

ARTICLE:

CORPORATE SOCIAL RESPONSIBILITY THROUGH ENTREPRENEURIAL DEVELOPMENT

SEF Canada's proven tactic for Corporate Social Responsibility in the extractive industry

By introducing the Entrepreneurial Development Program in the community, the process brings together the multi stakeholders and creates a positive pathway for development. Ultimately, providing an Economic Development methodology helps local communities to take ownership of the community development projects and as a result become less dependent on the financial resources of extractive companies.

Explanation

In the Extractive Industry, Corporate Social Responsibility (CSR) is defined as "a company's voluntary actions to reduce the negative impacts of mining ... or to improve the living conditions of the local communities where they operate."¹ An increase in society's awareness and expectations of environmental and social issues has added a new dimension to the way business in the extractive resource industry is conducted. Not only has it prompted mining and other resource companies to incorporate social and environmental considerations into every step of planning and operation, it has also added an entirely new dimension to competitiveness. This competitive advantage increases reputational appeal in future communities where they operate but also responds to the challenging stakeholder demands.

Traditionally, CSR initiatives have focused on projects like creation of infrastructure such as roads, hospitals, schools, electricity etc. and supporting social well-being through programs that address health & wellness, agriculture and others as needed by each community. Such projects have been implemented in communities with varying degrees of success.

Yanacocha Mine is located in Cajamarca (Peru). Newmont Mining Corp. opened the mine in 1992 and it soon became one of the largest gold mines in the world. CSR projects included the construction of 635 kilometers of rural roads benefiting 133 communities, as well as funding connections to potable water systems for 6,294 households and latrines or other waste disposal systems for 1,527 households. Many locals interviewed placed little value on these projects and considered support from the mine insufficient. In October 2011, protestors burned 8 trucks and a major road was blocked. As a result, Yanacocha Mine suspended its operations for four days at a cost of approximately \$2 million USD per day.²

In our experience, companies that create infrastructure in the belief that "if we build it, they will come" end up with infrastructures being underutilized (at best) or empty and deteriorating (at worst). In order for this infrastructure to provide the benefits that it was built to deliver, there has to exist within the community the

capacity to utilize and maintain this infrastructure effectively.

Furthermore, the drawback of adopting CSR programs based on building infrastructure that a company runs the risk of making a community dependent on the mining activity for community development. Such community dependency can become a real issue when a mine closes and the company is trying to leave the area.³ The benefits realized from CSR initiatives vary as widely as their degrees of success do. It is clear that there is a strong correlation between a CSR initiative's success and its suitability to where it is being implemented as well as the support it receives from the community, namely community ownership.

Even where CSR is successful it can have shortcomings that limit the success and sustainability of local development. The selection and inclusion of stakeholders in project planning and engagement can be a challenge in developing nations where marginalization, local power differences, and language or cultural barriers exist.⁴ Other potential downsides include the CSR projects to be seen as patronizing towards local communities or undermining local governance and decision-making.⁵

CSR initiatives imposed upon host communities without adequate consideration to their appropriateness or unique needs of the community are in peril of utter failure because the element of ownership will not be present in the community. Programs implemented through such CSR initiatives are either left derelict or require financial and other forms of support from the mining companies. This leads to unhealthy donor-recipient relationships leading to communities depending upon the mining companies, which can result in a community failing to take advantage of the positive opportunities that can come with having resource extractive companies within its region.

The poorest people in the world are not so different from the rest of us. They will take care of their own family's needs before they will commit themselves to efforts to better their communities. The developing world is littered with broken-down and abandoned communally owned assets. It is a case of the "tragedy of the commons". If everyone owns something, then in reality no one owns it. No one is responsible for its care and maintenance. Individual ownership is the key to sustainable economic development.⁶

As previously mentioned, in order to create successful CSR initiatives, that will enhance community well-being and be maintained after the company is gone, one of the key elements that must be present in the entire process is community ownership. When a person makes an investment, he or she is committed to making a better future. But how can this vital element be established in host communities? One answer to this question lies in the bottom-up Entrepreneurial Development Program.

Entrepreneurial Development (ED) is a program for local economic development in communities based on creating the unique environment for people to transform entrepreneurs into viable and sustainable businesses. The model is implemented and managed by local community members. It is based on the knowledge that there are people who, given the right environment, want to and will do something for themselves and their community.

A community that learns how to help its own people to transform their ideas into viable enterprises is also a community that can benefit from better infrastructure because, in the long term, it will have the means to utilize and maintain them.

Extractive companies can build infrastructure based not on best intentions and strategic planning experts, but provide resources that have been created in response to entrepreneurial needs, opportunities, investments and commitments. The ICMM Community Development Toolkit 2012 states:

“Encourage alternative livelihood and economic opportunities so that communities do not become dependent upon the mine. Its approach relies upon never offering advice until a budding entrepreneur asks for it, thereby avoiding a handout relationship.”⁷

At SEF Canada, we believe that with the impeccable success record Entrepreneurial Development has, combined with the genuine desire of companies to implement effective and lasting CSR initiatives, there exists an opportunity for the mutual benefit of all stakeholders, communities, companies, and shareholders. ED is also a replicable model that can be applied in different communities worldwide and so could become an integral piece of CSR planning in the extractive industry with global operations.

The challenge is creating CSR strategies that are successful for both the communities and the companies' goals. Although CSR programs have sometimes been viewed as part of a company's public relations strategy, they are now increasingly recognized as a serious effort to deliver sustainable benefits and to improve the well-being of people and communities in which miners operate.⁸

In order to meet this challenge, the extractive industry must incorporate CSR programs like Entrepreneurial Development that are empowering, sustainable and with great local significance. Entrepreneurial Development's methodology is proven in 300 communities worldwide.

Contact us for more information on how a project can work for your CSR strategy.

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Suzette McFaul is the Managing Director of SEF Canada, which consults and trains field of local economic development. This proven program engages local communities creating a “parallel economy” independent of extractive industries.

Notes & References

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