



CENTRE FOR INTERNATIONAL AND DEFENCE POLICY

BRIEFING NOTE

SUBJECT: Examples of Corporate Social Responsibility (CSR) Initiatives in Guinea and South Africa

Impala Platinum^{i ii}

Impala Platinum is a South African based mining company operating around the Bushveld Complex in South Africa as well as the Great Dyke in Zimbabwe. They are involved in mining, refining and marketing of platinum and platinum group metals. The Impala Platinum group employs about 53,000 people in South Africa and Zimbabwe. Most of the employees are contractors that work in or around the mines. The Marula mine is located 50 km from Burgersfort in Limpopo. The Marula Chrome Project formed a board, with both Impala and Marula mine management representatives, to facilitate the running of the project. The main objective of the Project is to highlight socio-economic development (SED) problems, such as water sanitation, education and infrastructure improvement, and to uplift and to support the community through developing its business skills. The chrome plant started operating in October 2010. The Project paid out dividends of R20 million, with R10 million being paid to the Makgomo Chrome Company (MCC) in the first year, and the rest being paid to the shareholders of the Marula chrome plant. The six communities – Tswako Mohlala/Winnaarshoek; Magabaneng community; Nareng Thokwana; Babinakgomo Ba-Mohlala; Bakona Bamanyaka; and Roka Mashishi – received a certain amount, according to their shareholding percentage. The dividend payouts were invested in local community development projects. The success of the project has yielded significant investment and profits, compared to the traditional income-generating projects that were engaged by the community in the past.

The Impala Platinum group's CSR program focuses on sustainability and models their projects based on three focus areas: (1) community relations – approaches towards small local communities through collaboration with local community leaders, (2) social labour – compliance to mining legislation by investments in and cooperation with projects regarding socio-economic development such as social labour plans, (3) collaborative approaches – involvement in different branches that are related to mining, to create sustainability around the industry involving other institutions (ex. governmental departments of roads, water, and treasury). This project illustrates how mining companies' CSR programs can partner with the local community to elevate the level of attention to socio-economic development problems. Looking at the Marula Chrome Project, in the Marula community, best practices can be drawn from looking at their specific community development projects:

1. Job creations

- The construction of the chrome plant created 63 temporary jobs and 35 permanent jobs for locals

- The communities are looking into business areas that focus on agricultural farming and enterprise developments following infrastructure improvements to create long-term sustainable jobs
2. Community development projects
 - The dividend payouts used to finance community development projects in infrastructure, education, job creations, and enterprise development
 - Each of the six communities decide on which projects are to be undertaken
 - The payments are transferred to the beneficiaries account when they have informed the company board on projects they plan to undertake
 3. Water supply
 - Most of the communities do not have water access close by
 - Water sanitation is poor in the communities thus they must fetch water by buckets or trucks from dams or rivers
 - The communities have embarked on water and sanitation projects, such as buying big pumps and pipes to transport water directly to their premises
 - Sanitation reduces the levels of disease and consequently improves public health
 4. Infrastructure
 - Ex. The Magabaneng Community and the Roka Tribal Authority have completed the improvement of their gravel road
 - Without the funds from the project, such development projects would not be possible
 - The projects that the communities have undertaken vary according to their priority problem areas
 - The community's cemetery walls have been completed to give respect to those buried, which has increased a sense of pride in communities
 - Community halls have been completed used for social community needs
 - Projects are in the areas of health care facilities, creation centres, and education facilities
 - Planning on installing "Apollo Lights" to reduce crime
 5. Education
 - Objective is to uplift the community leaders and members so that the project can be profitable and successful for long-term
 - Local community leaders are being equipped with leadership and business skills through the Makgomo Chrome Company board
 - Two nominated community leaders represent their community on the board which allow leaders to learn business and leadership skills to manage the development projects through participation
 - The training covers the following areas: mining and metallurgy, mining industry dynamics, operations management, financial management, sales and marketing, logistics, and general economic fundamentals
 - Transfer skills is critical to the chrome plant for future development
 - One community has set up bursaries to further studies in tertiary institutions which

assists in improving illiteracy rates and provides access to better opportunities

6. Enterprise development

- One community has formed a business that sells building material and delivers the material to the local community and surrounding areas
- The payouts have created opportunities to fund local SMEs to create jobs, transfer skills, and participate in mining economy in response
- This is part of their intent of job creation, as the different communities want long-term sustainable projects such as these enterprise development businesses to create long-term job opportunities

The Success Factors of the CSR

1. Partnership

- The community had been looking for a partner who would support and uplift the community and sought a partnership to finance the mining project and transfer skills
- Findings showed that the 6 Marula communities had a good relationship and partnership among themselves
- Impala and the community created a mutual and respectful partnership resulting in a business joint venture
- Trust had been built through long consultations and discussions
- Garvey and Newell (2004) confirm that the corporate voluntarism and partnership, that is at the heart of the CSR strategies, result in “win-win” outcomes
- The community leaders emphasize the role of partnerships and stakeholders and played their respective roles in meeting their goals and objectives

2. Consultation

- The project shows that there was a long consultative process before it started
- Impala and Marula community leaders engaged with one another in a number of ways which formulated goals and objectives
- It is critical for any CSR program implementation to understand the needs or socio-economic development problems of the community
- Communities need to be consulted or involved in matters related to their own development
- The communities lacked the necessary financial muscle to build the plant so Impala negotiated a deal whereby they undertook the responsibility and in turn became a shareholder in Makgomo Chrome Company
- The involvement of the community at the beginning of the project gave them a sense of ownership that made it develop a sense of responsibility calling it “real empowerment”
- The company entered into a consultation process with the community which focused on relevant CSR
- Findings show that the Marula community was consulted and involved in the implementation of the Project and it is this decision-making that respected the rights of the locals

3. Leadership

- The Marula leaders entered into an agreement with the original mining rights owner that it should belong to the community – the leaders’ dedication were critical
- Impala’s executive created a structure that spearheaded the development by forming the Makogomo Chrome Company which included community leaders, Impala Platinum, and Marula mine for management and decision-making
- In 2011, Impala Platinum received the Sunday Times Corporate Social Investment Leadership Award which emphasized the leadership role played by the Impala Platinum and Marula community leaders

4. Role of the government

- The government promotes that mining should contribute towards the socio-economic development of the areas in which they are operating
- Impala Platinum fulfilled their CSR and obligation by entering into, and maintaining, a mutual and respectful partnership with the Marula community
- The government held several progress meetings with the community and Impala Platinum which was seen to community leaders as a key contributing factor to the success

Simandou Project^{iii iv}

Simandou is an iron ore mining project located in Guinea which is being developed in partnership with Rio Tinto and Chinalco (Aluminum Corporation of China Limited). The Simandou project aims to build relationships with neighbouring villages and communities that are characterized by mutual respect, active partnership and long-term commitment. This is in line with Rio Tinto policies laid out in its ‘The way we work’ policy and the requirements of the International Finance Corporation. This project works with neighbouring communities, the government, and NGOs to understand the social, environmental and ecological issues in the region and develop a plan for sustainable development to ensure that benefits brought to the local community remain after the eventual closure of the mine. Key elements of sustainable economic impact identified, include the following:

- Economic growth – capital investment through infrastructure and the payment of taxes and royalties.
- Revenue Transparency – support of the Extractive Industries Transparency Initiative
- Indirect economic benefit – rehabilitation/development of railway routes and the expansion/development of port facilities will allow for other producers and communities to benefit from investment
- Small and medium enterprise development – the project is investigating the development of spin-off industries and small and medium enterprises
- Employment and skills – in order to create local jobs; the project has been investing in education to raise the level of literacy of the local population, and with it the potential for students to enter into more further education
- Community development – building the capacity of local institutions to address community-identified priorities
- Environmental Protection – minimization of impact to the environment from mining operations

Rio Tinto pledges that beyond the Simandou Project's contribution to the Guinean economy, they have a "corporate responsibility" to support local communities in the areas important to them. The following are the intended activities to address Simandou in the context of the local communities:

1. Social Environmental Impact Assessment (SEIA)
 - In 2012, they completed a SEIA consulting over 10,000 people (local and regional authorities, village, chiefs, local businesses, community organization, and local community representatives)
 - Process to ensure the consideration of the local communities in decision throughout the life of the Project
2. Resettlement and compensation
 - Created a resettlement and compensation action plan (PARC) that ensures that impacts associated with resettlement are mitigated and that fair compensation is paid
 - This plan will ensure that the resettlement process meets the standards set by Guinean law and by the International Finance Corporation
 - The PARC has been implemented in Forecariah where the port is built, and along road 1 (Beyla-Nzerekore)
 - In Koropara, the community council met to discuss how to spend compensation funds and chose to build roads to improve access to village
3. Protection of cultural heritage
 - To protect Guinea's unique identity, 300 cultural sites have been identified and possible impacts on these sites will be monitored to ensure that the Project's development complies with the Guinean legal framework and other performance standards for heritage/touristic areas protection
4. Socio-economic development in local communities
 - Programmes run in close partnership with local communities, whose authorities and leaders who select and shape project to their requirements, as well as with sector experts and NGOs
 - Most initiatives have focused in areas where there has been the most work to date (Beyla and Forecariah)
5. Agricultural development
 - Part of long-term program for farmers in Beyla and Macenta
 - Objective is to reduce dependence on the natural resources of the Pic de Fon forest and contribute to improve production and increasing rural income in sustainable way
 - Ex. Salt – Simandou partners attempt to introduce a new method to create salt in a more efficient way as well as conserving biodiversity
 - Ex. Rice – training to local women on techniques, water control systems and effective harvest methods
 - Ex. Training – provided for farmers and seed producers in enterprise, basic accounting, and marketing with priority to role of women

6. HIV/AIDS and Malaria

- Program raises awareness of HIV/AIDS and trains communities in prevention
- Work in collaboration with health districts and local communities as part of the national policy to fight malaria and raise awareness on causes and consequences

7. Supporting Literacy

- Investing in literacy ensures that communities can actively participate in negotiations and planning for project developments
- The opening of 3 literacy centers in villages have improved the level of 58 learners after 101 students completed the course
- Literacy centers are supported by literacy committee's in each village that are responsible for maintaining the program

8. Small and medium enterprise support

- International Financial Corporation expertise to run a local supplier development program that aims to strengthen the capacity of local suppliers through the provision of training, workshops and coaching
- Established a microfinance scheme to assist in growing SMEs

9. Road building and maintenance

- Working with the government to upgrade the Beyla- N'Zérékoré road
- Upgrading Highway 29 that connects Kissidougou to Gueckédou and the Macenta forest region
- This improves journey time, efficiency for local farmers and facilitation productions' transportation to the market

10. Participatory water monitoring program

- A participatory water monitoring program that teaches local communities how to check water quality in areas in the immediate vicinity of the mining Project

CSR Initiatives Approaches

The CSR initiatives in the cases of Guinea and South Africa provide a model of best practices highlighting community involvement. The main difference between the two cases is that the case of South Africa has been implemented, whereas Guinea is still in the process of implementation. However, there are common approaches between the two cases, which have worked in favor for South Africa and can show usefulness to Guinea. Three approaches used in the cases surround: 1) addressing pre-existing grievances, 2) forming a good relationship/partnership, and 3) including all levels of the community and company.

First, pre-existing grievances typically surround SED problems, such as: education, infrastructure, health, and jobs. The Impala case tackled the education concerns of the community, which included providing training and school-funds for people in the community. The Simandou case also addressed education concerns, specifically the high illiteracy rates. Both cases tackle water, either the supply of water or the sanitation of water. Infrastructure is a concern for many rural developing countries, so both cases attempt to deliver initiatives that will

be beneficial to the company themselves, like roads, and valuable for the communities.

Second, CSR initiatives are a process that requires working with the host community as well as the provider. This means a level of partnership must be established, to be able to work with one another and maintain a good relationship. The Impala case highlights the use of collaborative approaches to foster community relations. The partnership turned into a business joint venture, consultations and discussion building trust between the two, and achieving shared goals that benefited all parties. In the Simandou case, the partnership approach is illustrated through their Social Environmental Assessment that consults with local and regional authorities, community organization, representatives, etc. This shows the usefulness of not just implementing a program but working with the community to tailor it to the local context, which gives them the control on programs that affect their livelihoods.

Third, working with the company's executive alongside community leaders, ensures effective dialogue between all levels. The Impala case exemplified the leadership role of Impala's executive, community leaders, and the mine that was involved in managing and the decision-making of the business. The inclusion of the government allowed for constructive and ongoing dialogue with the community. The Simandou case aims to establish a relationship with the villages and communities and partner with them along with government and NGOs. The impact assessment consulted with local and regional authorities, villages, chiefs, local businesses, community organization, with the company. This is an important success factor in the cases, because having the highest level of leadership involvement ensures effectiveness on the company side and efforts to work with the leadership in the community.

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ⁱⁱⁱ http://www.iisd.org/pdf/2011/corporate_responsibility_in_african_development.pdf

^{iv} <http://www.riotinto.com/guinea/communities-10687.aspx> p. 84-86