

CORPORATE SOCIAL RESPONSIBILITY IN THE MINING SECTOR



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**CSR INCREASING VALUE
IN ZIMBABWE MINING**



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**CSR IN MINING
SUPPORTING LOCAL DEVELOPMENT**

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**CORPORATE SOCIAL RESPONSIBILITY
IN THE MINING SECTOR IN ZIMBABWE**

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OPENING ADDRESS BY THE CHAMBER OF MINES ZIMBABWE

Honourable Deputy Minister of Mines and Mining Development, other government ministers and deputy ministers, The Permanent Secretary for Mines and Mining Development, The Permanent Secretary for Economic Planning and Investment Promotion, Ambassador of Canada, Barbara Richardson, Members of the diplomatic community, Members of the Chiefs' Council, Representatives of the Rural District Councils, Fellow miners and all stakeholders.

It gives me great pleasure to welcome all of you to this Corporate Social Responsibility conference under the theme, Corporate Social Responsibility for Broad Based Empowerment in the Mining Industry. Corporate Social Responsibility is a business process a company adopts beyond its legal obligations in order to create added economic, social and environmental value to society and to minimize potential adverse effects from business activities. CSR includes interactions with communities, suppliers, employees, consumers and Government. There is growing interest in CSR worldwide given the concern with social equity, socially and environmentally sustainable development and corporate roles. Industry today can no longer operate without taking into consideration the needs and interests of the community and society at large.

There is no doubt that the mining industry in Zimbabwe is a key industry that facilitates development and economic transformation of the country through its downstream linkages with other subsectors such as construction, engineering and numerous others. Also, by virtue of being located in remote rural areas, mining companies have been drivers of community development in the last 100 years through provision of various forms of infrastructure such as roads, schools, hospitals, water, and electricity, and also support for adjacent agricultural projects.

At the just ended United Nations Annual General Meeting, a review of achievements of targets of the Millennium Development Goals was done, and sadly, only four countries were reported to have achieved one or two of the 8 objectives.



**THE PRESIDENT OF THE CHAMBER
MR. V.R. GAPARE**

The 8 objectives include:

- Eradication of Extreme Poverty
- Achievement of Universal Primary Education
- Promotion of Gender Equality and Empowerment of Women
- Reduction of Child Mortality
- Improvement of Maternal Health
- Combating of HIV/AIDS, Malaria and Other Diseases
- Ensuring Environmental Sustainability
- Developing a Global partnership for Development

The next review will be in 2015. Government alone cannot achieve these MDGs; the private sector and the communities must take ownership of the MDGs and play a part towards their achievement.

A look at mining history in Zimbabwe reveals that mining has been instrumental in the development of communities in rural areas. The mining industry can play a role in the achievement of some of these MDGs through corporate social investments. CSR is not new to the mining sector. The many towns that have developed around mining in Zimbabwe, for instance, Shurugwi, Zvishavane, Hwange, Kadoma, Bindura and Bulawayo, among others, is testimony to what is achievable if mines are encouraged and

incentivized to do more CSR.

I am not just talking about donations to the needy. We are talking about well planned development programs where all key stakeholders play their part in designing a shared vision of community development beyond the life of the mines in the area. The idea of mining companies, the community and Government getting their heads together and coming up with development plans is not new. Countries which have implemented the World Bank's Extractive Industries Transparency Initiative (EITI) have seen close cooperation between the three parties. EITI sets a global standard for transparency, accountability and improved governance in mining, oil and gas. Mining companies would disclose their earnings, what they pay in taxes and what they reserve for the communities. The Government would disclose what it earns from mining companies and how it applies the money while the community would agree with the other parties on priority projects. Because everything is transparent, there is no suspicion as to what one party is doing.

Given the recently promulgated indigenization and empowerment law, it is envisaged that CSR programs will form a major component of the compliance package for indigenization and economic empowerment in the mining sector. In this regard, the objective of this first CSR workshop is to generate debate that hopefully, can direct the design and implementation of CSR programs by Zimbabwe's mining companies in the future.

It is the position of the COMZ that indigenisation and economic empowerment must be broad-based. A focus on equity participation alone, will not address the needs of the broad majority of communities. How many rural people can buy equity in a mining company? However, if the mining companies can spend money on projects which enhance the lives of the communities in which they operate, then in my view, this is true empowerment. Equity holders are the last to benefit but CSR programmes are implemented regardless of whether the company pays a dividend or not.

The business sector, the communities and government must implement well designed, deliberate CSR programs that will be effective in delivering immediate value and transforming the lives of the majority of people in rural communities as already evidenced by CSR programs implemented by some of the major mines. Such valuable social investment must be incentivized through award of equity equivalent credits to the mining companies. This point has been clearly embraced by His Excellency President Mugabe.

Local procurement is part of the CSR process. When mining companies implement a deliberate policy to buy from local suppliers, they help create new businesses and new local jobs. The country cannot afford to export jobs.

The Chamber's position is that it is no longer good enough to say local suppliers offer sub standard products; we will work with local suppliers to ensure that they can meet the required standards. I know many of the mining companies are already working with local suppliers and helping them improve their capacity to deliver. In the next few weeks, the Chamber will be holding a one day workshop focusing on local procurement opportunities in the mining sector. I urge potential local suppliers to attend this workshop.

One area which the Chamber has prioritized is the development of the small scale mining sector. As part of our CSR, we intend to start a programme of support to the small scale mining sector which should lead to the development of this sector.

I must bring to your attention that the contribution to national development and transformation of the economy through CSR by the mining industry can only take place if Zimbabwe's mining sector is profitable and growing. If we as a country want the mining industry to contribute to the fiscus and to CSR, then lets create an environment which will ensure that the mines grow and gain economies of scale which lead to better cash flows.

We have all experienced how ill-conceived policies can be detrimental to the economy and the lives of people.

The decade prior to the formation of the government of national unity clearly destroyed the mining industry resulting in the departure of skills, capital depletion, and infrastructure degradation in some cases. Of the 200 or so mines operating as of 1998, only a handful were operating by 2008 as most mines had gone on care and maintenance.

With the changeover to multi-currencies and liberalization of gold trading in 2009, the industry has begun to recover with the majority of mines now in operation, but at very low operational capacities due to non-availability of capital and electricity supply deficiency.

The growth of the mining sector will require heavy recapitalisation. A survey of companies in the industry suggests that the industry requires US\$3 - 5billion for re-capitalisation over the next three to five years. This is a big figure in any one's language and as a country we just do not have the money. We will have to rely on foreign direct investment and therefore it is critical for us as a nation to put in place an investor friendly investment climate. As an industry, we will always advise Government of the policies which will serve both the nation and the investors and we will continue to engage Government on all relevant matters.

Besides the perceived high risk of the country, there are other policy and legislative areas that are keeping investors at bay. These include questions about the implementation of indigenisation and empowerment. It is heartening to note that, in his address to the 71st Chamber of Mines of Zimbabwe Annual General Meeting, His Excellency, President Mugabe gave clarity on the key question of indigenisation and economic empowerment that the law was not about expropriation or nationalisation, but that it is intended to generate the goodwill to allow more participation by Zimbabweans, and that whatever equity is disposed, would be in exchange for a fair price.

President Mugabe further clarified that the 51% threshold would be a combination of direct equity and credits earned through corporate social investment made up of a combination of programmes such as skills development and support to tertiary institutions, local procurement, assistance to small scale miners, infrastructural development, support towards new business ventures, and any other economically or socially desirable activities agreed with the community.

The Chamber of Mines has recommended lesser equity with the balance to make up the 51% being met through corporate social investment in communities. Communities will benefit directly and immediately as mines expand local procurement, commit expenditure on infrastructure development, provide support to develop small scale miners, and skills development, among other things.

An important consideration on the equity part will be the communities, the employees and management. It is envisaged that part of the equity will be directed towards Community Trusts whose revenues will be directed towards fulfilling the developmental needs of the communities. An example is the Rio Tinto Foundation which was set up by Rio Tinto many years ago.

This foundation sponsored irrigation schemes, farmer training colleges, schools, bursaries for students and even financed the construction of residential accommodation at the School of Mines when it was part of the Bulawayo Polytechnic. President Mugabe has often quoted the Rio Tinto Foundation as a good example of an empowerment programme. I must however caution that dividend flows to the community trusts will not be immediate as virtually all mines in Zimbabwe need to recapitalise and are therefore looking for capital.

Through our partnership with the Canadian Embassy, we hope to draw on the experience of a country that has legislated for CSR standards for Canadian companies operating in and outside of Canada. We therefore expect to set in motion a process of stakeholder interaction that will ultimately result in well guided CSR policy for the mining industry in Zimbabwe.

We are honoured to have here present, members of the Parliamentary Portfolio Committee on Mines & Energy, participants from government, local authorities, mining companies, civil society organizations, NGOs, and international development agencies.

Ladies and gentlemen, it is my sincere hope that this workshop will generate debate that can give direction to CSR policy in Zimbabwe so that our communities can benefit from the exploitation of our God-given minerals.

This workshop is meant to give all of us a platform to debate various ideas, so please lets give each other respect as we deliberate this important aspect of our mining industry.

Once again, a very warm welcome to all of you. I look forward to a productive day.

THANK YOU VERY MUCH.

SPEECH BY THE DEPUTY MINISTER OF MINES AND MINING DEVELOPMENT AT THE CSR WORKSHOP



GIFT CHIMANIKIRE

The Vice president of the Republic of Zimbabwe, Mr JL Nkomo, Honourable Ministers of the Government of Zimbabwe, Madzishe vose varipano. The Ambassador of Canada, Senior Government Officials, Captains of industry, Invited guests, Ladies and Gentlemen

It gives me great pleasure to be associated with this important occasion where for the first time industry players, government and other stakeholders have been brought together to discuss how best the mining industry can give back to communities in a way that impacts positively on the standards of living of the generality of our communities.

We have seen in the past some organisations giving small handouts that have created a dependency syndrome among our people. Zimbabweans need to move away from such gestures and develop a sense of self reliance. This self reliance can only be achieved through the creation of economic opportunities for the ordinary Zimbabweans.

In this regard, we have seen mines such as Rio Tinto, through the Rio Tinto Foundation, and in recent times Mimosa and Zimplats, to mention a few, invest in projects that impact meaningfully on the lives of rural communities.

There are many areas where mines can intervene to support communities in their quest for the improvement of the standards of living. These include basic infrastructure (roads, rail, telecommunication, electricity, water), skills, technical knowhow, capital and access to markets.

From the programme, I see that there are a few case studies that will be presented today

on what some of the mines are doing and intend to do. We can only hope that others may learn from such case studies and that opportunities for greater stakeholder involvement can be identified, all in the interest of community development

It is understood that the mining industry is not homogeneous and the extent to which organisations are able to invest in communities differ. However, government would like to see mines both large and small playing a role in improving the lives of communities within which they derive their income.

Government advocates for a participatory approach in determining and designing programs and projects that benefit communities. Given that the development requirements for rural communities is at present large, mines are urged to ensure that the projects they support fit into the long term developmental plans as designed by local authorities.

I note with gratitude the presence here today of Chiefs and representatives of rural district councils. It is my sincere hope that through this forum, and other similar initiatives that must surely follow, a true partnership can be created involving local government, mines and other institutions for development to deliver real development and opportunities for empowerment.

As the Ministry of Mines and Mining Development, we are aware of the powerful rural developmental aspects of mine development. Mineral resources are normally found in remote parts of the country. Investments in the exploitation of such resources open frontiers for development. Roads are built that enable communities to have easier access to other parts of the country. In certain cases railway lines are built to move bulk materials to and from the site of the mineral resource.

This has the secondary effect of providing cheaper and efficient methods of transporting goods and passengers to and from the communities concerned. The railway link to Lion's Den, Bindura and Shangani were all originally built to service mines primarily, but their benefits go beyond the mining operations. Many roads that were built to service mines have been of immense use for the country's road infrastructure, facilitating the travel of goods and passengers.

Mines though being considered as islands of development in a sea of under development by some should be viewed as the initial steps in opening up areas for development. However, mines cannot be solutions to all our developmental problems and undue burdens should not be placed on mining com-

panies, but any policy that can complement government's development effort should, in my view, be supported.

Sustainable investment and development can only be achieved if all stakeholders, that is, government, communities and mines are able to achieve their development objectives in the exploitation of mineral resources. Thus if one party dominates all others, then the sustainability of the venture may be threatened. All parties must therefore be aware of the aspirations of the others and aim for mutually beneficial outcomes.

We have seen many examples where mines started the development process only for these centres to degenerate into oblivion, such examples include Pangani mine, Empress Mine, Inyati Mine, Mhangura mine and Kamativi, to mention a few. Did we learn anything from these experiences?

It is time that as a country we look at mine development in the context of rural development. There must be a way of ensuring that the investments into mine infrastructure is useful well after the mineral resource has been depleted. This calls for coordinated planning by various government departments, the mine and local authorities in planning, from inception to mine closure.

The developments must incentivize other forms of new businesses that to be developed around the mine so that economic activity can continue well after the mine has closed. For it is fact that mines have a beginning and an end.

As we debate a framework that will guide SCR in the mining industry in Zimbabwe, let us be aware that Zimbabwe is not the first country among nations to develop a CSR framework for the mining industry. We can learn from those who have travelled this path before us and hopefully avoid some of the pitfalls they went through.

I am told that we have presenters from Australia, Canada, and the United Kingdom, which I am sure will create some exciting input.

While no two nations are the same, there is much that can be learnt from other countries' experiences. Whatever is the final outcome I hope that we will arrive at something good for Zimbabwe.

With these few remarks, I take this opportunity to wish you all fruitful and constructive deliberations.

Ladies and gentlemen, I am honoured to declare this CSR conference officially open. I thank you.

CORPORATE SOCIAL RESPONSIBILITY IN THE MINING SECTOR IN ZIMBABWE: CONTEXT AND OPTIONS

Corporate Social Responsibility (CSR) is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life, in ways that are good for business and for development. The importance and nature of CSR has evolved significantly in recent decades in the light of practical experience and evolving international standards on business ethics, socially and environmentally sustainable development and CSR itself.

There is no significant opposition to appropriate CSR in any situation, though its adoption faces a range of corporate and practical challenges. Effective CSR programs in mining in particular involve specific but manageable actions by government, communities and companies.

There is a high level of interest in CSR in the Zimbabwean mining sector due to renewed investor interest and the proposed implementation of the Indigenization and Economic Empowerment Act. Supported by the Chamber of Mines and others, the Government of Zimbabwe could join EITI in order to strengthen governance and the development impact of the mining sector, draft national CSR guidelines for mining, and prepare specific proposals concerning CSR and the Indigenization and Economic Empowerment Act.

1. Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a business process a company adopts beyond its legal obligations in order to create added economic, social and environmental value to society and to minimize potential adverse effects from business activities, and includes interactions with suppliers, employees, consumers and communities in general. It is a commitment to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life, in ways that are good for business and for development. CSR comprises primarily voluntary activities undertaken by a company to help it operate in an economically, socially and environmentally sustainable manner.



Michael Baxter

There is growing interest in CSR in developing and developed countries alike. Concern with social equity, socially and environmentally sustainable development, and corporate roles all drive this interest, which is occurring in most countries and sectors, and within the corporate world, media, consumers, civil society and government. While CSR priorities vary from one situation to another, industry today can rarely operate oblivious of the interests and needs of the community and society in which it is located, and particularly so in the extractive industry sector in developing countries.

The origins of CSR go back to the evolution of the modern business enterprise as Europe began the process of transformation to industrialization in the 19th century. What is now known as CSR included in the 19th and early 20th centuries efforts to improve the working conditions in specific industrial facilities and philanthropic activities such as funding public works (e.g., by the Carnegie, Mellon and Rockefeller families), building and supporting school and health facilities, sponsoring cultural events, and rewarding scientific innovations (e.g., via the Nobel Prize).

Trends in social consciousness have influenced CSR. For example, public concerns that helped create environmental protection agencies in the 1960s and environmental management systems in the 1980s became reflected in CSR activities, as did interest in socially and environmentally sustainable development. From specific individual interventions, CSR is moving towards a holis-

tic approach to improving company performance and community support with the aim of win-win outcomes for all. In connection with extractive industries in particular, CSR incorporates a wide array of initiatives, including social and physical infrastructure, training activities, and local supplier development programs.

CSR has gained prominence worldwide in the last 15 years as a result of increased globalization, greater access to information, and growing social, environmental and consumer expectations regarding business. Media reports of unfair business practices, corporate profits, persistent poverty and environmental catastrophes – all with a particular focus in developing countries – have helped draw attention to corporate behavior. Many companies have responded to such concern by developing and implementing CSR policies as a risk management strategy to enhance their reputation and to create added value in local communities, as well as for shareholders. With this deeper attention, CSR has evolved through a focus on ethical business to having CSR in developing countries help drive development in the areas where the concerned business is located and even beyond.

2. International Guidelines

In parallel to companies giving increased attention to their operating environment, international guidelines have been developed in the last decade on business ethics and performance, sustainable development and CSR. These guidelines are particularly relevant to activities in developing countries and the extractive industry sector where they are an important framing context for the design of CSR programs.

Such international guidelines include:

- OECD Guidelines for Multinational Enterprises (adopted 1976, revised 1979, 1982, 1984, 2000)
- OECD Guidelines for Multinational Enterprises are recommendations from 33 governments to multinational corporations covering areas from respect of human rights to environmental protection. They are part of the OECD's Declaration on International Investment and Multinational Enterprises, which contains commitments by govern-

ments concerning their legal and fiscal treatment of foreign enterprises.

- **Sustainability Reporting Guidelines, Global Reporting Initiative (2000)**

The Global Reporting Initiative provides companies with a methodology ('sustainability reporting guidelines') to report on CSR initiatives in a uniform and targeted way to enhance transparency and accountability, and to provide an instrument for companies to communicate their CSR efforts. The framework helps benchmark organizational performance with respect to laws, norms, codes, performance standards and voluntary initiatives; demonstrate commitment to sustainable development; and compare organizational performance over time.

- **United Nations Global Compact (2000)**

The United Nations Global Compact encourages businesses to adopt sustainable and socially responsible policies aligned to ten principles concerning human rights, labor, environment and corruption. The objectives of the Global Compact are to mainstream the principles into business activities, and to catalyze action in support of broader UN goals, including the Millennium Development Goals.

- **Voluntary Principles on Security and Human Rights (2000)**

The Voluntary Principles on Security and Human Rights were developed by a group of multinational companies as non-binding principles to address the issue of balancing safety needs while respecting human rights and fundamental freedoms. The principles are a guide for companies on managing risk related to their security and human rights practices, especially in countries associated with conflict or human rights abuses.

- **Equator Principles (2003)**

The Equator Principles are a set of environmental and social policies subscribed to by key international financing institutions. The principles are applied by participating institutions on all new projects with capital costs over US\$10 million, across all sectors.

- **Extractive Industry Transparency Initiative, EITI (2003)**

The EITI sets a global standard for transparency, accountability and improved governance in oil, gas and mining. It supports the verification and publication of company payments and government revenues. 'EITI Plus Plus' supports transparent and defensible governance at all stages of the development cycle, from exploration through to

production, processing and export, including government's use of enhanced revenue.

- **Sustainable Development Framework, International Council on Mining and Metals (2003)**

ICMM members are required to practice their commitment to environmental, economic and social responsibility, based on a Sustainable Development Framework, which includes a set of 10 principles supported by public reporting and independent monitoring. ICMM has also produced a Community Development Toolkit that is a best practice guide for CSR.

- **IFC Performance Standards on Social and Environmental Sustainability (2006)**

The World Bank's International Financial Corporation applies its Performance Standards on Social and Environmental Sustain-

ability to all investment projects it finances. The standards were developed from World Bank environmental and social policies. They aim to minimize an investment's impact on the environment and affected communities, while enhancing development outcomes. The eight Performance Standards include social and environmental evaluation systems, sustainable resource management, working conditions, and health and safety regulations.

- **ISO26000, Guidance on Social Responsibility (2010)**

The International Organization for Standard's ISO 26000 specifies standards for social responsibility. The guidance is broad in that it can be applied to any sector but is a framework for CSR in mining. Like other ISO standards, the guideline does not replace technical requirements embodied in



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statutes or regulations, and does not set prescribed standards of performance.

3. The Case for CSR

There are three main parties involved in CSR, especially in relation to extractive industries in developing countries: business, communities and government. It is useful to see the case for CSR from their individual perspectives.

Business. In any sector and context, the driving force behind corporate involvement in CSR is a mixture of business and social goals. Business goals include the creation of a favorable local and national operating environment, including through having a positive local reputation. A related consideration is the need for most companies to maintain a strong corporate reputation as this adds value to company and shareholder investment. Key to a good reputation is compliance with local and international business regulations and acceptable CSR standards. Such compliance and reputation helps ensure early start-up, allows access to finance, protects the company's image, satisfies consumer and shareholder expectations, enhances company market value, and reduces risks and costs.

While they are necessarily driven by a profit motive, companies often have collateral social goals. Transparent management of community relations, the environment and human resources, and sensitivity to local employment and income needs are common aspects of a robust social agenda, along with a desire to contribute to broader development. These social goals are usually incorporated in a formal CSR program.

Community. The attitudes of local communities towards industry are generally similar across sectors and locations. There is a basic concern that the quality of life should not diminish, the physical and cultural environment should not deteriorate, and there should be continued access to employment and earnings. There is also an aspiration that the local community should benefit from the industry that imposes on its livelihood. Opportunities of direct and indirect employment, creation and strengthening of local social services and infrastructure, education and skill development, and long-term participation in the benefits of local industry are the usual starting point of local concerns. In addition, local access to industry benefits as opposed to disproportionate access to them by external groups is inevitably a concern, especially in areas that previously had little in-migration or economic activity.

In order to define and meet key community needs and priorities – which is an aim of CSR – effort is required to establish trusting and open communication between industry and local communities. Without this, there is little hope in identifying the fundamental concerns of the community and of enabling community members to take the lead in defining CSR initiatives that respond to their priorities.

Government. Interested ultimately in long-term sustainable growth and development, government has strong reasons to promote CSR and good corporate governance in general. Revenue generated from industries such as mining can contribute substantially to the national treasury and, if well managed, to national development.

While government should take a lead in national development planning, it cannot do it all alone. Communities and especially the private sector have important roles in long-term development. The private sector is key to creating income and employment in any economy. And, with careful policy development and implementation, it can play an additional role in local development through CSR activities. Contributions to local service delivery, provision of infrastructure and demand for goods and labour by the private sector can make a greater development impact than government could generally expect to achieve in years.

4. Challenges in Establishing Support for CSR

A reasonable experience with and a policy framework for CSR exists. The three main parties involved – business, community and government – may have different motives for supporting CSR, but they all share a common interest in having effective CSR programs. There is no significant opposition to appropriate CSR in any situation. There is also general agreement among reputable companies of the advantages of a transparent and accountable business environment. Risks and costs diminish where rules are known and can be followed; the engagement of local parties to help understand the business environment and facilitate compliance is an accepted investment to this end. Why then can it be difficult to establish viable, broadly supported CSR programs?

Within companies, especially in the extractive industries sector, CSR is now generally regarded as a business function as significant as any other, not just a public relations tool to mitigate risk. And, even if its benefits cannot be readily quantified, good CSR is accepted as having a direct positive impact on the company's core values, efficiency, productivity, operational security and the

environment, all of which lead to greater and more secure earnings.

Despite broader acceptance within companies, CSR still faces challenges of understanding, and hence support. One reason for this within the mining sector is that it takes time to develop mineral resources through to production. And, the scale and nature of CSR activities will necessarily vary at each development phase, from exploration to production to closure, and in response to interaction with the local community, making them difficult to define and cost up-front. Communities inevitably expect some immediate gains, including in employment and social and physical infrastructure, which must be met with a combination of short- and long-term initiatives. Planners of CSR need to be able to get across to both their employers and to the community (as well as to local government) the inherent uncertainty and long-term nature of resource development, while at the same time be able to plan flexibly and implement activities within the available resources and that meet local expectations.

Another challenge to having CSR readily accepted within some company environments is that effective programs are based on long-term dialogue with the community to understand local priorities regarding employment, the environment, customs and essential services. Such dialogue depends on strong community leadership and relations, which may not be easy to establish – and will evolve as communities become empowered and learn to trust and work effectively with the company and government.

One challenge that can arise for communities, government and companies alike is their relationship with intermediaries, such as local and/or international NGOs. Where locally active NGOs have expertise in dealing with local communities, they can provide useful support to the company, local government and community. If they have local knowledge and are known to the community, NGOs can form a useful bridge in communication and action. There may be situations, however, in which local NGO objectives are not consistent with one or other of company, community or government; this adds complications rather than solutions for CSR.

Aside from these general concerns, all involved parties on the ground face a range of challenges that need to be addressed to ensure effective CSR program design and implementation, as the following suggests:

Business needs...

- Clear corporate commitment to good business practices, social and environmental sustainability, and CSR.
 - Clarity of host government expectations towards CSR, including its role vis a vis regular development planning and funding, and understanding of the trade-off between CSR investment and taxation/royalty policy.
 - Commitment to transparency by government and company concerning fiscal and other obligations, payments and use of industry-derived revenue.
 - Long-term, project-specific CSR framework strategies that outlines likely phasing and costs of CSR investments as the project moves from exploration to production, plus appropriate staffing at each phase.
 - Contact with appropriate local community and government leaders (and with intermediate organizations working with the community, where they exist), to learn of local concerns and priorities, establish realistic expectations, and plan and implement an appropriate CSR program.
- Communities require...
- Effective contact with company CSR decision-makers, and agreement with local government and intermediaries on their respective roles in CSR and development programming.
 - Understanding of the current and potential scope of company interest, and an appreciation of the time and decisions involved in resource development and evolution of a CSR program.
 - Appreciation of the nature and scale of potential social and environmental changes.
 - Encouragement to consider trade-offs between immediate returns and long-term benefits.
 - Understanding of the broad development strategy for their region, and intent not to

become dependent on one economic source (e.g., a mine).

Government benefits from...

- National guidelines on the acceptable scale and form of CSR activities, and understanding of the broad relationship between CSR and other company fiscal contributions (e.g., taxes, royalties).
- Effective government presence in the local community to help its understanding of local needs and to interact effectively with community and company.
- Ensuring consistency between CSR activities and local and national development goals, including the sustainable long-term operation of CSR-created facilities.
- Capacity, including at local level, to monitor company CSR commitments and achievements.
- Encouraging and facilitating collaboration between investors, and leveraging their presence to help address broader development challenges.

5. Designing Effective CSR Programs

With collaborative inputs from company, government and community, an appropriate CSR program can be established. CSR practice has moved beyond corporate philanthropy and charitable donations for worthy causes or cultural and sports events. There is now a tried menu of CSR activities world-wide from which programs appropriate to local conditions can be selected (Box 1). In addition to individual activities organized directly by a company, an option suited to a long-term presence or where there is a concentrated group of producers (such as miners in Tete Province, Mozambique) is the establishment of a development fund, operated either by the company or by an independent organisation, such as the Rössing Foundation (Box 2). Best practice guides on key CSR activities are also available, including on busi-

ness linkage programs, local procurement and supply chain development (Box 3).

In addition, there is a plethora of international guidelines on sustainable and ethical business practice and on guiding principles for CSR (section 2, above), as well as voluminous publicly accessible information on companies' CSR policies, guidelines and programs. In fact, the main lacuna in guidance is the absence of national guidelines or policies on CSR, overall or in particular sectors; Ghana and Mozambique have started to prepare guidelines in relation to CSR for mining, oil and gas, which may indeed be the first such efforts globally.

While there is increasing documentation of CSR approaches, it is useful to keep in mind there are five key principles for the design of effective CSR programs.

These are:

- Development is a shared responsibility-government, company and community each has a role and responsibility; CSR complements but does not replace other development programs.
- Full transparency is required from all in CSR expectations, planning, costs, implementation and measurement of outcomes.
- CSR must be community-led, community-based and community-owned. Community leaders play a key role in program design and implementation, and the community contributes to and participates in activities; there should be no payments to or programs for individuals.
- CSR programs have one ultimate local objective: to improve social well-being and to increase skills and incomes.
- CSR program design and implementation requires specific skills and program flexibility



BOX 1. EXAMPLES OF CSR ACTIVITIES FOR MINING

- **Education (for general public and/or host communities)**
 - School construction
 - Educational scholarships
 - Adult literacy programs
 - Skills training
 - Technical professional training
 - Apprenticeships and internships
 - Youth vocational training
 - Gender focused training
- **Health (for general public and/or host communities)**
 - Health center construction and operation
 - Basic health and nutrition training
 - HIV/AIDS awareness
 - Prevention programs (for malaria and other local illnesses)
 - Maternal and child health programs
- **Agriculture and environment**
 - Environment awareness
 - Research on biodiversity conservation
 - Farming input and extension support
 - Support agricultural research
 - Community reforestation
- **Infrastructure**
 - Road/bridge repair and construction
 - Household water supply and sanitation
 - Irrigation dams and canals
 - Electricity generation and distribution
 - Telecommunication support
 - Railway construction
 - Community needs (market place, meeting hall, sports facility, school, clinic, cemetery, etc.)
- **Business development**
 - Local supply chain development for local businesses ('linkage programs')
 - Small business training, mentoring and development support
 - Assistance in proposal writing
 - Microfinance
- **Workforce**
 - Employment of members of host community
 - Employee development program
 - Training on skills and work habits
 - Health and safety programs
 - Skills certification programs
- **Funds**
 - Community Development Fund
 - Income Stabilization Fund
- **Miscellaneous**
 - Counseling for local families/women to mitigate effects of industry/employment transformation
 - Public sector capacity building (training, administrative systems, service delivery support)
 - Regional development support (mapping, planning, coordination, public/private partnerships)
 - Collaborative mine closure programs

BOX 2. A DEVELOPMENT FOUNDATION

The Rössing Foundation was created as a legal trust in 1978 by Rio Tinto's Rössing Uranium Limited to implement its corporate social responsibility program in Namibian communities. Core values of the program are sustainability; accountability; continuous learning and growth; good governance and shared leadership; and partnership and team work. This was the first foundation of its kind. It is run independently from the Rössing Mine, with its own board of directors (from Rio Tinto, community and the Foundation), employees and operating budget. It was initially financed only by Rössing mine, receiving annual donations of about 2% of all dividends distributed to its shareholders after tax. The financial challenges from having a sole benefactor have resulted in a self-funding institution supported by outside partners.

The Foundation's initial focus was on providing better educational opportunities to address the skills gap under apartheid Namibia.

The Foundation's focus has evolved with the different needs of the country, and is now aligned with the Government of Namibia's Vision 2030, which is the national development plan to transform Namibia into a prosperous and industrialized nation, based on its human resources and political stability. The Foundation's program is active in seven regions of the country and includes agricultural promotion, capacity building of local government, business development training, educational program for early childhood education and beyond, and strengthening cultural and recreational activities. Over the past 32 years, the Foundation has invested over US\$17m in community programs, trained thousands of Namibians through its adult education centers, and established the Okashana Agricultural Research and Training Centre among others.

Source: Rössing Foundation, (undated), 30: The Rössing Foundation 1978 – 2008, Rössing Foundation.

BOX 3. LOCAL SUPPLY CHAIN DEVELOPMENT

Local supply chain development programs – often called “linkage programs” – are programs in which a company develops local procurement policies to transfer technology, knowledge and skills to local businesses to promote greater procurement from local suppliers. Local SMEs are provided with training and mentoring (e.g., Mozlink, Mozambique) and sometimes financing (e.g., Anglo Zimele, South Africa) to build capacity and world-class standards in order to compete more effectively for contracts. The outcome is greater local economic activity.

The potential benefits of local supply chain development include compliance with local content requirements, reductions in costs and risks (in terms of logistics and production stoppage), and strengthened community relations through increased employment and income generation. Most importantly, supply chain development allows local business to participate in major investments, so improving local competitiveness, service quality and overall community development.

To develop local supply chains, a local procurement strategy is required at the start of the project life cycle that: (i) builds internal capacity to deliver the strategy; (ii) identifies opportunities at each phase of the project life cycle; (iii) creates and manages contracts; (iv) grows local SME capacity in all business functions; and (v) monitors, evaluates and updates the strategy. A successful local supply chain development strategy needs the commitment of all partners – multinational, government, SMEs and support agencies.

Sources: Esteves, Ana Maria, David Brereton, Daniel Samson and Mary-Anne Barclay, 2010, Procuring from SMEs in Local Communities: A Good Practice Guide for the Australian Mining, Oil and Gas Sectors, University of Queensland; Jenkins, Beth, Anna Akhalkatsi, Brad Roberts and Amanda Gardiner, 2007, Business Linkages: Lessons, Opportunities and Challenges, International Finance Corporation, International Business Leaders Forum and Kennedy School of Government, Harvard University.

6. CSR and the Mining Sector in Zimbabwe

The mining sector and indeed CSR are at a turning point in Zimbabwe. There is renewed industry interest in the country's considerable mineral resources. This attention and the proposed regularization of the Indigenization and Economic Empowerment Act have put the sector very much in public view. A proposal that some share of the required Zimbabwean ownership of mining companies (under the Indigenization Act) could be accounted for by CSR activities has put corporate social responsibility even higher on the national agenda than the attention now normally expected globally of CSR in resource development.

The Zimbabwe Chamber of Mines has been leading a dialogue with government on how the possibility of credit for CSR in the sector might be defined and addressed. This initiative of the Chamber of Mines is consistent with an established interest in CSR across all sectors in Zimbabwe. For example, a Corporate Governance Code is currently being prepared by an alliance of the Zimbabwean Leadership Forum, Institute of Directors and Standards Association of Zimbabwe. The code will contain best practice principles, including in relation to investor capital. In fact, since the early 1990s and in addition to activities generated in connection with government's 1994 Environmental Impact Assessment Policy, there have been a series of business initiatives in Zimbabwe

concerning CSR. These include:

- 1992 – establishment of the Environmental Forum of Zimbabwe by companies concerned with environmental issues
- 2003 – creation of the Zimbabwe Business Forum Against HIV/AIDS, which promoted workplace programs
- 2004 – the Confederation of Zimbabwe Business produced a Business Ethics Charter
- 2010 – “Investing in Zimbabwe's Future” Corporate Social Responsibility Awards launched by the U.S. Embassy and the American Business Association of Zimbabwe.

France Maphosa, then of the University of Zimbabwe, reviewed the status of CSR in Zimbabwe in 1997. He concluded that ‘In

the absence of a legal framework mandating social responsibility, social issues will continue to receive peripheral attention in corporate policies, strategies and information systems.' In the thirteen years since this paper was published, there has been significant strengthening of CSR expectations and performance in many countries and in the mining sector, and the expectations for mining CSR in Zimbabwe today are markedly different to what they may have been in the mid 1990s.

Some mining companies in Zimbabwe – such as RioZim – have established publicly recognized track records of effective CSR. In this case, key elements are the RioTinto tradition and expectations of CSR and their adoption and evolution by RioZim. In addition, RioZim's CSR activities have been implemented by skilled and management-supported staff, and the clearest priority being given to ensure community ownership of and participation in CSR activities.

Other mining companies in Zimbabwe may not yet have the demonstrated record of RioZim but there are few serious mine operators in the country today who would not subscribe to the inter-locked principles of sound business practices, social and environmental sustainability and corporate social responsibility.

The Government of Zimbabwe has an inherent interest in maximizing the development impact of all sectors, and especially of those that are key to long-term growth, such as the mining sector. Acting on such interest requires balancing of sometimes competing concerns. While financial and social benefits for the Zimbabwean state and people should be maximized, care is needed that in doing so investment is not discouraged, particularly in comparison with other sectors or countries.

Not only should government policy in the mining sector be clearly defined and applied equally to all, but transparency of implementation and of the utilization of benefits is paramount to establishing public and corporate support; participation by government and companies in a structure such as the Extractive Industries Transparency Initiative, EITI, is a basis for ensuring transparency, accountability and sound use of corporate and public resources alike. In addition, where engagement in CSR may have an impact on aspects of government policy on ownership or taxation, it is important to establish monitorable systems for CSR activities and revenue collection and use.

There are three specific steps that could be taken in the current dialogue between government and mining companies on the nature and implications of CSR programs in Zimbabwe. It is useful to see these steps in their logical order: the concern with CSR

should be seen as subsidiary to the need to establish an appropriate governance environment for the sector.

First, Zimbabwe should seek membership of EITI. Such participation would help establish an appropriate governance structure for the mining sector, so ensuring that mining does indeed become a foundation of long-term and equitable national growth. It would also provide the context within which CSR programs could be designed to play their contributory role to sustainable national development. EITI membership is not inconsistent with other international accords affecting mining, such as the international guidelines noted above or the Kimberly Process Certification Scheme.

Second, comprehensive national CSR guidelines are needed, initially for the mining industry but which could later be complemented by policy relevant to other sectors. Through a process of consultation in government and with the public and industry, such a policy would set out the expectations, objectives, mechanisms and monitoring of CSR for the Zimbabwe mining sector. All future mining activities would be implemented within the context of such a policy.

Third, if there is in-principle agreement that CSR achievements could be credited against some of the indigenous equity requirements of the Indigenization and Economic Empowerment Act, there needs to be agreement (between government, communities and companies) on which activities would merit such credits. A list of activities appropriate to the situation in Zimbabwe (as in Box 1) and a scoring and monitoring system needs to be established, as well as operational guidelines for such a mechanism.

The Chamber of Mines has an important role to interact with government in these three areas, and in facilitating communication between industry and government. There are numerous practical details involved in joining EITI, preparing national CSR guidelines and establishing a transparent and monitorable CSR system. None of these initiatives is likely to be successful or accepted unless the experience of relevant parties is fed into each – and for this, the Chamber of Mines is a key institution.

7. Conclusion

There are opportunities for Zimbabwe to build on and contribute to international experience with CSR in general and in connection with the mining sector in particular. Indeed, there is an opportunity to take important initiatives in areas of global significance.

One opportunity is for Zimbabwe to join the Extractive Industries Transparency Initiative to establish a sound governance footing for the mining sector, so it does become a founda-

tion of long-term and equitable national growth. A second is to prepare national CSR guidelines, specifically with respect to mining. Such guidelines could clearly set government expectations, while taking into account those affected communities, mining companies and society in general.

A third opportunity is to prepare, as in now being mooted, a mechanism to credit mining companies for CSR activities they implement, and to monitor such activities and their impact. In each of these areas, there is considerable material, experience and support available for Zimbabwe to produce what could be best practice guides for the mining sector internationally.

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CSR: INCREASING VALUE IN ZIMBABWE MINING



**Dr Hugo Slim,
CFORC Limited**

I welcome the presence of the 14 Chiefs and hope that this will create a conducive environment for future dialogue on issues of indigenization and economic empowerment. C for C is a Strategic advisory firm to a number of multinational companies, international investors, and in Zimbabwe we have partnered with ReNaissance merchant bank. There are four generations to the development of corporate social responsibility (CSR):

- The good boss – working conditions
- The Good Corporate Citizen – philanthropy
- The Ethical Business – footprint aware
- The Employment Business – driving development.

A mining organization under generation 4 “Employment Business” uses its CSR program to drive socio-economic change in the communities it is located and the nation as a whole. The CSR program also helps the company to invest in indigenization and empowerment of the local communities and the government to earn income through royalties and levies which are eventually ploughed back into the rural areas. It also promotes economic diversification and local value addition. The company uses local suppliers for its raw materials and inputs.

To ensure the proper implementation of CSR programs, countries should put in place CSR guidelines and policies to ensure that stakeholders like mining companies know exactly what government and the communities expect from them and also what role the other parties play in the process. In Nigeria, since 1977, companies have made it a requirement that mining companies should enter into an agreement on social development

before they start operations. This has proved successful as most mining companies in Nigeria are now operating under a friendly environment with their host communities.

For the successful implementation of CSR programs mining companies should work together with the rural district councils (RDCs) all the way and not part of the way. Thus in implementing CSR projects the mining companies should utilize and follow RDC development plans and not to work outside the plans. At the moment a number of mining companies are not doing it hence the current problems with government and communities.

It is, therefore, prudent for mining companies to work closely with communities, RDCs, NGOs and the government in coming up with CSR guidelines and policies to accommodate the implementation of the Indigenization and Economic Empowerment Act including the methodologies of calculating CSR credits for purposes of compliance with the indigenization law.

Mining companies must also be aware that having a good CSR program is almost a requirement for attracting investment into the company. International investors have become more and more sensitive to good corporate citizenship.



ZIMPLATS CSR PROGRAMME

Our definition for corporate social responsibility (CSR) is: "CSR is a voluntary contribution to sustainable development integrating all stakeholders' expectations in order to optimize relationships as a basis for continuous improvement and innovation"

In implementing our CSR program we recognize the following areas:

- Business success does not depend solely on maximizing profits, but on protecting the environment and promoting our social responsibility;
 - There is a growing demand for disclosure and transparency regarding the company's practices (EITI, reporting on CSR activities)
 - Our ability to sell our products is guided by responsibility at a global level;
 - Our image, reputation and success depend on our commitment to our stakeholders;
 - Our ability to borrow is affected by all the issues above;
 - Implementing practices which take account of the environment and social responsibility considerations helps to modernize our business activities; and
 - The value of implementing management standards to integrate social and environmental aspects into the day to day activities of the company (eg ISO certifications).
- As an organization that believes in the effectiveness of CSR on long-term sustainable economic development, we have the following principles that guide us in implementing it:
- To take responsibility for the impact of our activities on society and the environment.
 - Seeking a balance between the priorities of economic development, social progress and the environment (MDGs, ISO26000).
 - Implementing the CSR program on a voluntary basis because we believe it makes business sense.
 - The credibility and transparency of the CSR activities as guided by our policies and procedures.
 - A balanced approach to CSR in the economic, social and environmental arenas.



**BUSI CHINDOVE,
CORPORATE SERVICES EXECUTIVE**

- Paying attention to specific needs of stakeholders (research based) .
- Adherence to the legal and regulatory instruments governing labor, mining and business. Zimplats believes in local procurement and the development of the small mining sector and involves them in most of its supplies for the CSR projects like the following infrastructural developments projects:
 - The Ngezi Selous High way benefiting the general public, chrome miners, farmers and schools in the area for US\$ 19 million.
 - Fibre Optic line to Ngezi and Switching equipment for NetOne for US\$ 1 million.
 - Turf Village for mine workers and accompanying infrastructure for US\$ 34 million.
 - Ngezi Weir and water reticulation for Turf village US\$ 3 million.
 - 132 kv Zesa Power line from Selous to Ngezi for US\$ 13 million.
 - 330 kv Zesa Selous substation for US\$ 25 million.
 - Zesa Norton substation transformer replacement for US\$ 7 million; and
 - Zesa National Control Centre computer upgrade for US\$ 3 million.

Before we embarked on our CSR program we had made sure that we have consulted widely and intensively on the community

needs of Mondoro, Ngezi, and Selous districts. Regular dialogue takes place between our company and the community leaders including the Chiefs and Rural District Councils. Over and above the consultation process we make our CSR decisions based on the findings of the most recent research carried out to indicate the needs of the area.

The outcome of this research has led us into putting our CSR investment into community social projects like health and nutrition, education, infrastructure, the environment, and sport for school children; investment into agricultural activities like identification of appropriate crops for the area and farmer training; investment in clean drinking water through the sinking of boreholes in both districts; and investment in humanitarian needs like the provision of food items during years of drought.

For the future we are planning to embark on a serious gum planting campaign in order to empower the two rural district councils. We also want to engage the community in supplying bricks to our company for a fee for its Phase II expansion program.

In conclusion, I would like us to take note of the following key points:

- The primary function of an enterprise is to create value, generate profits for the shareholders, and provide employment. But at the same time it can contribute to the well being of society.
- Effective CSR should be carried out voluntarily.
- Civil Society Organizations and pressure groups believe that voluntary initiatives are not sufficient and are lobbying towards legislation on CSR.
- As a company we recognize the importance of exchanging experience and good practice in the field of CSR towards the promotion of best practices.
- Advocate for CSR to be included in management training, particularly in the mining industry; and
- There is need for the creation of an enabling environment for CSR programs to succeed.

CSR IN MINING: SUPPORTING LOCAL DEVELOPMENT

There are a number of international initiatives that have led mining to be placed in the social development (SD) paradigm:

- Rio Earth Summit, 1992,
- Minerals, Mining and Sustainable Development Project, 2000,
- World Bank Extractive Industries Review, 2001,
- World Summit on Social Development Johannesburg, 2002, and
- Reporting UNCSD, 2010/2011.

In addition to the global awareness that mining must fall under the sustainable development framework, there has been significant spotlight on the mining industry because all over the world communities are increasingly vocal and asserting their rights, which might lead to civil unrest. Furthermore, mining in general may lead to conflicts which may call for the need to look at human rights abuses.

As a result of the growing focus on mining and social development over the past decade and a half, CSR has emerged as a framework for formulating and implementing the expanded role of the corporate sector in contributing to the socio-economic elements of social development. From a business point of view, effectively applied CSR allows the company to mine without disruptions and have better reputation both in government circles and the investing public.

However experience shows that some companies' response to the new CSR imperative is sometimes problematic in that in some countries, CSR requirements have been ill-defined, are lacking in measurable indicators, and methods of assessment, open ended in terms of expectations, costs players and outcomes, are distracting from core business focus and seemingly impossible to successfully implement.

In some instances communities and civil society can become hostile because CSR can be delivered in a top down, unilateral way so that monitoring and implementation and reporting may be problematic. While governments may believe that mining's contribution to socio-economic development often does not meet its development agenda objectives, especially when it is left out as a development partner, hence community and other societal pressures on For-



**LOIS HOOGE,
CANADIAN MINING POLICY EXPERT**

eign Direct Investment (FDI) policy intensify when mining doesn't deliver credible CSR or the mining industry's contribution is not sufficiently visible on the ground.

Visibility of large scale, usually foreign owned mining companies located in rural underdeveloped areas, contributes to pressure to narrow the gap between the wealth and associated infrastructure, etc. of the mine and the communities located around them. Apparently, CSR, if developed and applied effectively should be able to reduce that gap and increase the standard of living of the communities; especially those without the most basic of needs supplied (i.e. potable water), and enabling mining companies to achieve and sustain a "Social License to Operate" without local dissent.

In developing countries like Zimbabwe, CSR programs can be challenging for the government to require and regulate, the company to develop and implement, and for the community to participate and benefit. These challenges have led to mining industry and financial institutions' requirements for guidance, while government and communities call for placing CSR in a more coherent and predictable context.

This has resulted in internationally accepted Standards and Guidelines like the IFC Performance Standards, OECD Guidelines for Multinational Enterprises, Voluntary Principles on Security and Human Rights, Equator Principles, and ICMM Social Development Framework.

A good example of an internationally recog-

nized CSR strategy is that one of Canada. The Canadian Strategy has 4 pillars:

- Host Government Resource Capacity Building,
- Promotion of Voluntary CSR Performance Guidelines,
- CSR Centre of Excellence, and
- Extractive Sector CSR Counselor.

The Strategy develops and supports initiatives aimed at strengthening host country resource governance. Beyond Canada's commitment to the OECD Guidelines for Multinational Enterprises, the Strategy endorses and promotes the following widely recognized international CSR Performance Guidelines:

- IFC Social and Environmental Performance Standards,
- Voluntary Principles on Security and Human Rights, and the
- Global Reporting Initiative.

The Strategy calls for the development of a CSR Centre of Excellence in an existing institution outside of government to provide up to date relevant information on CSR for clients in government and the mining industry, provision of business friendly tools and an inventory of extractive sector regulations and policies, a "Community of practice" public platform for stakeholders to share information, and lastly, the strategy creates dispute resolution mechanisms through the CSR Counselor, to address CSR issues to the Canadian extractive sector abroad.

In Zimbabwe there is a consultative process going on at present to interpret the new Indigenization and Economic Empowerment Act for the mining sector. The exact outcome of the debate is not yet known, but it appears as though companies will be able to use a number of different mechanisms to comply with CSR expectations by delivering a sound socio-economic program that will ensure that there is

- development work in the community affected by the mine,
- beneficiation before exportation where possible,
- technology transfer to Zimbabwe,
- local employment and training, and
- any other socially and economically desir-

able objective not mentioned above.

Finally, we need to note that successful CSR programs/projects have a number of common characteristics:

- Clear government expectations,
- The community is well organized and cohesive,
- The on-site mining company management is interested in contributing a positive legacy,
- Leverage other financial support-govern-

ment NGOs to extend impact,

- Ensures that projects are delivered by all partners – local buy-in is essential – all partners can contribute either in cash or kind,
- Know that all CSR projects don't need to be expensive,
- Provide support for CSR projects longer than it may have originally intended, or as long as is necessary,
- Ensure that project selection relates to

regional and national development strategies or internationally accepted strategies like the MDGs.

Thus effectively constructed and implemented, CSR programs delivered by the mining industry can result in meaningful developmental impact when best practice is applied – all parties need to work together and leverage common resources – the ultimate goal is to reduce poverty through employment and business opportunity creation.



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MUROWA DIAMOND CSR PRESENTATION

Murowa Diamonds is a joint venture between Rio Tinto plc., owning 78% of the company and Riozim, a local independent company owning 22% of the shareholding. Murowa started its operations in 2004.

Murowa Diamonds takes responsibility for economic, social and environmental issues that impact its employees, communities and the environment. Murowa Diamonds' corporate social responsibility program takes a holistic approach which sees the full involvement and participation of the communities, the government, the NGOs and the company itself. The company implements CSR programs for four reasons:

- Political pressure like the one being currently put by the government through the Ministry of Youth Development, Indigenization and Economic Empowerment,
- To create favorable and good public relations with the community and other stakeholders,
- Taking it as the company's moral obligation to help those less fortunate in our midst, and
- Other philanthropic reasons.

It just makes good business and economic sense for Murowa to give educational support to its host communities and employees for them to acquire the necessary skills for creating a sustainable source of future employment; provide health and food security services to ensure that our company has a healthy community to hire workers from and that our current employees are healthy and reduce their chances of being absent from work; and to give development support to local suppliers and small and medium enterprises (SMEs) to ensure sustainable long term business linkages.

Murowa Diamonds in implementing its CSR programs uses a unique partnership model which involves the full participation of the government, partner NGOs, the host communities and itself. The program focuses on creating long term sustainable development as opposed to short term relief, benefiting the whole community and not individuals, while at the same time giving full respect to traditional values and cultural beliefs to ensure its long term sustainability and that the community contributes to the program



**NIELS KRISTENSEN,
MANAGING DIRECTOR**

and that the community has the final say in the selection and prioritization of the projects to be implemented.

Murowa Diamond Company operates in four wards and the ShaShe resettlement scheme impacting on over 50,000 people. Before its operations the company was involved in relocating and resettlement of over 142 families who were integrated with 224 people from Masvingo. The company purchased 6 farms, provided schools, roads, clinics and boreholes for the people which were handed over through the government.

Our current corporate social responsibility program covers 7 major areas that are planned to provide long term sustainable development to the 4 wards and the ShaShe resettlement scheme. The CSR program consists of:

1. Capacity building and Skills transfer.

Under this section our company provides farmer training; health and hygiene training ; micro-irrigation training; agro-forestry training, and operator training in order to create a pool of skilled personnel for both the development of the community and for operations of the mine.

2. Economic Empowerment.

This area covers the support given to local suppliers to ensure that they can sustainably provide procurement services to the mine operations; financial and material support for the development of small and medium enterprises (SMEs) to work on corpo-

rate social responsibility community projects and any other local development project by other stakeholders; and the provision of employment opportunities to local people.

3. Improved Public Infrastructure.

Under this section the CSR program involves the construction of classroom blocks, health facilities like clinics, dip tanks, micro irrigation gardens, borehole drilling and installations, community roads, link roads and high ways.

4. Improved Food security.

The corporate social responsibility program has an input scheme to provide agricultural fertilizers, seed and chemicals for the communities to ensure food security. Murowa also provides farmer training and capacity building courses to ensure that the farmers are capable of realizing maximum yields from their crops and also have a livestock enhancement program to improve and increase the local herd.

5. Access to Education.

To date under the program, Murowa has donated over 6,000 text books in the program area impacting on 3000 school children. This is one of the few areas in Zimbabwe where each child does not have to share a textbook. The program supports sport in schools as well as biodiversity clubs.

6. Community Health.

The CSR program uses sport as a way of providing HIV and AIDS awareness to school children using the YES program and the VCT sessions. The program has constructed 70 Blair toilets for over 1500 households as part of the Participatory Health and Sanitation program; and provides a Doctor twice a month to give free services to the communities.

7. Humanitarian Assistance.

This program provides humanitarian assistance to the community which has so far received 15 tons of sorghum seed packs per year; 35 tons fertilizer annually; 7 tons of Mahewu to over 1,661 children in schools; the treatment of 1,900 cholera victims in Zvishavane and Chivi and the provision of village health worker training in 150 villages.

The success of the Murowa Diamond cor-

porate social responsibility program hinges on its unique partnership model which encourages the full participation and involvement of the host communities; recognizes the role of the Chiefs and the Rural District Councils in the initiation, development

and implementation of the corporate social responsibility projects. The model also requires the program to get its supplies from local small companies; hire local indigenous

SMEs to implement the projects and last but not least, ensure that our communities have an ongoing vested interest in the continued success of Murowa Diamonds.

MUROWA DIAMOND CORPORATE SOCIAL RESPONSIBILITY



Incorporating and empowering all genders in the development process is a key focus for Murowa Diamonds. All Free Fashions, a small to medium sized enterprise consisting of 20 women is based at the Murowa Business Centre and they supply personal protective clothing to other SMEs in the Murowa ward and beyond.

Mr. Niels Kristensen presented Murowa Diamond's experience with CSR, and emphasized that their focus is on "sharing the cake" during mining exploration, mining production, and mining closure. He argued that Murowa Diamond strives to be the most respected mine in the world. Hence, its CSR approach "is not about handouts or public relations". On the question, how is the cake shared?

Mr. Kristensen suggested that a holistic approach is needed, and "the country and its people are the major beneficiaries". Therefore, the CSR has to have a positive legacy, recognize that mineral resources are finite and thus should benefit future generations. He proposed linking CSR to local promotion (local economic development and empowerment), skills development, supporting local suppliers, creating opportunities for local shareholders, and contributing to national

development goals.

He clarified the misconceptions about CSR, and stated that it is not about political pressure, moral obligation, and philanthropy but "just makes good business sense". For example, educational support and skills development contribute to a positive future employment pool; health and food security initiatives provide for healthier employees; and business development creates opportunities for continuity. Therefore, it is imperative to focus on the business case for CSR while meeting the needs of society.

Mr. Kristensen also discussed Murowa Diamond's community engagement approach. He argued that community engagement contributes towards a positive legacy, and his mining company seeks a balance between long-term sustainability and short-term relief, and community benefits versus

individual benefits. He stated that Murowa Diamond's partnership model is predicated upon respecting local values, creates a platform for community decision-making and ensures that the community contributes to the sustainability of CSR initiatives. Murowa Diamond's CSR has focused on economic empowerment, relocation and resettlement, improving public infrastructure and food security, access to health and education, and humanitarian assistance (short-term relief).

In his conclusion, Mr. Kristensen argued that the success of Murowa Diamond's CSR is built on Rio Tinto Model / Philosophy – "The Way We Work", which recognizes both the business case (what makes business sense) and social case (business is embedded in society), and hence the symbiotic relationship between business and society is important and reflects their mutual interdependence.

CSR: PERSPECTIVES FROM LOCAL AUTHORITIES IN ZIMBABWE, ZIMBABWE LOCAL GOVERNMENT ASSOCIATION (ZILGA)



**MR. CHIMINYA,
ZILGA PRESIDENT**

Mr. Chiminya talked briefly about the local authorities as planning, regulatory and taxing authorities,

which are second tier of government. He explained how local authorities raise revenue to sustain their programs, and provide services such as roads, electricity, education, health, and water etc. He stated that the local authorities provide a link between communities and other stakeholders such as government, private sector and non-government organizations.

Mr. Chiminya also highlighted the relationship between local authorities and businesses, and the need to create harmony and generate positive results. He argued that local authorities do not receive grants from central government, and thus depend on rates and other services to generate revenue to provide services. This affects how they levy businesses, and the mining sector is no exception.

He urged mining industry's CSR to address social and environmental issues, and contribute to water and sanitation provision, infrastructure development, and responsible entertainment. He also discussed the implications of the Rural District Councils (RDC) Act and Regional Town Planning Act on how CSR should be designed and implemented to ensure compliance.

He suggested that CSR should improve the socio-economic conditions of communities, and be built on strong dialogue between local authorities and the mining sector to facilitate empowerment of rural communities. He reiterated that local authorities are the key facilitators of investment and responsible for development planning, hence the mining industry's CSR objectives to contribute to development goals of the local authorities.

SUMMARY OF DISCUSSIONS & QUESTIONS RAISED

This session was less emotive and focused on the "way forward" and critical reflection on issues while making recommendations on how best the mining industry could leverage CSR for indigenization and economic empowerment.

1. CSR is good but it currently lacks legislative support to drive it, hence it will not work effectively without the necessary legislation.
2. Is it possible for the Chamber of Mines to replicate this process [workshop] in the provinces and have provincial workshops as well as seminars for small-scale miners? This would allow for broad dissemination of knowledge.
3. The government is moving towards legislating CSR for companies. The legislation and enforcement of CSR will have implications on company performance. "Human beings always need a little law" – it is important to legislate; however, there is need for consultation and flexibility.
4. Issues of ownership and core obligations

should be directed strong laws to ensure compliance. Some issues (e.g., health and safety) should not be negotiable. However, issues of ownership and indigenization should be negotiated to allow innovation and flexibility.

5. We have to be clear about what issues constitute CSR or not and carefully examine their impact on mining. There is no need to reinvent the wheel since we have labor laws, legislation dealing with health and safety, environmental impact assessment, and taxes and royalties on corporations. "The main point is not overcrowding the little wheelbarrow of CSR without making clear distinctions of what CSR is and entails".
6. We have to develop community development agreements.
7. In design CSR strategy, the CSR technical review committee should include key stakeholders.
8. Communities are fragmented and lack shared vision, and this pose challenges for

CSR.

9. In all districts, we have local authorities with clear development plans. Unfortunately, the problem is that mines identify vocal persons to work with and claim that they are doing CSR. It is important that mines' CSR fit with RDCs' strategic plans and development objectives, and mines should not create parallel structures. They should harness development plans of local authorities.
10. Corporations are apolitical but unfortunately some local authorities / structures are political. This presents challenges on how companies implement CSR especially in politically contested areas.
11. How is the CSR budget handled? What percentage of profit is allocated to CSR? Is it a percentage of the company's gross revenue or value? What is the organizational model for delivering CSR? Is it a Trust or Foundation?
12. You cannot buy easily community goodwill, and therefore CSR improves the mining

company's social license to operate.

13. CSR should not be a one-size-fits-all approach, and its implementation modalities have to be context-specific.

14. Mining is a very long-term business and capital intensive, and requires flexibility in the levels and types of CSR. The government, communities and corporations have to at least agree on a general CSR framework, which must be strategic and pragmatic in nature. We have to be realistic about how mining companies can finance CSR.

15. CSR is not just about money. What people prize the most is the attitude and behavior of mining companies – it about how they treat people, listen and engage them.

16. We should nurture innovation and allow new structures to emerge as companies experiment with CSR – new organizational forms that align with company strategy.

17. The government should set up a one-stop-investment structure which will enter agreements between the investors and the national investment body.

18. Is mining industry's CSR meant for only proximal communities or others beyond the immediate geography of the mines? Is CSR only for the community where the mining operations are or it is for the nation as a

whole?

19. The Chamber of Mines has to pay close attention to partnership issues, particularly civil society and local communities. Why does it marginalize local community representatives? How does it expect local community representatives to participate in the mining conference when they are expected to pay for attendance? It has to look at its pricing or charges for attendance at the conferences since they naturally exclude other stakeholders because they fail to raise the required fees. The Chamber of Mines should take serious recommendations on mining by civil society, and explore ways of implementing programmatically some of those recommendations.

20. Zimbabwe's dilemma is that it owns mineral resources but does not have capital to exploit those resources. Therefore, how do we as Zimbabweans translate ownership and create strategic partnerships that allow capital to flow in. We have to have a vision for leveraging mineral resources and mining development for local and national economic development.

21. The dilemma of ownership and lack of capital is real. We want equity, entrench ownership but fail to translate these into opportunities for investment. I guess we have to let go of some percentage of ownership or rethink ownership structure to raise the necessary capital. At the same time, we

need to set norms for good practice, and use the stock exchange to raise capital.

22. We should have a national CSR legislation for all companies.

23. Inasmuch as we have looked at these issues from a very emotional standpoint, we also have to examine them carefully and focus on the vision of the Zimbabwe we want and how mining can contribute to economic development and recovery.

24. On the way forward, Chiefs should establish committees that oversee resources at district, provincial and national levels.

25. CSR projects have to be profitable to the company, and this will ensure sustainability of CSR.

26. We have been talking about "community, community, community – but we are talking about a wife divorced. Please love us".

27. How is the ongoing process of reviewing / amending the Mines and Minerals Act going to affect CSR in the mining industry and the operations of small-scale miners?

28. This is the first time the Chamber of Mines has hosted this kind of workshop to deliberate on difficult and contested issues. We are prepared to engage stakeholders on coming up with a CSR framework for Zimbabwe. We will conduct a study on CSR, which will input into government's position".



Delegates attending CSR Workshop



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