in charge of the IDP. They also host forums that includes the mine… So the various companies do various things. In theory there are structures to use, but in practice it's not always happened in the way it should be.

– South Africa, CSR Expert - July 2014

10. Interview Quotes on Tribal Leadership

Normally they are in the pockets of both the mine and the government. I have not, and maybe it is sad, but I have not met a traditional leaders who was not open for a bribe from either way. Who said, 'no I will not do that, I stand for my priorities.' It's sad but it is true.

– South Africa, CSR Expert – July 2014

If you really want to see bad practice, historically, there (are) a lot of communities that have requested stuff for their communities and it has ended up being building a house for the chief or supplying something on the whim of powerful people. (Things) that are actually not useful… What are the purpose of these things?

– South Africa, CSR Expert – July 2014

11. The Problem of Local Government Capacity

So I think the reality is, especially on the CSR stuff,… there is a lot of will, or there are budgets to do things, but there is just not enough quality of skills to handle it (CSR projects) and to keep it going and that's why again you get structures that are there but no one is using them. Because it's the school, but there's no teacher, it's 20 computers, but there is no one to teach you about the internet, because no one is taking responsibility for it and making it long term. And that's a hard thing.

– South Africa, CSR Expert – July 2014

The municipalities are at the core of us (mining companies) being able to deliver our projects. And they (companies) would give project management skills and they (companies) would give technical skills, but you would be surprised at the challenges you face (at) the municipalities. It is not necessarily funding challenges… mostly you find that the challenge is that money is sitting there because there's nobody that knows how to run a project. It is sitting there, or sometimes it gets wasted because the guy who is supposed to oversee the financial aspect does not have the capacity or the confidence to do so.

– South Africa, Chamber of Mines – July 2014

I think perhaps there is an expectation from communities,… when the mine comes the mine will sort out the problems. Which is actually a local government problem. So, sometimes you will see service delivery protests... They are directed at the local government and sometimes they are directed at mines. Especially in these sort of resource areas… and so I think it is probably a misunderstanding of whose role it is to provide what.

– South Africa, CSR Expert – July 2014

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