

**REFORMING THE CSR OF EXTRACTIVE INDUSTRIES IN ZAMBIA:  
BUSINESS, POVERTY AND DEVELOPMENT**

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## **ABSTRACT**

*In the wake of the failure of mining-led development to procure the development promise it carried, Corporate Social Responsibility (CSR) has been proposed as one major way to leverage CSR can make to poverty alleviation and other development goals. However, several scholars and practitioners of development have come to the conclusion that current CSR approaches do not warrant such claims. There is thus the need for a critical approach to the strengths and limitations of CSR, one that poses questions that hitherto have been unasked or neglected. There is further need for more critical perspectives to understand what CSR does, and what it could mean for the poor and marginalised in developing countries. Drawing on Amartya Sen's Capability Approach, this is what this study seeks to understand: how, when and through what means business can help to reduce poverty, while recognising the equally powerful potential of the business community to exacerbate poverty.*

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## INTRODUCTION

In developing economies whose mainstay is mineral or oil extraction, corporate social responsibility (CSR) has been proposed as having the potential to make mining contribute to economic development and to poverty reduction (Fabig and Boele, 1999). It is believed that CSR could be one major way to address poverty, social exclusion and other development challenges (Blowfield & Frynas, 2005; Wiig & Kolstad, 2010). International organisations such as the United Nations and the World Bank (2004), and national development agencies such as the Department for International Development (DFID) (DFID, 2005), have embraced CSR in the hope that the private sector can play a key role in achieving developmental goals aimed at poverty alleviation.

However, CSR research that has emerged since the last decade and a half conducted in developing countries, has reached the conclusion that current CSR approaches are not equal to the task (see Christian Aid, 2004; Barrientos, Stephanie, Catherine Dolan, and Anne Tallontire, 2003; Bendell, 2004; Dara, 2003). In order to make the most of CSR, developing country CSR research has demonstrated the need for a relevant approach to CSR that is development focused. It has been suggested that the beginning point should be a shift in the understanding, planning and implementation of CSR from developed country perspectives to developing country perspectives. Planning, implementing, and managing CSR in a developed country is deferent from doing so in a developing one. Fox (2004) and Eweje (2006) have argued for a shift in the CSR agenda when Multi-National Corporations (MNCs) go from North to South, underscoring the need for such entities' agenda to be more sensitive to local priorities if they have to potentially help uphold the prospects for sustainable livelihoods in the South.

One of the major reasons for this shift in the way companies address CSR of extractive industries in developing countries is that the type of issues that companies address in the developing country context are quite different from those of the developed countries (Eweje, 2006). In developing countries, the foremost issues include disease, poverty alleviation, childhood nutrition, and a number of structural social problems (Blowfield & Frynas, 2005). Clearly the social context of the developing countries is not only very different but also very complex. Given the unique and complex nature of developing the latter, the conception, the nature and role of CSR in developing countries has undergone significant changes from the classical view of CSR that was narrowly limited to philanthropy; contemporary understandings of CSR have now shifted to place emphasis on business-society relations particularly referring to the contribution that a corporation or firm provided for solving social problems (Secchi, 2007; Lee (2008).

In the light of the foregoing, need therefore arises for a critical understanding and rigorous

analysis of both the role of business in development, and how CSR articulates that role in the developing country context, a crucial exploration which will require detailing and examining its strengths and its weaknesses (Blowfield and Frynas, 2005), as well as posing questions that have hitherto either remained unasked or entirely neglected. This is the direction in which the bulk of developing country CSR research seems to lead, and this is where we intend to direct this study with a focus on the CSR of extractive industries in Zambia.

A lack of a critical evaluation of current mining industry CSR in Zambia has resulted in its practice falling short of addressing the real needs and aspirations of local communities and of the central and local governments. In addition, given the vast needs, high levels of poverty and the complexity of the developing country terrain, CSR can only be effective if it is a core element, or indeed a partner in the development process. Need therefore arises for MNCs, especially those in the extractive sector, to work in alliance or partnership with governments and civil society (Ite, 2004); that is to say it is support from governments, civil society and local communities themselves that is required for the effectiveness of CSR in advancing development. Thus, four questions arise in this regard and it is these questions that this paper intends to address. What is the nature of the Zambian extractive industry CSR? How can extractive industry CSR initiatives help to address poverty, social exclusion and other development challenges in Zambia? What is the balance of responsibilities between state, firms and civil society in addressing these problems? What new tools, strategies, methodologies and models are required to harness the positive potential contribution of mining business to development and deter corporate irresponsibility in Zambia?

The paper is organised in the following way: the first section provides the introduction to the paper, while the next section presents the theoretical framework guiding this study and a survey of relevant literature with a focus on the practice of CSR in developing countries. The third section outlines the methodology that the paper engaged, leading to the fourth section in which we present and discuss the findings of the study. A set of recommendations outlining the way forward makes up the fifth section of the paper and finally, we close with a conclusion.

## **THEORY AND LITERATURE REVIEW**

With a focus on the extractive industry in Zambia, this paper seeks to establish how CSR can effectively be used as a development tool and in this way how it can help articulate the connection between business and society or more specifically the role of business in developing countries. Such an approach will elicit a redefinition of the concept of development and an articulation of a clear conceptual framework that can explain the role of business in development. To achieve this goal we use heterogeneous and interdisciplinary theories of CSR. The theories have been chosen based on criteria that spell out what role each of those theories confers on business and society. We use three distinct and interdisciplinary theoretical frameworks from that will inform the analytical approach of this paper namely,

Amartya Sen's Capability Approach, the managerial theory and the relational theory.

In the second section of this literature review we take a survey of a body of current literature on the CSR of developing areas in order to highlight the current state of CSR in developing countries. We draw on conceptual and empirical studies to show how different firms address CSR and how environmental variables shape the role of both the State and MNCs.

### **The Capability Approach**

Amartya Sen presents a compelling alternative to the mainstream utilitarian-based model of development that views the maximisation of utilities via maximisation of income as the ultimate goal of economic development. In this model the corporation serves as a part of the economic system in which the function of the firm is to contribute to the economy through profit maximization. The utilitarian model is completely consistent with Friedman's approach to CSR (1970) and even with Carroll's pyramid (Carroll, 1991, 1998), according to which the first goal of CSR is to make profit; this perspective encounters many problems. It is these problems arising from the utilitarian model, subjected to criticism from Rawls in the *Theory of Justice* (1971), and Sen (1990), that have given rise to the capabilities approach. Rawls's criticism, which can be applied to CSR, focuses on the sacrificial dimension of utilitarianism which seeks to maximise global or relative utility, while failing to take into account the distribution of wealth and the resulting increase in inequalities in the society.

Sen's alternative to this measure is the 'Capability Approach', in which development is measured by the capability of individuals to choose a life which they have reason to value, one in which they have the freedom to choose a life they value in the face of social, political, economic and environmental constraints. Sen gives priority to the defense of individual freedoms. In this way he redefines development and provides a theoretical context for redefining CSR and the role of the firm. CSR or the corporation serves as a part of the economic system, in which the function of the firm is to contribute to sustainable development processes which prioritize not merely what has been accumulated (as the utilitarian approach with its focus on the macro-level does), but how what has been accumulated functions to promote individual capabilities.

### **Redefining Freedom**

Viewing development as freedom, or as the removal of unfreedoms, draws our focus away from the processes that contribute to the process of development, refocusing our gaze instead on the ends development bestows. Sen's theorisation is quite broad in its trajectory, viewing the economic, social and political as inextricably linked factors, which affect the exercise of freedom. To this end, he argues that the removal of sites of unfreedom: "poverty [...], tyranny, poor economic opportunities as well as systematic social deprivation, neglect of public facilities as well as intolerance or over-activity of repressive states" (Sen 1990:3) is a prerequisite of development.

The implications of this approach are quite dynamic. In essence, Sen's argument would require any state, or even CSR led developmental initiative, to determine its impact on society by the ways in which it contributes to the expansion of freedom, or the way in which it could (potentially) create yet another site of unfreedom. This would have the effect of ensuring a just, equitable approach to weighing the potential benefits (or harms) of a developmental project beyond merely measuring the contribution to GNP, in which benefits are felt by more than just the rich. Sen's observation that within this framework, the "social and political environment is to be investigated in terms of their contribution to enhancing and guaranteeing the substantive freedoms of individuals" (Sen, 1999b, xiii) not for its own sake, is indicative of this view. All actions undertaken in the name of development have a real impact on the lives of people living within that society. Therefore, the wellbeing of a corporation and the corporation's contribution to the GNP cannot be the sole factors in determining the viability of an economic project. As Sen insists, "all actions finally bear upon their effects on the lives that human beings live, lives that are lived by only individuals, not by some supra-individual bodies (Sen, 2002: 85).

### **Defining the Role of the State**

Once development is conceptualised as capability expansion, the agenda for reconceptualising the developmental state follows. In this light, Capability Approach researchers (see for example Evans, 2011) extend the capability approach to state functioning and how it creates the right conditions for development to take place and even for CSR to have an impact. It has been recognised that business plays an increasingly important role in development, at times even taking up state functions of providing social services and infrastructure. As already hinted at, this is linked both to the decline in confidence in the role of the state as an agent for development and to global deregulation from the 1980s resulting in a more limited role for the state in the economy. Amid this restructuring key developmental functions traditionally associated with the state, such as the provision of basic infrastructure and enabling access to water, electricity, health and education, are now performed by a range of civil society and market actors. As providers of goods and services, as employers, as investors, and increasingly as shapers of developing countries' policies, there is no doubt that the private sector is central to efforts to tackle poverty.

However, since the wave of privatisation and economic liberalisation took root in the 90s in the developing world, access to basic services by populations has drastically declined and the role of the private sector in development has not been sufficiently felt. CSR initiatives, with their emphasis on voluntarism and self-regulation have not achieved the expected impact, and both governments and citizens in the developing world have been disappointed by the limited reach and impact of CSR. The question is therefore, while the role of CSR and other private sector interventions are still recognised as relevant in the fight against poverty, can this role be performed through business-as-usual practices, voluntarily and through the market, or does it need to be guided, regulated and driven by broader state-led developmental priorities? Do states still have the power to play this role? We contend that

they do.

The lesson of the twentieth century state is that capacity depends on a complementary combination of competent, coherent public bureaucracy and dense sets of systematic ties to relevant civil society actors. This then means building state capacity is crucial. In the neoliberal dispensation of the last 30 years or so, diminished complementarity between developmental goals and the interests of private capital have raised the level of state capacity required. Worse still, given the domination of capital in the last two decades of neoliberal politics and economics, the intersection between the development project and the interests of private capital have shrunk and the ties between the state and capital have become less tight. In the developing world, while the economic power of extractive multinational has grown exponentially, poverty has also been on the increase accompanied by deteriorating quality of life. Indeed, the growth of the influence of capital on politics and state policy is a generic feature of neoliberalism. In order to reverse the negative social outcomes of the development process among the poor of developing countries and if we conceptualise development as capability expansion, we need to look for guidelines for thinking about the characteristics of a reconceptualised and potentially reconfigured developmental state. These guidelines can be summed up in four points:

- a) The development of capability-expanding public services will entail the development of capable public bureaucracies, which are competent and coherent.
- b) Promotion of the ability of the state to pursue collective goals coherently, rather than responding to the subjectively defined immediate demands of individual members of the elite, or particular elite organizations, i.e. development coordination.
- c) “Embeddedness”, which means the creation of dense sets of interactive ties which connect the apparatus of the state (administrative and political), to civil society. This does not only become more important in such a reconfiguration, but must extend to a focus on a broad cross-section of civil society rather than focusing simply on industrial elites.
- d) The development of sound state-society relations is crucial for state effectiveness and these are at the core of the practice of politics involved.

If the lesson of the twentieth century state is that capacity depends on a complementary combination of competent, coherent public bureaucracy and dense sets of systematic ties to relevant civil society actors, then building state capacity has become an even more crucial task in the twenty-first century. This is primarily because the diminished complementarity between developmental goals and the interests of private capital, prevalent in the contemporary period, raises the level of state capacity required.

### *The Context of Development*

In spite of the fact that Sen’s development model appears to privilege individual freedoms, sufficient attention is also paid to the social context in which this development is embedded.

To this extent, Sen postulates, “there is a deep complementarity between individual agency and social arrangements” (1990: xi). There is a perceived danger, put forward by Sen’s critics, that viewing development as freedom, or as the removal of unfreedoms, may focus us too much on the individual and draw our focus away from the processes that contribute to the process of development. The reality is however, that Sen’s theorisation is quite broad in its trajectory, viewing the economic, social and political as inextricably linked factors, within which the individual exercise of freedom is given both meaning and value. To this end, he argues that the removal of sites of unfreedom: “poverty [...], tyranny, poor economic opportunities as well as systematic social deprivation, neglect of public facilities as well as intolerance or over-activity of repressive states” (Sen 1990:3) is a prerequisite of development.

In essence, this means that our ability to exercise our freedom of agency is enhanced (or constrained) by the range of social, economic and political opportunities that are made accessible to us as individuals. Sen observes that our era is marked by profound deprivation (characterised by a multitude of socio-economic ills such as poverty, famine, and denial of basic civil liberties and freedoms), and that surmounting these ills is the quintessential exercise of development. It is only within a social context that provides redress for these unfreedoms is the individual exercise of freedom, and the extension of individual capabilities possible.

Critics have actually argued that the emphasis of Sen’s model on individual agency as constrained by the environment (social, economic, political institutions) in which it is enacted conveniently elides the reality that the existence (and not merely the exercise) of such agency to a large, and very real extent, is at the same time a product of that environment. Deneulin (2005: 494) in fact argues that,

“The way individuals act, and the extent to which their actions and participation in the life of the community lead to the promotion of human wellbeing, are inextricably linked to the socio-historical context in which their capacity to act has been nurtured.”

Deneulin’s position (occupied by several others of Sen’s critics), calls for a more hermeneutical approach to development, which entails a community’s shared background providing meaning to its inhabitants’ ability to act. While this criticism is not without its merit, the Development as Freedom model does not warrant summary dismissal – it provides a rich, textured ideological framework along which to weigh initiatives, such as industrial ones in this case, to measure the extent to which they may be said to bring development.

A practical way to provide the both the necessary and the sufficient conditions that can support individual agency and the development process in general in the developing world, is the existence of effective state-society linkages. These depend on the organization of civil society as well as on the capacity of the state. The state can however also help facilitate the

organization of 'civil society', in a self-reinforcing and mutually strengthening relationship. Without the effective engagement of a broad spectrum of civil society, state-initiated efforts to promote development as capability expansion are unlikely to succeed.

### *Participation Capabilities*

Sen's theorisation provides us with a way in which development by its very definition is a participatory venture, one in which individuals can reject projects which they deem to create or reinforce sites of unfreedom in the form of externally imposed CSR development projects. A fundamental aspect of Sen's model, and one that is significant for our purposes here, is that individuals have the right to participate in key decision-making processes in matters that have the potential to affect, whether negatively or positively, their quality of life. In line with Sen's thinking, participatory development is a multi-faceted approach that places local people at the centre of development by building their capabilities in terms of having the capacity to control their own development. Within this logical framework, core principles include empowerment, local control, human rights and flexibility. Thus, it is imperative that local knowledge and perspectives are to be valued over and above those of outside 'experts'.

In keeping with the importance of prioritising local knowledge, perspectives and values, the twenty-first century developmental state needs to undertake the task of constructing shared coherent goals whose concrete implementation can then be "co-produced" by public agencies and the communities themselves (Ostrom, 1996). For example, education is co-produced by students (and their families); similarly, health is co-produced by patients, their families and their communities. The active engagement of families and communities in the delivery of these services is necessary if the investments are to produce the desired effects.

Sen's capabilities approach (in which freedoms are capabilities) details three significant aspects of the ability to meaningfully participate in community life (i.e. to participate in decision-making processes in matters which have an effect on an individual's life and the life of the people around that individual). Firstly, this ability is of immeasurable intrinsic worth, a cornerstone of the freedoms that one has reason to value (e.g. I can participate in decision making processes in matters which not only affect me, but in causes, beings, doings, which I have reason to value). Secondly the ability to participate in the life of community has the added dimension of being able both to outline and to choose those freedoms that are worth pursuing, and thirdly, it has a bearing on the construction and assignation of value and priorities, which are important for building consensus and "achieving compromises which prevent conflict" (Sen 1990:xi).

The implications of this participatory approach for the implementation of CSR are quite dynamic and are slowly being recognised by mining corporate boardrooms. It has been reported that many mining companies are beginning to incorporate some community development principles in their policies, partially in response to the increased scrutiny of company practices at a site level. In particular, mining company policy is increasingly

emphasising the notion of participatory development as a strategy for delivering sustainable benefits to local communities. If we follow Sen's approach based on the concept of community participation in decision-making, a new corporate-community relationship must emerge. This will further imply that sustaining local benefits for host communities should be a strategic focus area for the CSR of mining companies.

### *Relational Capabilities*

Interrelations between the firm and its environment are the focus of the analysis of CSR. Every firm is embedded in the complex firm-environment relationships. Firm-environment relationships can be spelled out in four ways: 1) business and society; 2) stakeholder approach; 3) corporate citizenship; and 4) social contract.

As in most liberal theories of society, John Rawls and Amartya Sen's viewpoints favour a somewhat atomistic anthropology, where each individual first seeks to develop his or her own capabilities, and only subsequently, enters into relationship with others. Sen seemingly gives priority to the defense of individual freedoms and underplays relational capabilities. Yet, critical to the specification of CSR is the consideration of the importance of relations and community. If this is the case then, the capabilities approach, when it is centered on individual freedoms, is simply too weak to specify CSR content.

However, current debates among capability approach researchers show that there may be a way to link CSR with a perspective that focuses on the capabilities of individuals and groups by defining relational freedom as the key component of a truly human life. One entry point in this regard is by way of defining personal freedom as a relational freedom that flourishes when a subject is not only independent but is both autonomous and interdependent and contributes to the implementation of social goals. This conception of freedom defined as autonomy and interdependence can be defended, as Martha Nussbaum has already shown.

In this way, capabilities approach researchers have been able to demonstrate that Sen and a number of defenders of individual freedoms do not deny the social dimension of human beings. Commentators of Sen underscore the social nature of individual freedom (Herdt and Deneulin, 2007, p. 179). As already noted, still others using the reverse approach look to see how social factors influence or even strengthen individual capabilities (Longshore Smith and Seward, 2009).

The major concern in labeling Sen's approach as overstressing the independent individual is that it seems as though there is a possibility that these theories can cultivate the illusion that people can develop their capabilities in a completely solipsistic fashion. However in defense of Sen other commentators, human life is given value (and in extension, meaning) through interaction with, and participation in a network of human relations, i.e. in a social dimension.

In developing individual freedoms with an appropriate social order, Sen articulates an anthropology that denies the utilitarian conception of the human being as a selfish maximizer

of his sole interests. Sen postulates that this model doesn't fit with real life. He suggests that on the one hand, passions are strong, and on the other hand, human beings have a moral sense; human beings have a capability of both indignation and altruistic behavior. However, Sen does not give sufficient emphasis on the altruistic capability and it is for this reason that others think that Sen's perspective is insufficient. It seems to follow along the lines of liberal atomism, which tends to downplay the idea that a truly human life is reached through human relationships and social contribution.

For Sen, human relational capabilities are rather different from people's social goals. However, one can still favour the integration of the social and inter-subjective dimension in the definition and implementation of these individual freedoms. The implementation of relational capability is a key condition of human development. For that reason concerning individual, collective, and external capabilities, Capability Approach researchers have resolved the possibility of promoting the growth and implementation of capabilities at a collective level (Foster, 2008; Ibrahim, 2006; Robeyns, 2005). They demonstrate this by analysing how some personal development can be achieved only in cooperation with other human beings, what can be termed external capabilities. In addition, they propose a way of defining some collective capabilities, which are more than the aggregation of individual ones. Finally, relational capability, which captures the relational condition of human beings involves both individual and collective capabilities. This way of analysing capabilities can be applied to the assessment of the relationships within a company and between a company and its stakeholders (Bowie and Werhane, 2005).

The foregoing analysis of the relational capability approach has consequences for the implementation of CSR and we now specify exactly what this means. Four components of this capability to be integrated into CSR networks can be distinguished in the following way:

- Developing and strengthening development planning and coordination forums and Integration into networks.
- Committing oneself to a project within a group, aimed at serving a common good, a social interest; to take part in decision making in a political society.
- Community building: Having specific attachments to others: friendship, love and finally,
- To value others' objectives, considering them as ends.

This community, common-goal and network approach has consequences for the need for coordination and the role of the local and central government. Quite often in the implementation of CSR in Zambia and in many developing areas, state and private initiatives are poorly synchronized and lack co-ordination. If CSR is to have the desired effect, there must be some form of coordination between government efforts and those of the private sector. Gulbrandsen and Moe (2007) provide an example of British Petroleum's (BP) efforts to engage the government as part of its wide-ranging initiatives to contribute to development in

Azerbaijan, even in the absence of a state-led development plan. In arguing for the development of a model of CSR aimed at promoting equity (and one which does not neglect the importance of institutional frameworks and policies), Utting (2007) shows that firms' CSR contributions, at both the corporate and the community level) can be offset by these very entities withholding key resources from the state. This can be, and has been, in the form of taxation or lobbying for macroeconomic policies (such as privatisation of services), which places them beyond the accessibility of many financially constrained consumers.

Lack of integration of the firm's activities within broader development programmes often undermines their ability to promote lasting development. Furthermore, the failure by corporations to engage governments meaningfully has made their CSR initiatives appear to lack significant impact in areas beset by a sea of social and economic problems. This poor performance of many firms as social development actors amid so many competing and ever increasing demands only serves to indicate the importance of network approaches that emphasize the primary role of the state as the key agent in poverty politics. CSR, after all, was never conceived as a tool to tackle poverty.

Thus employing the 'relational capability,' dimension to the capability approach, we aim to measure the development of an area in terms of empowerment of populations and community development cooperation. In this sense, a community is more 'developed' if its members have more opportunity to enter into relations of trust, integrate into networks, get involved in community projects, and worry about the future of their community. It quickly becomes apparent that one of the factors accounting for rising animosity between mining firms and the communities in which they are located, is a reduction of relational capabilities resulting from the existing relationship structure among the community, local government and CSR practice.

In terms of CSR implementation, a key challenge for mining companies therefore, is to find ways of promoting the increase of people's relational capabilities and to find ways of promoting development cooperation. The issue is primarily not one of increased spending on CSR projects but rather, is to change the mindset, both within the company and within local communities and local government, as a means of promoting a more co-operational and consultative type of relationship among the company, the communities, among the communities and the local government. This process will involve a new type of ethical and civic leadership, as well as a new type of moral imagination (Werhane, 1999; Bowie and Werhane, 2005), and the promotion of empathy (Rifkin, 2009). This also implies the necessity of a new way of understanding CSR-led development as the increase of relational capabilities and not of material wellbeing. From the moment that the increase of the relational capability is understood as the essential criteria of development, CSR will be conducted more effectively if it favors the relational quality of people and groups in the company and between the company and its environment.

### Strategy and Society: Linking Competitive Advantage and CSR

CSR efforts have the capacity to change the course of the war against poverty; they have the potential to meaningfully address the reality of millions of the world's poor. A key condition to fulfilling this potential (building on the logic of Sen), is the necessity of a participatory approach to CSR – one that actively consults with CSR beneficiaries. It is no secret that CSR is often conceived of as a costly exercise, one, which results in little (if any) gains to shareholders. Consequently, it is often carried out as an afterthought, and not as a core part of a business strategy. Michael Porter and Mark Kramer's 2008 Harvard Business Review article, *Strategy and Society: The Link between Competitive Advantage and Corporate Social Responsibility* challenges the mainstream assumptions surrounding CSR, arguing instead that it makes sound business sense to practice CSR. Porter and Kramer hold the view that, if approached strategically, CSR has the capacity to "generate opportunity, innovation and competitive advantage for corporations while solving social problems" (Porter and Kramer, 2007:3). The duo highlight Toyota's hybrid engine Prius as a definitive example of strategic CSR, in which the car manufacturer made use of global concerns about carbon emissions and environmental integrity to guide their creative process.

In line with Porter and Kramer, Secchi (2007) provides an analytical framework that further stresses the logic of managerial theory, emphasising corporate management in which CSR is approached by the corporation internally. This makes CSR depart from a utilitarian and managerial framework. This suggests that everything external to the corporation is taken into account for organizational decision making. Managerial theories have been divided into three sub-groups: 1) Corporate social performance (CSP); 2) Social accountability, auditing and reporting (SAAR), and 3) Social responsibility for multinationals.

*Strategy and Society* highlights two main pitfalls into which many corporations' CSR initiatives fall: they create a business vs. society dualism which is flawed due to the primary reason that their existence is interdependent rather than discretely mutually exclusive. Secondly, they continue to conform to generic notions of CSR instead of being tailor made to each corporation's individual strategy (Porter and Kramer, 2007:8). The two further claim that the insistence on this dualism blinds corporations to the fact that "[CSR] can be a source of opportunity, innovation, and competitive advantage" (Porter and Kramer 2007:79). The article recommends a framework corporations can make use of to identify both their direct and indirect effects on society (positive and negative), out of which they can select which issues to address in a range of effective ways highlighted in the course of the article.

Porter and Kramer state that the most common corporate response to social/government pressure to minimise or cushion the impact of externalities has been "neither strategic nor operational but cosmetic" (Porter and Kramer 2007:81). An important point highlighted by

the two is that in the corporate world, social initiatives are almost always referred to in monetary terms, or volunteer hours undertaken by staff, and rarely ever in terms of the actual impact created by those very initiatives. They discount the four dominant reasons for practicing CSR touted in the mainstream: moral obligation<sup>1</sup>, license to operate, reputation and sustainability, arguing that while these four are not without merit, they do not confer the same opportunities that strategic CSR does. While it is true that there is increased state and community pressure for companies to operate in an ethical and sustainable manner, Porter and Kramer argue that merely attempting to appease public pressure groups has the unfortunate effect of being defensive, ill-thought out and therefore short term. They therefore argue that the previously mentioned four reasons for CSR all fall prey to the same shortcoming, they stem from the perceived tension between business and society.

The model Porter and Kramer advocate is one which recognises that successful corporations require a healthy society, and in turn, a healthy society is dependent in successful companies. This interdependence calls for the pursuit of the principle of shared value, wherein both society and business pursue mutually beneficial policies. Shared value, Porter and Kramer argue, requires companies to “integrate a social perspective into the core frameworks [used] to understand competition and guide business strategy” (Porter and Kramer 2007:84). To do this, corporate firms must recognise that the competitive context can be a pool for CSR initiatives, and choose to address social issues which are directly in line with the company’s business.

Porter and Kramer highlight three categories into which social issues fall. Firstly, generic social issues, which while important, are neither exacerbated by nor influence the company’s competitiveness in the long term. Secondly, value chain social impacts, which are social issues that are significantly affected by the company’s daily activities. Thirdly are the social dimensions of the competitive context, in which factors in the company’s host environment meaningfully impact on “the underlying drivers of competitiveness” (85). Once appropriately categorised, these social issues (the ones most salient to a firm’s sphere of operation) should be used to create a corporate social agenda which seeks mutually beneficial social and economic opportunities. This cannot merely be a cosmetic process though, Porter and Kramer maintain that there should be a substantial shift of corporate resources to strategic CSR, requiring it to be a company wide effort. In this model, a successful CSR strategy hinges on two fundamental aspects, Responsive CSR and Strategic CSR. The former encompasses good corporate citizenship (characterized by clearly set and measurable goals) and putting in place measures to mitigate any harm that results from a company’s value chain activities. Strategic CSR entails applying the principles which underlie business (i.e. “doing things differently from

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<sup>1</sup> Moral obligation refers to the view that companies are duty-bound to be good citizens bound to operate within the ethical and moral codes of the host community. The sustainability approach places emphasis on both community and environmental stewardship, License to operate, the third angle, argues that companies require the tacit permission of a variety of stakeholder including the government and the community to operate, while the reputation approach claims that CSR improves and strengthens a company’s image (Porter and Kramer, 2007:81).

competitors in a way that lowers costs or better serves a particular set of customer needs” (Porter and Kramer 2007: 88) to a model which is cognizant of the interdependent nature of society and business. Toyota’s electric/gasoline hybrid Prius is cited as an example of the rewards of strategic CSR – the company’s response to global concerns about the motor vehicle industry and carbon emissions. The Prius is demonstrative of the potential of CSR to create shared value by “investing in social aspects of context that strengthen company competitiveness” (Porter and Kramer, 2007:89). Given Toyota’s market share of the motor vehicle industry, the company’s CSR approach certainly seems like a model which should be held up for emulation.

Based on the Toyota example, as well as other examples of strategic CSR in practice, *Strategy and Society* shows that CSR becomes an ingrained activity of a company, part of the day to day business when “value chain practices and investments in competitive context are fully integrated” (Porter and Kramer, 2007:89). Finally, Porter and Kramer state that strategic CSR can only occur when a social dimension is added to a company’s value proposition (the set of needs which that company can meet which others cannot). The overall effect is business strategy which creates a long term social impact, again here, Toyota’s Prius seems to be an example which stands out as a brilliant strategic CSR result, not only does it increase the company’s revenue, but it continues to be a model of environmentally responsible motor-vehicle manufacturing in the public eye.

### **CSR in Developing Countries**

A survey of developing country CSR literature reveals some common features in regard to the development and practice of CSR in developing countries. This literature can be analysed using three rubrics, namely a) developing countries’ context (Reed, 2002); the role of MNCs (Jamali, 2010) and c) the role of the state (Fox, 2004). Such kind of analysis will help us to see the variations in the way companies address CSR issues in general but especially in developing countries (Blowfield, 2005). This is what in the final analysis will point to a need to revisit the meaning of development in developing countries and the role of CSR in the process of development (Frynas, 2005).

### **The Context and Setting of Developing Countries**

Developing countries’ specific contexts provide unique circumstances in which companies face business and society concerns (Muthuri & Gilbert, 2011). It has been claimed that overall CSR literature does not entirely reflect the reality of developing countries. Reed argues: “there has been relatively little work on how corporate responsibilities may change when firms operate under the different circumstances that tend to typify developing countries” (2002: 166). This is because corporate social responsibilities may tend to increase when companies operate in developing countries (Chapple & Moon, 2005; Fox, 2004; Kooskora, 2006; Muthuri & Gilbert, 2011; Reed, 2002). A large body of emerging CSR literature hints at the fact that developing countries differ from developed nations and require a different approach (see for example Blowfield & Frynas, 2005).

Lindgreen et al., (2009) and Visser (2008) rightly observe that this is because different countries have different economic, political, social, and cultural settings, where corporations operate and relate to their stakeholders. It is thus incumbent upon companies to take into account indigenous traits when they run a CSR program, especially in the case of MNCs that have to adapt policies imported from their headquarters (Amaeshi et al., 2006). If they do not do so, corporations run the danger of implementing CSR that will bolster and reproduce values and perspectives that are not in the interests of developing economies or the poor and marginalised” (Blowfield and Frynas, 2005: 510).

Authors have also pointed to a variety of drivers of CSR in developing countries that make each particular setting or context unique. For example Visser (2008) notes that the various drivers of CSR include cultural traditions, crisis responsiveness, governance gaps, stakeholder activism, investment incentives, and political reforms.

Pervasive uncertainty and abrupt changes in rules and contracts (Peng, 2003) also contribute to making operating in developing countries different from operation in ‘developed’ countries. Added to the uncertainty are social problems, such as poverty, social exclusion, and illiteracy, which are widely pervasive in these contexts. These social problems are compounded by idiosyncratic economic and political instability (Idemudia, 2011); Newell & Muro, 2006). For this reason, understanding the evolving nature of CSR in developing countries hinges on understanding, and placing in context, the role, reach and presence of the state in these countries.

### **The Role of The State**

Despite the lack of engagement with the state defining many CSR initiatives, evident in their emphasis on voluntarism and self-regulation, designing anti-poverty strategies that will help to contribute to poverty alleviation remains the responsibility of the state. Therefore, in the current literature, Government, and indeed governance, has been depicted as an influential factor useful in understanding CSR in developing countries. The three paramount issues addressed by current literature are a) Governments’ weakness to enforce CSR practices, b) the positive impact of State regulation on CSR promotion, and c) the agency role of Government to ensure social and sustainable development.

The State’s role is described in the literature as mandating, facilitating, and serving as a partner (Fox, 2004). In most developing countries, however the State neglects its role and governments typically fail to meet basic human needs (Valente & Crane, 2010). This failure of the state to play its role in providing basic needs leaves local communities expecting the corporations to take up that role; the inaction of government undermines government authority.

In many a developing country context, CSR is not on the government’s agendas (Jamali, 2010). Thus, governments even fail to provide regulation and commitment to environmental issues

and mega corporations pollute the environment (Özen and Küskü, 2009) with impunity. In order to offset governments' failure to regulate and facilitate CSR efforts, MNCs become key agents in the dissemination of CSR practices themselves. Companies then replace the role of the state and engage in self-regulation as they seek to replace traditional state regulation (Graham & Woods, 2006). Some claim that this is because firms are looking for efficiency and want to avoid "government risks" (Muthuri & Gilbert, 2011).

It has been found that where there is lack of government regulations on CSR issues, new regulation changes institutional environments dramatically (Arya & Zhang, 2009). Graham and Woods (2006) have observed that in situations of MNCs' self-regulation efforts, these firms usually replicate international contexts where governments provide some regulation, this helps to contextualise CSR initiatives. In some cases, governments use economic instruments to promote good CSR. Governments in such contexts offer tax reductions as well as free training on CSR initiatives (Coutinho de Arruda, 2009). Authors have however pointed out the need for serious and active government regulation. Idemudia (2011) opines that, first government needs to devise a national policy framework to support CSR initiatives. Second, in a developing country context where government presence and supervision is weak, there is need to strengthen and support the institutional and technical capacities of local civil society groups that can demand and monitor CSR practices.

It has however been pointed out that if CSR is to assume the role it should have in supporting the development process in poor countries, governments should naturally be responsible for social issues (Blowfield, 2005; Gifford & Kestler, 2008; Ite, 2004). It has been claimed that in many developing places MNCs efforts to improve social conditions are thwarted by the government's failure to assume basic responsibilities in education and health, as was the case in the Niger Delta (Ite, 2004). In their study of a mining company in Peru, Glifford and Kestler (2008) came to the same conclusion.

The role of government in setting out the CSR agenda in developing countries cannot be overemphasised. As Blowfield noted, governments are responsible for setting the conditions for long-term development processes. He further stressed that "even when CSR makes a positive contribution to development goals, there will still be gaps that need to be tackled by government and civil society" (2005: 523). We have thus seen that a survey of current literature on CSR demonstrates that in the developing country context the presence and role of the Government (absent or proactive) is an important element in understanding the workings of CSR.

### **MNCs and CSR**

In determining CSR practice and outcomes in developing countries, a survey of literature reveals that the relationship between MNCs and the context within which they operate is mutually influential; MNCs affect and are affected by local settings, in the same way, local settings affect and are affected by MNCs. A study of the available literature further reveals

four major perspectives. First, it was found that MNCs especially those in the extractive industry use CSR programs to acquire legitimacy and social license to operate. Second, the tension arising within MNCs when they make efforts to comply with an international CSR agenda while meeting local social expectations and CSR demands. Third, while MNCs have great power (resources and networks) to implement CSR programs, they cannot solve all social problems (like lack of social services, poverty, among others) by themselves. This means that they need the partnership of governments and civil society organisations in their efforts to contribute to the development processes. This is important as MNCs are targeted in contexts where governments fail to provide physical and social infrastructure. Fourth, is the reality of corporate social irresponsibility of MNCs.

### *Social License to Operate*

The developing country context is marked by unmet development promises, leaving populations angry at, and distrustful of business. In such contexts multinational subsidiaries need to acquire a social license to operate, as local approval does not come automatically. MNCs can no longer rely on legal and normative frameworks of nation states to ensure the legitimacy of their activities (Rwabizambuga, 2007). The challenge however remains the increasing difficulty of sustaining this legitimacy in contexts where there are legal and institutional gaps.

More and more, in developing country settings, MNCs are under heavy media and NGO (local and international) scrutiny especially with regard to labour and environmental issues (Gifford et al., 2010; Jamali, 2010). The best option for MNCs to acquire legitimacy in such contexts is stakeholder dialogue and engagement in CSR formulation and implementation (Gifford & Kestler, 2008; Gifford et al., 2010). As part of this strategy, MNCs invite local communities and NGOs to participate in projects and programmes and as such corporate foundations are created to manage pre-established programs (Gifford et al., 2010). In such contexts some take such MNC engagements as mere green washing and mere PR tools.

### *The Global-Local Tension*

MNCs' CSR agenda, in developing country settings, struggles with tensions between global and local expectations (Gugler & Shi, 2009). Companies face international pressures to adopt international conduct standards and to self-regulate their behavior, and at the same time are expected to embrace local CSR issues (Husted & Allen, 2006; Graham & Woods, 2006). In these settings, because of cultural gaps and a misunderstanding of social needs, tension can arise and therefore need arises to adjust CSR programs to local needs (Wiig & Kolstad, 2010). This tension between international and local strategies is a serious matter. In many instances it has led to animosity between firms and communities, it hinders the improvement of CSR practices and occasions disappointment in communities.

MNCs have great power in the form of resources and networks. Thus they have a great impact on local economies in developing countries. They create jobs, build capacity, improve and

transfer technology, and professionalize suppliers (Ite, 2004). From a normative point of view, following Tavis (1997) and Reed (2002), the Kew Gardens Principles broaden MNCs' responsibilities in developing countries: The proximity of MNCs to social needs, their capabilities (capability), and the failures of the State increase their responsibility to address social problems. Communities expect them to do so. Therefore, in developing countries the role of MNCs has become more prominent than elsewhere. This is more so in countries like Congo and Zambia, where former state-owned corporations that are now privatised used to provide the basic necessities and social services and fostered a legacy of dependence. In such settings MNCs are expected to provide some social services and welfare programs in addition to their normal economic activities (Eweje, 2006: 94).

In most developing countries both central and local governments fail to formulate and enforce CSR regulation. With such gaps and given the power and reach of MNCs, the boundaries of the latter's responsibilities are not clearly demarcated. Thus MNCs in developing countries have a public responsibility. In such a setting there arises a need for the development of a model to explain this responsibility. Valente and Crane (2010) propose four different kinds of situation-dependent public responsibility strategies in their implementation of CSR namely, a) to supplement), b) to substitute c) to support), or to stimulate.

Given the wide scope of institutional gaps, poverty and social exclusion in developing areas, MNCs have to tackle a wide range of issues (Frynas, 2005; Eweje, 2006). However, authors agree that it is impossible for MNCs to remedy developing countries social problems by themselves. In this light one of their greatest contributions that is expected of them is to initiate, contribute to, or support development of social networks and alliances that will transfer capabilities rather than resources (Wiig & Kolstad, 2010).

Informed by the capability approach and the foregoing literature review, this study proposes that any CSR-led sustainable development in the developing areas should be one that takes seriously four key ingredients of the development process, namely:

- a) The Context for Development
- b) Promoting Participation
- c) Development Coordination and
- d) The Role of the State

## **METHODOLOGY**

The study's fieldwork was conducted over three weeks in the Solwezi District of the North-western Province during March 2015 and over another three weeks during March 2016. Data were collected in both English and local languages.

### **Research Participants**

100 households were interviewed over the eight villages/communities including a community from Solwezi central. Added to these were 15 key informants from government wings, local government, quasi-government agencies, civil service, mining companies and traditional leadership. Six researchers collected the data, which mainly originated from interviews conducted in the selected communities in Solwezi. These included the communities of Musele Village, Kisasa, Kakaindu, Kapumuna Village, Manyama, Muzabula Compound, Mushitala, Kabwela and Solwezi central town. Community stakeholders interviewed included women, youth groups, elders, marketers/business people, farmers and local leaders. The stakeholder groups were identified with the help of local community-based organisations, such as Caritas of the Catholic Diocese of Solwezi.

### **Data Collection Methods**

This study took a predominantly qualitative approach but it required a supplementation of quantitative data. The quantitative data that was collected and generated helped the researcher to gather information from participants in numbers, which are measurable and standardised while qualitative methods helped the researcher to establish certain connections and to explore the meanings of people's worlds. For example quantifiable data on local people's asset holdings before and after the development of the mine at Kalumbila was gathered to complement qualitative information about how the presence of the mine has reshaped the local livelihoods trajectories. Thus, it was useful to use a combination of both quantitative and qualitative methods so that a comprehensive analysis of the situation and local people's experiences could be captured with sufficient depth.

Quantitative data was in fact generated from the information based on the argument that not all quantitative data starts out as numerical and what makes it quantitative is the way it is treated. Therefore, quantitative data used was generated from the information gathered, especially on asset holdings of the participants and thus assigned codes to it to generate comparable data. This activity involved the process of numerical transformation of the data in preparation for analysis in order to present them in numerical and tabular form.

Triangulation was important in data collection as it both offered a better understanding of the subject of the research and also to ensure that the methods or measurements used will not share the same biases. Thus this study utilised methods such as semi-structured interviews, structured interviews and focus groups.

### **Sources of Information**

The research used both primary and secondary sources of information. Primary sources provided information on the experiences of local people as they relate to the research parameters of the study. In addition, some primary information on policy and contextual issues was derived from relevant government and quasi government wings such as the Province central administration, the local authority and the Zambia Environmental Management Agency (ZEMA). Barrick Lumwana the owner and operator of Lumwana mine

and First Quantum Minerals Limited (FQM Ltd.) as the owner and operator of Kansanshi and Kalumbila Mines was also contacted to provide relevant information about the mines and their interaction with local communities, government and other relevant stakeholders. Techniques applied to gather primary information were semi-structured, structured interviews and focus group discussions (FGD). Secondary information was drawn from government documents, individual publications, and publication from the mining companies and from non-governmental organisations.

### **Data Analysis**

The data collected was analysed manually, acknowledging the need to account for the quantitative and qualitative data that had been gathered. Interview data was collected and analysed using an inductive qualitative research approach, which begins with generative questions that guide the research but are not limiting or confining. Thus, as data was gathered, core concepts and themes were identified, coded and linkages were developed. An inductive approach was used because it helps to (a) condense raw textual data into a brief, summary format; (b) establish clear links between the evaluation or research objectives and the summary findings derived from the raw data; and (c) develop a framework of the underlying structure of experiences or processes that are evident in the raw data. The general inductive approach provides an easily used and systematic set of procedures for analysing qualitative data that can produce reliable and valid findings.

One of the strengths of the inductive approach is that a 'perception gap analysis' is undertaken, so that the differing perspectives of stakeholder groups can be assessed and compared. However, the confidence and relevance of this research is dependent upon interview techniques and sampling strategies, as well as establishing reflexive understanding through comparing patterns of these data (Bauer and Gaskell, 2000). Limitations of this inductive approach include the time available for data collection and the influence of the researcher in the interview/group discussion. Several steps were taken to mitigate these biases: 1) substantial and detailed secondary data was reviewed; 2) the researcher combined local knowledge with his international experience; 3) the data gatherers received training prior to the study; 4) the researchers took time to discuss emerging findings with practitioners on the ground 5) daily summaries of interview data as well as coding and discussion sessions facilitated reflexive understanding; and 6) validation workshops were held for the community, company and local government representatives. Nevertheless, the information generated during the study exhibited a high degree of consistency within and across the different groups, thus we have confidence in the research findings.

### **Ethical Considerations**

This study was conducted with the awareness that research participants are at the centre rather than the researcher. This is what guided both the design and implementation of this research. Therefore, in interacting with research participants the physical, psychological and

emotional well being of participants was given sufficient consideration. The ethical principles that guided this research were the following:

- Respect for persons,
- Informed and voluntary consent (of the participants),
- Confidentiality/Anonymity/Privacy (of data and the individuals providing it, as well as the notion of collective ownership of the process and data),
- Minimising of harm (to participants, researchers, institutions, and groups),
- Truthfulness (the avoidance of unnecessary deception),
- Avoidance of conflict of interest, and
- Social sensitivity (to the age, gender, culture, religion, social-class of the subjects)

Confidentiality and anonymity of the participants were highly emphasised in order to protect their privacy. However, fieldwork was undertaken with the understanding that there is a difference between anonymity and confidentiality. Interviewees were informed on confidentiality measures considered under the study and these include: (i) no direct references to informants in the research report or any other communication produced in the context of the study; (ii) presentation of information avoiding indirect attribution of information to informants; (iii) the exception to the above being public information shared by organizations during the interviews on past or on-going interventions or plans or information publicly disseminated in reports, internet, the media, or other public communication channels. Obtaining verbal informed consent from all participants was a pre-requisite for all interviews. The researcher provided his contact details and invited participants to contact him should there be any further information they would like to share within a 1-2 week period following the interview.

### **Study Limitations**

Although the researcher made every effort to ensure that interviews covered all relevant stakeholder groups, there were a few of gaps. Due to time and other limitations, the researcher did not reach all the areas and individuals that he wanted to reach. It was not possible to meet any parliamentarians especially any from Public Accounts Committee. The researcher had arranged to meet two key ministers but due to unforeseen circumstances those meetings did not take place and so there was minimal contact with the central government.

## **RESEARCH FINDINGS**

### **A General Outline of The CSR of Extractive Industries In Zambia**

In this section we present the CSR practices of mining companies in the Northwestern Province of Zambia focusing on two main approaches, namely community investment, social development and local economic development. The objective of presenting these practices is to contextualise CSR practices of extractive firms in Zambia under the scope of CSR practices

in developing countries. In the presentation of CSR in developing countries in the literature review, we analysed the general specification of CSR practices in the wider developing world contexts. In presenting these CSR practices in this section, we intend to answer to the questions: what CSR practices are Zambian mining firms engaging? What are the common features and differences of these practices among the different mining firms?

### **Community-oriented CSR**

Community-oriented CSR is the most common among all the companies in the sample. CSR could be understood in part as an evolution of corporate philanthropy (Carroll, 1999), and following this idea is natural that practices within the community are the main domain of CSR in Zambia. It must be stressed that corporate philanthropy is very significant in developing countries like Zambia, where social problems such as poverty, exclusion, illiteracy, and unemployment are rife and affect the agenda of all social actors.

### **Education Programmes**

Within this context, the most common programs with the community are educational programs. By educational programs the study refers to general support to public schools or particular support to teachers or a tailor-made project in any specific area. Working on educational matters is high on the list of the firms and among different social actors as one of the best ways to develop society, and in that sense helps to acquire social legitimation.

With regard to education, some mining company-sponsored classroom blocks have been built in a number of places especially those around the mining hubs or even in surrounding areas. In addition, the mining firms have refurbished and equipped school laboratories, built school dormitories and secured funding for new electrical cooking pots in college and high school kitchens. They have also upgraded some trades training centres and erected community schools.

In addition, all the companies run programs to raise awareness among children around sustainable agriculture, business entrepreneurship, use of water, and the use of energy. General donations to schools of equipment like computers and furniture are not included here. This type of practice is included classified as general charity.

### **Health Programmes**

Health programs are also very common CSR programs among the mining firms in the sample. Health programs refer to the support to public hospitals, a sustained work with some local diseases (e.g. HIV and AIDS), and prevention programs within vulnerable populations, among others. Healthcare projects that were identified by FQM and LMC staff were the companies' efforts to facilitate community access to clean water through the construction of several water wells. In addition, they have implemented community HIV/AIDS projects in addition to measles campaigns, anti-cholera water purification campaigns and malaria prevention programmes. There is also a plethora of health-related infrastructure projects that were

identified as having been implemented. These include the training for traditional birth attendants, the upgrading of the main Hospital in the area (US\$2.2 million) by Kansanshi FQM; the renovation of various clinics in the area, in addition to the construction of health posts in several localities.

Another form of CSR practice that is becoming quite common is the prevention of early marriages. The mining firm, First Quantum Minerals, is working with local chiefs in working toward the end to early marriages, which are quite rampant.

### **Social and Economic Development Projects**

Among social and economic development projects, what stands out is support given to infrastructure development. Regarding support to infrastructure development, the key informants reported that there existed a variety of projects, which have been or will be undertaken. These include several construction projects such as the construction and improvement of bridges, repair and upgrading of local road infrastructure.

In terms of enterprise development, FQM supports projects in the areas of bee keeping, conservation farming, fish and vegetable farming, and poultry rearing. Through the Local Contractor Development (LCD) programme the mining firms have facilitated the training of local contractors in numerous practices and standards such as safety and health, human rights and the environment. Participants are also taught how to submit tender offers, maintain records electronically, obtain trade certifications, and procure equipment, tools and clothing that meet firms' standards.

### **CSR: How the Mining Firms See It**

Following the Friedman doctrine that the primary obligation of firms is to make profits for shareholders, mining firms argue that deliberate interventions by governments and donors aimed at harnessing business towards the aims of poverty alleviation are misplaced. This is primarily because, they argue, business already contributes in the most direct way it can to poverty reduction efforts through 'business-as-usual' investments, employment and payment of taxation. The companies see their role as corporate citizens through their activities that they deem to have the potential to be a catalyst for positive social and economic development in the host communities, in Solwezi and Zambia at large. The firms contend that their various activities manifest their corporate citizenship in many ways that include creating local employment opportunities, purchasing from local suppliers, contributing to infrastructure and institutional development, improving access to education and basic health services, and making significant contributions to tax revenues.

Therefore, with regards to the mine's economic impact on the host community, the companies' respondents held that there existed a number of positive developments, particularly in the field of employment regardless of community concerns over the lack of local employment opportunities. In this regard the firms and their contractors insisted that

the large majority of workers were Zambian but even more they were concerned about giving more opportunities to the local people. Highlighting a barrier to local employment opportunities, both the firms and local government respondents attributed the low level of local population job intake to low levels of education among local community members.

The companies' respondents further reported that the mining companies respond to the socio-economic issues that are prevalent in the communities, district, region and country within which they operate. The endeavours in this regard are meant to make significant social contributions to all of the communities, which house their operations. For example, one mining firm highlighted the creation of approximately 5 000 jobs for local people and contractors. The tax contributions (excluding PAYE and Council Tax) were also highlighted as a major contribution of the company. The company observed that from 2005 to 2013 the amount of tax it paid represented on average 15 Percent of total taxes paid in Zambia. In 2011, the company's tax payments accounted for 22 percent of all taxes paid in Zambia. This high proportion can be explained by a number of factors. First and most importantly, new tax rates that were introduced in 2008 came into force in 2011. In 2011 company tax increased from 25 to 30 percent, and mineral royalties increased from 0.6 percent to 3 percent. As well as the new rates for 2011, mining companies were required to pay all arrears arising from the 2008 changes for 2008-2010. In addition, the government further introduced a variable profit tax and windfall tax.

The Companies further reported that of their entire spending in purchases of goods and services, approximately 92 to 94 percent of that is spent in Zambia. The remaining 6 percent is spent on goods and services that cannot be sourced in Zambia. Unfortunately, the bulk of this spending goes out of local areas and region to other areas that can provide the needed suppliers on account of lack of local capacity. However, the firms stated that the largest component of both FQM and LMC CSR is the social component covering community engagement and impact assessment, facilitating broader poverty alleviation, human rights management and social infrastructure development like school or hospital rehabilitation and in a few cases erection of teachers' houses in rural schools.

### **Perception Gap analysis**

In spite of all the afore-outlined CSR initiatives and activities, there was a discernible perception gap between communities and the companies, which was determined through the assessment of the rapport between communities and the companies. The rapport between the mining companies and the communities was assessed as poor. On a scale of 1 – 5, participants (N=100) were asked to rate their trust in and acceptance of the mining companies in Solwezi (very low, very high). The average result was very low (1.9)

A question would arise as to why this was the case. Several reasons can be given for this state of affairs but by and large they have to do with high community expectations and vast needs in communities that cannot be completely met by the mines on their own. But in addition, it

appears that in the past the mining companies have generally taken an ad hoc approach to community development through their CSR projects. Although the mines can make such a long list of its interventions in communities, which have been applauded by a number of key stakeholders including the local and central government and rightly so, communities consistently identified lack of consultation, lack of project follow up and lack of coherency among projects, and 'unfulfilled expectations and promises' as significant barriers. It is for this reason that critiques often identify short-sighted and paternalistic approaches of extractive firms as the root cause of suboptimal community development outcomes.

Secondly, in keeping with arguments raised by other commentators who highlight the fact that although locals are interested in the environmental consequences of mining and other issues that mining CSR addresses, it was also found that what is more pressing from the communities' perspective are the social and economic impacts of mining. Therefore, while issues like the environment are crucial and should bear high consideration, mining companies ought to be awake to the fact that these issues do not feature as high on the agenda of community members as do employment concerns. It is therefore no wonder that consistently, issues highlighted by communities pertained to employment. The mining companies should strive to source and to encourage contractors to source as much casual labour from local communities where possible and should require contractors to adhere to their hiring policies instead of simply encouraging them. Even when and where this is not tenable new ways of creating understanding among communities should be sought.

Fourthly, because of the way some mining projects have been embarked on, and due to the way the negative externalities of project implementation have been dealt with in the past, interviews revealed a perception of the mines' CSR as mere greenwashing. One of the chiefs and some community members made reference to the New Israel resettlement in 2005; it appears little was done to follow International Finance Corporation (IFC) and World Bank resettlement guidelines on physical and economic displacement related to land acquisition and involuntary displacement. As will be noted below, another example given was the Kalumbila displacement of a whole village resulting in the contentious resettlement and the already alluded to Chisola Dam. A FGD detailed the harsh environmental impacts of the Kalumbila Mine project that have been allowed in the name of development. A senior forestry officer confirmed that the Chisola Dam will reduce the forest cover of the Lualaba Forest and it will ultimately impact the volume of the Kabompo River into which the Chisola River flows. The community members assert that the loss they incur in what they give up cannot measure up to what is given in CSR.

### **Analysis of Findings**

The objective of this section is to discuss the findings concerning the key propositions of this study in regard to the development of a development-focused CSR. The key propositions in this regard are identified as the four key ingredients to developing a CSR that can promote

sustainable development. These are:

- e) Setting and Context for Development
- f) Participation
- g) Development Coordination and
- h) The Role of the State

### **The Context for CSR in Zambia**

In Zambia, the current CSR models assume responsive business interested in CSR, an active civil society and capable citizens willing to enter into partnership with business and a strong state able to provide an enabling environment for CSR. But these conditions are absent especially in the rural Northwestern Province, the 'New Copperbelt'. The bulk of NGOs in Zambia operate from urban areas, especially from Lusaka. There are less than ten NGOs working on mining issues in Northwestern Province where three of the largest mining companies operate. Working through and with civil society to deliver meaningful community development is not an option in settings of weak and under-developed civil society or where democratic space does not exist and freedom of speech is curtailed.

Despite the prevalence of a plethora of issues around the extractive industry and the increasing concern for enhanced public and corporate accountability in the New Copperbelt, there are virtually no grassroots people's movements on the ground. At any rate, there are some CSO groups housed in Solwezi that are doing some work around corporate and public accountability but given the amount of work involved, they are too few, and the linkages among them are very weak, making them unequal to the challenge. A few other groups are involved in promoting corporate and government accountability, but they are not housed in Solwezi, although they still do some work there.

At the national and international level, there are some civil-society think tanks and organizations with an interest in the production of research and advocacy papers around extractives. One of the more established of these appears to be Action Aid, which has in the recent past collaborated with some civil society groups around critical justice issues that include issues of the environment and displacement of populations. In general, however, the linkages among these civil society actors are weak and there is little resulting follow through on issues. Critical issues of justice like displacement of populations have gone forgotten without much engagement by civil society.

In order to strengthen corporate and government accountability, there is need for stronger linkages between local civil society organizations (CSOs) and national/international non-governmental organizations (NGOs) to enable communities around the mine to share experiences, lessons learned, and effective company and local government engagement strategies.

With regard to the legal architecture, Zambia is said to have one of the best environmental

laws, policies and standards on paper. However, despite strong legislation on environmental issues, pollution control and enforcement of environmental standards at both regional and state level are very weak. Such a state of affairs creates an important role for community-based monitoring and enforcement. Community protests in the Kalumbila area and an almost total neglect of mine areas there by government agencies have forced foreign mining firms to invest in basic social infrastructure, including building roads, schools and hospitals, performing state-like roles which would be inconceivable and perhaps considered illegitimate in other countries.

### Participation

Most of CSR initiatives and reporting is focused on outcomes and numbers. The capability approach framework guiding this paper emphasises the importance of process in CSR initiatives if they are to benefit poorer and marginalised groups. Promoting participation by engaging the intended beneficiaries is key in this respect through participatory processes of design, enforcement and evaluation. Gender issues in many ways exemplify some of the problems associated with current CSR approaches. At the design stage, the neglect of gender issues often means codes of conduct fail to address the unique needs of women who tend to be among the most marginalised segment of population. A gendered reading of CSR initiatives, points to the need to go beyond the fetishisation of women to explore the deeper political and structural roots of gender inequality.

There is a good example of stakeholder engagement that was reported on, the Lumwana Trust Fund (LTF), which is a consultative board of the local chiefs, Lumwana Mine, government and community representatives. The LTF manages the infrastructure development of Lumwana Mine CSR. The idea is that all infrastructure development projects are to be decided upon by the LTF in close consultation with the community.

However, there were more reports of lack of consultation than those that spoke of consultation. A traditional leader pointed to the lack of consultation by mining companies when they want to set up a social project though he quickly recognised that this was slowly changing and getting better. He gave an example of the development of the Kazhiba Clinic in his chiefdom, which he deemed was arrived at without any consultation except from Google map. He mentioned that it was a very good project but it was badly located and may likely turn into a white elephant given that initial preparations were not taken care of like consultation with government health planning section, with the Chief and community. The kind and size of the clinic is rather too big for the population of the area and government may struggle to send the requisite personnel to operate such a project.

Another project the chief pointed to was the Kabitaka Housing Project, which Kansanshi Mining Company wanted to rush without sufficient consultation with traditional authority given that it was sitting on customary land. The Chief bemoaned the fact that several similar projects have taken place that have placed the mining companies at odds with communities,

and in this way mining communities have risked losing their social license.

However, as already noted, the Chief observed that the mining firm had made tremendous improvements in its capacity and style of community engagement and consultation. The Chief observed that the failure of consultation could be attributed to the corporations' initial excessive faith in the state's legal processes to the neglect of traditional laws and customs that remain vital for the life of communities and the companies' social license to operate.

Even modestly successful CSR programmes often ignore the priorities of marginalised groups, such as freedom of association for workers. From this perspective, conventional CSR tools have only limited potential to address the forms of exclusion that keep marginalised groups in a condition of poverty.

In regard to consultation in decision making processes, community representatives for this study were asked to rate the extent to which they agreed with the notion that the community's inhabitants had been given room to participate in the decisions made by the mining company, especially in decisions affecting community settlement. 75% of those interviewed (N = 100) indicated that they felt they were sidelined in the process of decision making and that the mining companies did not consult them. They asserted that the mining companies did not even share their plans with the communities. One respondent in Musele complained that,

*"Mining companies simply came to tell us what they wanted to do but never came to consult us; we cannot go to the mining companies and share with them what we feel they should be doing".*

In terms of building a consensus in the implementation of development initiatives, these were found to be inherently political and conflicting, as the actors involved have competing priorities and different ideas about how to achieve them. This is in contrast to management models, which often assume equality between stakeholders and that conflict amounts to differences of opinion, resolvable through dialogue, rather than fundamental differences of interest, which are much harder to resolve. Technical and tick-box approaches to CSR

### **Development Coordination (Enhancing Relational Capabilities)**

We have noted that current debates among capability approach researchers show that there may be a way to link CSR with a perspective that focuses on the capabilities of individuals and groups by defining relational freedom as the key component of a truly human life. Lack of integration of firm activities within broader development programmes often undermines their ability to promote lasting development. Furthermore, the failure by corporations to meaningfully engage governments has made their CSR initiatives to appear to be without impact in areas beset by a sea of social and economic problems.

With regard to dialogue on and coordination of CSR projects among the government, corporates, communities and traditional leaders, it was found that there is no coordinated effort in this regard but there are a number of opportunities where this dialogue could have been and could still be made possible. One opportunity has been through the Environmental and Social Impact Assessment (ESIA). However one Chief pointed out that the weakness with ESIA's is that they come after initial consultations and decisions between investors and the central government would have already taken place.

Another opportunity that exists is through the DDCC and the PDCC. One of the major gaps in Zambia is that the state and private initiatives poorly cohere or lack co-ordination. This is irrespective of the fact that there exists opportunities for such coordination to take place through what is called the district development coordinating committee (DDCC) at district level and the Provincial Development Coordinating Committee (PDCC) at regional level. These are multi-stakeholder forums that involve a wide range of government departments, civil society groups and relevant organisations within the district.

Despite the existence of these mechanisms, poor communication and information flow between interested parties such as government, the mining company, and the locals were found to be still rampant. The DDCC and the PDCC are perceived to be a toothless institution that one official of the district council described as mere 'talk shows'. Two senior local government officers reported that whenever the mining companies wanted to do anything, they simply dealt with a relevant government agency or ministry directly; there is no multilateral dialogue brokered among corporate, communities, the media, traditional and the religious leaders. The key informants from both central and local government reported that the government by and large only dealt with the mining companies when there was a contentious issue like the retrenchment of workers. The mining companies have on a number of occasions conducted separate meetings with government, local authorities and traditional leaders.

Therefore, if there is any communication that takes place, it is usually bilateral (between a government agency or representative and the mining company). It was established that the outcomes of the meetings are rarely communicated to community members. Communities reported that they hear of government officials and local representatives coming to dialogue with the mining companies but they never see these leaders themselves. In the process, the locals felt that neither government nor the mining companies were interested in their welfare and that government was only interested in the investors because of the material gain they extract from the mining company in revenue.

We therefore found that there was lack of coordination of development prevalent in several other issues, causing strain in company-local government (particularly FQM), and company-community relations. What has strained these relations in the past is the perceived inadequate consultation among communities, some chiefs and local authorities on the part

of the mines. Such tensions in relations may equally contribute to the low impact of the contribution of the mines to the communities. According to interviews from provincial and local government officials and some chiefs, the interactions between the company and local council started out very poorly. For example one senior traditional leader observed that:

*'Kansanshi Mining Company overlooked the traditional and customary laws and only believed in civil law. They believed in the power of money; they always began every process from Lusaka ignoring us here'*

Furthermore, both the chiefs and local government officials observed that the local administration, both traditional and civil, is not consulted by the mines when they begin new projects of macro-scale. The mines always begin from Lusaka and from central government and in the process, at the inception of projects the local government and traditional leadership are left out of the equation until the time of the ESIA. It is no secret that neither the chiefs nor the local authorities were invited to participate in the formulation of development agreements between the mines and higher levels of government. There are other arrangements that a Chief and local government officials pointed to that were worked out from Lusaka without much local consultation, among them as it shall be pointed out later, the decision to allow Kalumbila mine to proceed with the Chisola Dam. Interviews revealed that even local people are aware of this imbalance and the perception among the local people is that there is lack of transparency on the part of the mines and central government. This outcome has resulted in the emergence of an antagonistic relationship between certain sections of traditional leadership and the mining companies as well as between the local council and the mining companies.

In this light we find that if local government (traditional and civil) - company relations are an important factor in the mine-community relations and they can also determine the manner in which the livelihoods of mine-affected communities could be improved. Thus mining companies could ensure that traditional chiefs and local government officials are appropriately kept abreast of its deliberations with the central government at all levels, so that they are in a better position to adequately represent local interests

On the other hand, the mining companies' concern, particularly Kansanshi, is that local government could show more transparency and accountability in budgeting and in its operations. As will be shown later, the Council has in its by-laws the facility of stakeholder engagement in its budgeting process but this has not been fully implemented. There is need for clearer definition and understanding of the roles and responsibilities of different stakeholder groups, such as government at different levels, the mining company and traditional authorities.

### **The role of the state**

As previously mentioned, in order to understand how CSR functions in developing countries,

the State is the most relevant actor to analyse. Current CSR initiatives in Zambia are anti-state or let us say 'a-state'. Their emphasis is on voluntarism and self-regulation. We identify the role of the State, and what are the expectations regarding its role and behaviour. In analysing the sample data, none of the interviewees identify the State as a regulative actor of CSR practices. In this context the data suggests that the State plays a passive role in the regulation of CSR issues. In fact, CSR practices are perceived by companies as a consequence of the failure of the State, and companies address social issues because they are the only entities with the capacity to do so. As one Sustainability Officer noted:

*“With CSR, companies step in to remedy a State failure. Otherwise, we wouldn’t have to invest in schools; we wouldn’t have to support neglected or underserved areas. The State does not have any Corporate Social Responsibility Department.”*

The State is absent or passive, and this may be due to its complex and demanding agenda in the midst of countless problems. On the other hand, the State or the local council is observed by companies as highly inefficient, bureaucratic and corrupt, and given that situation companies try to avoid working with the State, and prefer to make direct actions. As one mining official remarked:

*“We try not to let Government come near our projects. We go directly to the beneficiaries of the programs and if need be we now work through local chiefs.”*

Data findings suggest that the State has a passive role as regulator of CSR practices and seems to be engrossed in or even overwhelmed by the complex agenda of Zambia as a developing country, and the ideological distance “between the public and the private” in those contexts. Even when the mining firms need the State to frame and legitimate their CSR agenda, they perceive the State as passive and without a mandating role towards CSR matters.

As noted already, in contexts of poverty, marginalisation and deprivation, CSR should have a huge dimension of poverty reduction, promoting social justice and equity. The provision of social justice is the domain of state regulation or at a minimum the state has an obligation to monitor corporate social programmes. In the Zambian context, because of the absence of state involvement and proper monitoring, CSR initiatives of the mining firms tend to lack precision, uniformity and a coordinated focus, and there are virtually no sanctions for non-compliance.

Despite its long experience in mining, Zambia’s legislative framework around mining and human rights is still incomplete, and the training and learning needs are substantive. The evidence shows that regulative systems are weak. Both the government and the environmental regulator do not have the enforcement capacity, the time, and the budget to regulate CSR issues and leave these matters to companies’ self-regulation. As a result, companies have acquired a key role in the configuration of local CSR practices, setting the standards and expected behaviours for themselves. One government official informed us that

in many cases government inspectors use company equipment and even vehicles and this compromises their capacity to enforce regulation.

In terms of transparency, but there remain broader transparency issues to do with company behaviour and government processes around the process of land expropriation to companies in licensing rounds and procurement practices of mining companies. A poignant case that we can point to in Zambia is the operations of Kalumbila Minerals Ltd (KML) that have been perceived by several stakeholders as shrouded in mystery. Several controversies have emerged about the KML Trident Mine project. The environmental regulator in Zambia, ZEMA, had initially approved the project's Environmental Impact Assessment (EIA) in 2011. In order to undertake its Trident Project, KML had obtained 50,000ha of land for their project from the local Chief Musele in Solwezi District. However, a number of subsequent additional changes and addendums, including the resettlement action plan (RAP) for the 570 households then, failed to gain approval by ZEMA in a timely manner. Serious concerns were raised regarding authorization of such vast amount of land and compensation and resettlement issues of the people in the chiefdom that would be affected by the Kalumbila projects. An additional inconsistency emerged over the means by which KML acquired the land. In the initial acquisition, KML received the surface rights to the land, under customary administration through an agreement with the local Chief, Chief Musele. However, further rights to the land were assumed by KML, without any formal process of land conversion; this did not follow the proper legal procedure for land acquisitions under Zambian law, and raised another red flag for government ministries in charge of the administration and approvals for this project.

The other big concern for the Zambian environment regulator was the construction of the Chisola Dam. Accordingly, in May, 2013, ZEMA issued an Environmental Protection Order pursuant to Section 104 of the Environmental Management Act (EMA) No. 12 of 2011 to First Quantum Minerals (FQM) who are the proponents of Kalumbila Minerals Limited in order to stop the illegal action by Kalumbila to construct the Chisola dam. Kalumbila Minerals Limited had commenced construction of the Chisola dam without the necessary approvals from ZEMA as required by law. For this reason, ZEMA suspended the process of decision making of the proposed Chisola dam and associated projects so that the raised concerns can be addressed. This prompted a number of project delays, including the resettlement process for the communities.

In order to address these concerns, an inter-ministerial task force to investigate the allegations was set up. The task force was headed by the Ministry of Chiefs and Traditional Affairs and included representatives from the Ministries of Lands, Natural Resources and Environmental Protection and Local Government and Housing. This committee, using technical officials in their respective ministerial departments carried out preliminary investigations and found that Kalumbila Minerals Limited had in fact obtained the 50,000ha surface rights irregularly as no Presidential consent had been given as required by law. The

committee determined that Zambia's Lands Act forbids any chief from selling more than 250 hectares. All agreements, the committee found, were declared null and void and the acquisition process would have to start fresh and be approved by the president. Presidential consent has still not been granted but Kalumbila mine operations have gone on any way. The Task force directed that no further approvals were to be issued on Kalumbila projects by any government wing until the surface rights issues were resolved. Consequently, for a while ZEMA had been unable to make approvals on any of Kalumbila's additional projects including the Chisola dam.

However, KML considered the approved EIA and its mining rights as license to build. In the case of the Chisola Dam, KML understood that once the Zambia Environmental Management Agency (ZEMA) missed the 90-day statutory review period to comment on the Chisola addendum, the company developed a legal opinion clearing it for dam construction. In addition KML seems to point to Section 29 of the 2008 Mines and Minerals Development Act, which permits license-holders to pursue mining activities, including the construction of equipment and infrastructure. In this case one legal interpretation would be that having been granted mining rights under 2008 Mines and Minerals Development Act, KML could still go ahead with its operations even without having acquired the surface rights which it deems are not required for mining operations. But even then it was surprising that wonders KML had gone ahead to set up a proposed Kalumbila Town without having obtained surface rights, which are required for such development.

Later on, to the amazement of local people and several interested parties, the Environmental Protection order was revoked and KML proceeded with the resettlement of villages and with the construction of the controversial Chisola Dam.

Institutional theorists remind us that states remain the primary units of political competition and mobilisation, national legal systems continue to standardise the nature of property rights in an economy and national regulations continue to govern industry entry and exit and many other aspects of market activity. Therefore, we can see that the nature of poverty and the impact of private anti-poverty measures are strongly linked to the actions or inactions of governments and corporate (ir) responsibility. State collusion in corporate irresponsibility is also rife as has been shown in the Kalumbila case outlined above. Patterns of corruption and rent-seeking behaviour by political elites often override the needs of poorer groups in the rush to access their land and resources or offer their labour to private investors.

### **Going Forward**

This study has sought to answer the question: "how can CSR initiatives can help to address poverty, social exclusion and other development challenges?" The study has attempted to articulate the balance of responsibilities among the firms, the state and civil society in addressing these problems. It has also discussed some of the new tools, strategies and

methodologies that are required to harness the positive potential contribution of business to development and deter corporate irresponsibility. Taking a sample of extractive CSR initiatives in Zambia as a starting point and in the light of the capability approach framework, we sought to look at the broader developmental footprint of business-as-usual strategies, as well as those, which fall under the banner of CSR, to gain a fuller picture of how business is implicated in the development process.

In regard to the working and non-working of CSR both the community side and the corporation's side have a story to tell. The issue still remains that poverty continues to exist in the midst of plenty. The rhetoric on both sides of the debate is not what is needed for now. It is becoming increasingly clear that what is needed is a detailed study of the specific ways in which business may, and may not make contributions towards tackling poverty. Corporations and other interested parties can make a long list of claims about the positive and negative consequences of CSR as outline above, but we still know very little about its developmental potential and claims made about CSR's role in social and economic development are often weakly substantiated. Going forward, we make the follow recommendations.

#### **Clarifying the Link Between Business and Development**

Admittedly, there is still need for more rigorous study of the link between business and development. Even though there are decades' worth of scholarship on the link between business and development, these have been carried out in more general terms. It would be important to contextualise current concerns with business and development and to make use of more analytical approaches, designed for various developing country contexts in order for us to better understand the latest line of enquiry into the relationship between business and poverty.

One of the aims of this study is to start to fill this gap in our understanding of how, when and through what means business can help to reduce poverty, while recognising the equally powerful potential of the business community to worsen poverty. The study makes a conscious turn from uncritical debates about the potential of business– government or business – civil society partnerships in overcoming the barriers to development that previous decades of development have been unable to surmount. It seeks to contribute to an emerging strand of critical thinking about CSR and development. Given the disappointing outcome of the hitherto mining-led development, we do not seek to embrace exaggerated claims about the potential of business to transform the development process without careful reflection and empirical enquiry into the extent to which and the ways in which this might be possible.

We have presented particular CSR initiatives of the extractive industry in Zambia but we seek to go beyond and look at the broader developmental footprint of business-as-usual strategies, which include CSR, in order to gain a fuller picture of how business with its CSR tool is implicated in the development process: ameliorating some forms of poverty on one hand and while exacerbating other forms of poverty on the other hand. Thus, there is indeed need for

a critical approach to the strengths and limitations of CSR, to pose questions that hitherto have not been unasked or have been neglected. We therefore outline what such a critical agenda might look like. And the best place to begin from is to ask what CSR means.

### Clarifying CSR

Several attempts to formulate generally applicable definitions for CSR and yet there is a lack of clear consensus about what is and what is not CSR. This has the implication of spawning a more fundamental debate about what the appropriate role of the private firm is in society. A general definition from the European Commission specifies CSR as 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis' (European Commission, 2001). Such a definition qualifies anything from environmental management, health and safety rules and human rights to community capacity building and philanthropic activities as CSR. CSR can essentially, be anything you want it to be. This confusion is amplified when translated to the world of development policy, where consensus is equally lacking about how to measure and define, let alone tackle, poverty.

In the midst of such confusion, it becomes difficult to determine, in a clear fashion, the ways in which firms can alleviate or may contribute towards poverty. As we have already set out in the capability approach theoretical framework guiding this study, poverty is much more than lack of income. In our search for the link between business and poverty, there is a strong need to see poverty as not merely an issue of access to income, education, health and other aspects of life which those in the developed world are fortunate enough to have. As already proposed, a better approach is to see poverty as what Nobel Prize economist Amartya Sen describes as the deprivation of a person's capabilities to live the life they have reason to value. Following the capabilities approach, CSR strategies should focus on maximising what an individual can choose to achieve in life such as the ability to choose the many different cultural values and practices to adopt etc. This will ultimately affect the individual's wellbeing, which is defined as the actual enjoyment of the individual's choices deriving from the range of options available to them. Seen in this way, our approach to poverty will look at not just economic measures but measures of human rights and access. Seen in this lens, poverty is now seen as deprivation of choices available for an individual to live the life they have reason to value and also the deprivation of the individual's abilities to exercise that choice.

Thus if CSR has to respond to redefine the role of business in development, firms have to be aware that there are multiple forms of deprivation and social exclusion at work, often based on gender, race, ethnicity and class inequalities. Contributions to poverty alleviation which rest solely on the potential of business to promote growth or provide jobs are, therefore, limited in addressing underlying causes of poverty which exclude people from labour markets in the first place.

CSR then has to be targeted with full awareness of the multifaceted nature of poverty. Where

this awareness is lacking, CSR may alleviate some forms of poverty while exacerbating others. For example, while codes of conduct may be able to improve basic working conditions in some instances, they are less able to tackle patterns of discrimination in the workplace. While compliance with international environmental standards ensures improvement within the production process, it does little to address the human and environmental externalities produced by that process. A holistic view of poverty is required in which CSR initiatives have a contribution to make.

This thinking then is suggesting that different models of CSR have impacts on different types of poverty. It is to be expected that acts of philanthropy and contributions to community development, codes of conduct and compliance with international standards of best practice will yield different results for they are responsive to different stakeholders and, therefore, affect the poor in distinct ways. Establishing which models benefit poorer groups most and in what ways is the challenge.

We have seen a snap shot of examples of good corporate citizenship by the mining firms through which they use a range of CSR instruments, from localised firm-specific initiatives, which cover a plethora of marginalised and excluded groups. The examples of CSR initiatives abound and are becoming countless in various parts of the Northwestern Province of Zambia. Given the diversity of CSR initiatives and strategies in the various parts of the Province, and its widely varying ability to address a range of development issues the need to place the debate about CSR in development in a broader context of debates about business and society arises.

A number of the examples of corporate citizenship that we have presented in this paper demonstrate that some of the most significant poverty-related impacts of business have little or no direct association with the CSR activities of a firm. Ordinary private investment can increase employment among the poor, provide new opportunities for suppliers, increase the access of the poor to essential services or contribute to government taxes, which can in turn be spent on anti-poverty measures. This, in some ways, lends credence for the view that firms help to tackle poverty primarily in their roles as investors, employers and taxpayers and not through acts of philanthropy, assuming they strictly adhere to global social standards or other ethical standards.

Both the CSR and non-CSR activities of firms have a role in poverty alleviation. However, the latter seem to be far more significant in overall social and economic terms. The bulk of extractive industry CSR in Zambia are philanthropic projects such as building a school, a clinic or a market. Such acts can still bring enormous short- and long-term benefits to a community. Such gestures undertaken by the mining firms are usually aimed at placating more far-reaching and contentious community demands for a greater share of revenues earned from extracting resources. But such contributions are likely to be overshadowed in their importance by the economic and social effects, positive and negative, that are created by

investment and employment. It is in the taking of key investment decisions that a firm can bring or deny development gains rather than in the well intended, but isolated and discrete activities of firms in developing areas.

The foregoing analysis leads us to restate questions guiding this paper. Does CSR have relevance for addressing social problems? Are there other ways to think about the role of business in development that do not rely on appeals to immediate self-interest, but instead emphasise the duties and obligations of firms to help confront problems facing the societies in which they operate?

### **Leveraging the Role of the State in Development Coordination**

As noted, we began by taking a sample of various CSR initiatives of the mining firms in Zambia, which include social and physical infrastructure development, student scholarships and other philanthropic initiatives. Certainly, examples of CSR interventions that have been highlighted like building local health clinics and providing clean water improve access to basic needs and make a difference in alleviating poverty; they also make for healthier employees and citizens, while constructing roads may be beneficial for community and company alike. However, beyond such clear 'win-win' scenarios, businesses, perhaps unsurprisingly, often perform poorly as social development actors. Lack of human resources, the adoption of technical frameworks for understanding complex social problems and lack of integration of firm activities within broader development programmes often undermine their ability to promote lasting development. The poor performance of many firms as social development actors amid so many competing and ever increasing demands only serves to underline the primary role of the state as the key agent in poverty politics. This means that in leveraging the role of business in social and economic development, the development process still remains the domain of the state through good development planning and coordination, relevant and adequate legislation, regulation and incentives is not one that can be abdicated to corporations. It is true that corporations have the power and reach to do so but the role of the state in coordinating, planning and guiding development cannot be left for CSR; CSR activities should fit into the whole framework of national and regional development planning.

This study suggests that the terrain of extractive industry CSR in developing countries like Zambia would look very different if the priorities of poorer groups were put first. It must however be stressed that we don't expect businesses in a globalised capitalist economy to operate as if poverty alleviation were their main objective. However, it is realistic to think that mining MNCs with their immense economic power and reach have the capacity to support local economic development plans and processes. In this regard, the greatest contribution CSR initiatives can make is through reinforcing state-led development policy. Thus CSR strategies need to graft onto, enhance and amplify the impact of existing pro-poor government-led initiatives, even if they can also make contributions in their own right.

The advantage of firms grafting their plans onto state or local government-led initiatives is

that they get the benefit of having a broader vision of the development terrain and clearer picture of where the greatest needs are. In addition and as already noted, poverty is multifaceted; we have seen that while isolated CSR interventions may alleviate certain forms of poverty, they risk exacerbating others. Therefore, integrated approaches may tackle various forms of poverty simultaneously.

In this case, disaggregating who the poor are and their different needs becomes very crucial. In the face of vast needs, communities along with producers, consumers, employees and citizens will present companies with a range of often competing and contradictory demands. Effective processes for reconciling and prioritising these demands are key. Assessing CSR contributions from the perspective of different dimensions of poverty represents an important contribution in this regard. As already observed, the local government development process can prove to be the best placed tool to handle that assessment.

### **Empowering Local Communities**

As noted current extractive industry CSR in Zambia emphasises the social and environmental responsibilities of firms. But this study seeks to underline the importance of accountability in thinking about the potential role of business in development. Following the capability approach, while activists have emphasised the need for an international UN Corporate Accountability Convention that would legally enshrine the expectations and standards which apply to firms wherever they operate, regardless of size or sector, as an instrument aimed at providing minimum basic social and environmental standards, we propose the promotion of the role government and civil society to empower local communities to demand for what is their due.

We draw attention to a range of informal, often localised, strategies of accountability adopted by poorer communities and groups. This entails development of community capabilities by enabling poorer groups to hold investors to account for their social, environmental and developmental obligations. This will help to ensure that firms deliver on promises of employment, gains for the community and responsible use of natural resources. Often the failure of state support to the poor and the absence of corporate responsiveness have led poorer communities to adopt their own community-based strategies of corporate accountability. This will be about local governments supporting local communities to design their own development plans and to develop their own community environmental monitoring. Such strategies would be useful in the mining areas located in remote and rural areas like Northwestern Zambia that are beyond the reach of CSR and government oversight, where companies are less concerned about brand name, less subject to activist scrutiny and state pressure for reform. The promotion of the role of communities in ensuring corporate accountability is not an argument for excusing state inaction, but rather a better remedy where there are monitoring gaps.

## Conclusion

It has become clear that the 'business of business' is no longer just business, if indeed it ever was. Prodding firms to take seriously their social and environmental obligations to society is to be encouraged. As noted already, expecting too much of CSR, particularly regarding its contribution to tackling poverty, however, is unrealistic. Philanthropy, standards and codes of practice and engagement in partnerships make potentially important contributions to development. However, in and of themselves, they are inadequate. They fail to address neither the poverty impacts of business practice nor acts of corporate irresponsibility. It remains the case that CSR initiatives adopted in Zambia by the majority of extractive firms still leave a lot to be desired. The range of development issues they address, while important, is limited.

It remains the role of governments, supported by donors and working with both firms and civil society groups, to enable the implementation of a CSR agenda, which looks at the range of business impacts upon poverty and the potential contributions of all actors in development towards helping to realise the promise of mining-led development. Thus further analytical meant to secure a sound understanding of the role of CSR in defining the role of business in development. Studies in that regard are recommended. The fluid and slippery nature of the term CSR has eluded both scholars and practitioners for a long time now. As noted, this is what has contributed to rendering CSR implementation inept. Studies to clarify the meaning of CSR, a better understanding of poverty and how CSR impacts poverty are recommended.

In the midst of such fluidity and doubt in regard to the effectiveness of CSR, the necessity of further clarification cannot be overemphasised. Furthermore, questions asked must be adequately and rigorously addressed. By leaving unaddressed uncertainties about the efficacy of CSR in developing countries, we do nothing to alleviate corporate hesitancy about investing in or sourcing from the poorest nations. By allowing potentially problematic approaches to go unchallenged, we increase the possibility that corporate reputations will go unprotected without any demonstrable benefit for the developing world. By leaving unquestioned extractive firms CSR's reliance on consensus and win-win outcomes, we leave the poor and marginalized exposed to the possibility of further exploitation and marginalisation as a result of uneven and inequitable power relations. The need to recognise that we need to go beyond business as usual approaches and engage a critical agenda for CSR in order to improve its efficacy, is not an option but is a necessity if we are interested in securing a more decent life for the poor of our world.

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