

# CHAPTER ONE: CSR and its Contribution to Community Development: Context and Overview

This chapter examines the problem and its setting with regards to factors limiting the full realisation of community development through CSR interventions by mining companies. The background of the study looked at the concept of CSR and its contribution to community development. The problem statement and the significance of the study is defined and explained in a concise and clear manner. The chapter further outlined the objectives guiding the study by listing the study questions and discussing the limitations, delimitations, conceptual and theoretical frameworks. Lastly organisation of the study was also highlighted. The chapter was concluded by summarising the problem and its setting.

The concept of Corporate Social Responsibility (CSR) can be traced back to the 1950s and has been a focus throughout the 20<sup>th</sup> century. However, a book written and edited by Bowen in 1953 started the modern CSR debate. According to Bowen (1953), the socio-economic benefits in general would add on to society if businesses took into consideration the broad social goals in their strategies. For over 50 years, CSR has gained prominence from corporations of different sizes. Although not documented, companies need to own up and recognise the societies they exploit the natural resources from, hence the importance of engagement on social, economic, legal and environmental programmes as a way of compensating or giving back. Jenkins (2004) argues that corporations have a duty or responsibility to the communities that goes beyond making profits from their products. The concept of CSR by Multi-National Corporations (MNCs) is therefore important in ensuring community development. Many businesses engage in CSR; however, it is the measurement of development in the area that can tell whether the programmes undertaken are effective enough in bringing about community development. CSR therefore refers to strategies adopted by corporations or firms to conduct their business in an ethical and society friendly way (Maimunah, 2009).

Community development (CD) refers to initiatives undertaken by a community in partnership with external organizations or corporations to empower individuals and groups of people by providing them with the skills they need to effect change in their own communities (Ismail, 2009). As part of this study, the communities of Nyajena were engaged in a manner seeking to gauge the level of community development that can be attributed to CSR by Renco Mine. Freeman (2004) argue that businesses promote development of communities by giving back a portion of their profits. This is true to those businesses that are guided by either the

government or their holding bodies on their mandate to CSR. CSR for mining operations has become very important due to the issues of environment and sustainable development. The mining industry has been known to have the major environmental impacts in the host communities. The impacts of the business operations are most felt by the local inhabitants in the communities. In Nyajena, the mining venture impacts the environment through the blasting process, tailings dam deposits from the plant, dust air emissions and effluent water. In view of this, Renco Mine is therefore obligated to have some CSR and has engaged in the past and present CSR activities.

Development agencies such as the DFID, World Bank and USAID have argued that a business that adopts CSR in its host community is a tool for sustainable development. Even so, for mining companies' CSR policies to attain sustainable development there is a need to engage the local civil society otherwise the result will be a development that is not community owned hence unsustainable. Each CSR programme needs to be evaluated according to what the affected community needs. This study sought to establish the factors limiting the full realisation of community development through CSR interventions by Renco Mine in Nyajena.

Mining forms an important aspect of Africa's economies, with vast mineral deposits, it is sad that the communities have been labelled resource cursed as no meaningful development has taken place besides having multi-million-dollar investments taking place in the respective communities. CSR programmes have failed to eradicate poverty and bring about development in the communities in which these mining businesses operate, this is besides various programmes invested in over the years. It was the objective of this study to establish why the CSR programmes are not effective enough to develop the communities, particularly in Nyajena. According to Cook (2015), making an economic contribution in the communities is often seen as an important way for companies to make a social impact through provision of social services such as infrastructural development in the form of schools, hospitals, HIV&AIDS programmes, housing and poverty alleviation programmes among others. This can also be seen by CSR on record by Renco Mine in Nyajena.

In Ghana, it has been recognised that CSR activities in the gold mining communities are creating dependency (Jenkins; 2004). This is often attributed to unsustainable projects. While MNCs have re-modelled themselves as good corporate citizens, there is lack of evidence showing that they have promoted sustainability and hence no community development has been realised. The same challenge is facing the South African mining industry. Koloti (2015) asserts that the

South African mining industry is often criticised of operating in poor communities without any much care of the socio-economic and environmental aspect of these communities. The companies engaged in the mining activities exploit the land to extract ores, dump wastes, expose hazardous chemicals and related components in the open, dump wastes in water sources and generally disrupt the ecosystem. That these same companies often exit at the end of their tenure without any development is because they mostly engage in projects that are only essential during their tenure of operation. However, the mining civil society in this country has been advocating for mining companies, through their CSR policies to incorporate measures and policies that will ensure compensation of affected communities. The Ghana and South African situation also relate to Zimbabwe in general and Nyajena in particular.

Mining in Zimbabwe is currently the largest earner amongst sectors. Most Zimbabwean mines are foreign owned. The country has vast mineral deposits mainly on the Great Dyke that stretches for over 500km from Mutorashanga to Mberengwa. Minerals found on the Dyke include gold, chrome, platinum, nickel, diamonds and coal among others. These form an important resource base for the country's economy and livelihoods for the local communities. The mining sector accounts for 65% of exports and 20% of GDP (Masawi; 2014) and Renco being part of the mining industry is deemed to be generating revenue enough to be able to engage in CSR.

It has become apparent that mining companies the world over engage in CSR activities of some description, however the effectiveness of these CSR interventions have been brought into question in almost all cases because the communities have remained underdeveloped. It was for this reason that the study sought to identify the factors limiting the full realisation of community development through CSR interventions by Renco Mine in Nyajena.

Community development in developing countries remains stunted even in the 21<sup>st</sup> century. In communities where businesses such as mining companies operate, the expectations will be that the communities are better developed because of the CSR interventions of the companies operating there. However, it does not appear to be the case as most mining communities are faced with persistent underdevelopment. It was therefore the purpose of the study to establish the factors limiting the full realisation of community development through CSR interventions by mining companies.

The General Objective of the study was to establish the factors limiting the full realisation of community development through CSR interventions by Renco Mine in Nyajena. The specific objectives of the study were:

1. To establish the socio-economic state of development of Nyajena before CSR by Renco Mine.
2. To identify CSR interventions by Renco Mine in efforts to realise community development in Nyajena.
3. To evaluate the factors limiting CSR interventions by Renco Mine in realising full community development in Nyajena.

The general research question was: What are the factors limiting community development through CSR interventions by Renco Mine in Nyajena development? The specific questions were:

1. What was the socio-economic development of the Nyajena community before Renco Mine started operating?
2. What are the community development CSR interventions by Renco Mine in Nyajena?
3. What are the factors limiting the full realisation of community development through CSR interventions by Renco Mine in Nyajena?

This study established the factors limiting the full realisation of community development through CSR interventions by Renco Mine in Nyajena, Masvingo South. In addition, the study is important and will benefit the following:

The study will most importantly benefit the mining industry in addressing the factors causing the persistent underdevelopment of the mining communities identified in the study. The industry itself is interested in community development in the host communities. The proffered recommendations will guide the mining industry in addressing the factors that are limiting CSR interventions for community development by mining companies. Considering that one of the major impacts of mining ventures on the community is environmental degradation, it is therefore very important for the industry to counter these impacts by empowering host communities through effective CSR interventions.

The study is also very significant to the government. Being the primary facilitator for community development, the government is interested in successful community development programmes everywhere they are undertaken. The factors identified in this study require government intervention in the form of regulatory frameworks for mining companies to conform while implementing the CSR initiatives. In addition to these regulatory frameworks the government can also look at areas of cooperation with the same mining companies and assist with community training so that CSR objectives are sustainable.

Communities are the end users of CSR interventions by mining ventures. Most mining areas are rural based hence high levels of poverty are experienced. This study is significant to the communities in understanding the factors behind the persistent underdevelopment of their communities even though the mining companies continue investing in development projects. The study will further enlighten them on why particular projects fail to develop their areas. It will also serve as a starting point for communities to advocate for projects that can create development that is sustainable and continues to carry on after the mining tenure ends.

This study will also benefit the rural district councils as they are responsible for community development through the local government. The councils monitor the operations of the mines and are constantly informed of the programmes that the mines are implementing in the communities. The findings behind the factors limiting full attainment of community development through CSR interventions will help the council to monitor and be involved at the planning, selection and development of CSR programmes. This is important as they have more knowledge of what is best for the communities and programmes that are suitable and can be sustainable in the long run. The recommendations will guide the councils on how best they can make CSR interventions for realising community development by making companies more accountable. Most importantly the study will guide them in selecting the right projects for community development.

The information contained in this study will also go a long way in assisting future researchers who will pick up on the gaps that this study has left out. The factors limiting the full realisation of community development through CSR interventions by mining companies is demonstrated for the Nyajena Area only hence other researchers will look at other areas with mining concerns in their communities.

Renco Mine and RioZim Foundation will find the study beneficiary as it will serve to inform them of the limitations of the CSR interventions in their quest for community development in Nyajena and other areas. In addition, it will guide the company in re-evaluating its CSR strategies in the implementation of projects and programmes for sustainable community development.

Although the study has reached its aims, some unavoidable limitations were encountered during the study period. According to Simon (2011) limitations are potential weaknesses in the study that are out of the study's control. The study was carried out on a sample of 26 participants which was very small considering that the population of Nyajena is 60000. The weakness of choosing a small sample is that it has the potential of leaving out significant views and experiences in as far

as community development factors are concerned. To this end some of the responses were inferred.

Policy by Renco Mine state that private company information and data are not to be shared with outsiders, even if permission has been granted to carry out a study. This is because it would be classified and therefore not accessible. The study had to apply for permission to undertake the study and waited for more than two weeks for clearance from their head office. Therefore, much of the needed information was not accessed especially that indicating the actual expenditure on various CSR projects over the years. To this end, the study relied on what was generated from the interviews with key informants.

Delimitations are the characteristics that limit the scope and define the boundaries of the study. They define the parameters of an investigation, describe what a particular study does not cover or the characteristics that limit the scope of the study (Best and Kahn, 1998). They are created before a research study is carried out to reduce the amount of time to be spent to areas that may not be necessary to the overall study.

This study was restricted to Nyajena Area which is situated in the Masvingo South District. Renco Mine wholly owned by RioZim and is central in the Nyajena Area which stretches for 50km and 30km. Renco Mine's community CSR interventions have been targeted in areas within a 20km radius of the mine. It is in this area that the study was restricted to. The area is characterised by poor rains and therefore poor harvests. Poverty is very rampant in this area. Most of the people in Nyajena, particularly those near Renco depend on the mine for livelihoods through employment. The mine through the Riozim Foundation has been undertaking various projects as part of their CSR for development of Nyajena community.

The Stakeholder theory was used to analyse the effectiveness of CSR in community development in Nyajena. The theory was propounded by Freeman in 1994. It identifies various agents that have an interest in the activities and decisions made by companies, over and above the shareholders. Stakeholders are individuals or groups who can benefit, be harmed or have their rights violated by the company's actions. Such stakeholders can be suppliers, customers, host communities, creditors and various arms of the government. Each of these has a role to play in the activities of a company. It is therefore critical that a company should be wary of harm either present or potential towards these stakeholders and should therefore use its resources to mitigate against the same. In the case of Nyajena and Renco Mine, the rural community of Nyajena, the Rural District

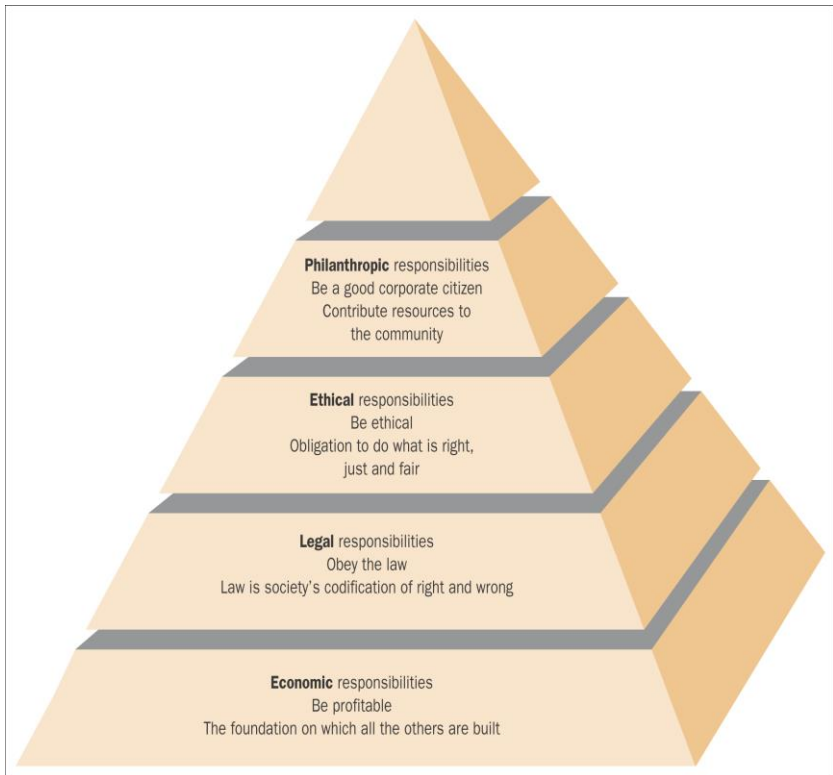
Council, employees in the mining community are such stakeholders as they are in direct contact with the mine and its operations. They stand to benefit and to be harmed dependent on what happens in the operations. In terms of CSR the stakeholder is a mandate of ensuring that the community benefits from the business venture.

Swisher (2003) argues that any company's goal should be about its growth and that of its stakeholders. While companies should endeavour to make profit, they should also carry the important responsibility of protecting and growing with its stakeholders. To this end there must be seen to be having the responsibility of considering the communities' needs, to take part in the activities that benefit the community and minimise the negative effects of their operations. This is because the notion of CSR centres on ethical and moral issues with regards to companies' behaviour and decisions taken. The stakeholder theory has therefore become something that companies cannot run away from (Masuku, 2010).

Since Renco Mine was started in 1982, it is apparent that the management recognised the need for stakeholder engagement and CSR. The various CSR activities undertaken by the mine throughout the years are evidenced by infrastructural and community-based development projects. The theory further holds that companies have a social responsibility that makes it mandatory to consider the interests of all its stakeholders that are affected by their activities. Those in management should not only focus on its shareholders when making decisions. This is because the long-term goal of any company is to see the success of the company and all the stakeholders. Freeman (1994) postulates that stakeholders are classified as primary and secondary. The primary stakeholders are those whose participation the company cannot do without, while secondary stakeholders are those that have a direct influence on the corporation but are not necessarily important for the company's survival.

Freeman further adds that initially, there were two stages of CSR, CSR1 and CSR2. CSR1 centred on the scrutinisation of the corporation's responsibility to engage in social betterment of the society, while CSR2 came about as a shift to CSR1, to respond to the social pressures of acting in the best interests of its stakeholders. In 1979 Carroll came up with a CSR pyramid that comprised of four categories that is the legal, economic, philanthropic and ethical. The legal category states that companies should do their business in compliance with the laws of the country. On ethics, although not coded or written, companies should act and meet the society's expectations when conducting their business, doing what is right to avoid harm. The economic category is the foundation that supports the other three. It states that companies should produce goods and

services that are wanted by the customers for the business to make a profit. In this case some of the profits are allocated to CSR interventions. The philanthropy category is the voluntary obligations by a company in the society. It is an act of hand-outs, which is what most companies are doing (Caroll, 2001).



**Figure 1: *Four Category Pyramid* (Caroll, 1991)**

CSR is used to address the relationships between society and business, hence the stakeholder perspective outlines that the company's responsibilities are beyond its mere production of goods and services to make a profit. These responsibilities are mainly addressing the negative impacts that the corporation would have created in their operational activities. However companies should identify opportunities beneficial to both the society and the corporation.

As depicted by Carroll in his pyramid, Renco Mine practically follows that wave of operation in that they have an economic responsibility to be profitable, legal



responsibility to obey the law and ethical to be just and fair towards the host communities and philanthropic responsibility to contribute resources to the communities around the mine. The relevance of the stakeholder theory to community development is evidenced by Renco Mine's CSR activities in Nyajena. These activities match this theoretical framework very closely because they have initiated various interventions such as dams, schools, roads, hospitals among others. However, there is an apparent contradiction in that the persistent under-development in the Nyajena communities continues after pouring in of these resources by Renco Mine. The study sought to find out the factors limiting the full realisation of community development through CSR efforts by Renco Mine in Nyajena.

The concept of CSR came about in the 1950s at the realisation that businesses had an obligation of pursuing the business goals with the value of society in mind. Frederick (1960) considered CSR as a contribution to a society's human and economic resources and is about the companies' obligation to see that the society's socio-economic and environmental needs are met. Virah-Sawmy (2015) argues that although CSR is seen as a way of giving back, however communities are getting few positive returns. Despite their being popular particularly in the mining industry, CSR has failed to live up to its mandate of contributing to the socio-economic development of their communities of operations. Where they do, CSR programmes are mostly philanthropic and not sustainable. There is a sharp contradiction between the commitments of CSR and its actual performance. This is because CSR programmes are treated more as philanthropic with the aim of securing an operating licence in the community. There continues to be a tension between business and society as business focuses more on making profits than addressing the needs of society. However, businesses have been made to consider more social responsibility since the 1990s. CSR implies the commitment by companies in carrying out their business ethically and contributing to the economic development of the community and society.

Mining activities result in environmental degradation stemming from various chemicals and other activities. For example, development of a mine often results in displacement of people and therefore loss of livelihoods and biodiversity that communities depend on. Companies, through their CSR programmes, are supposed to address such issues in the community like supporting of biodiversity conservation and improving the livelihoods of the locals in a sustainable manner. This is because the concept of CSR is rooted in the sustainable development approach. CSR imply that companies should take into consideration the social and environmental factors when designing programmes as these are the fundamental indicators of sustainable development (Hohnen *et al*, 2007).

Lack of participation by the community on CSR interventions has been seen as undermining effective sustainable community development. However, where communities are consulted, the information is usually very limited. This is because companies believe that locals have little knowledge and therefore cannot offer much in terms of programme designs. TIR (2011) indicates that for CSR to be effective, active participation of local communities is vital as they are the key beneficiaries. However, current trends in the CSR practices have been characterised by less involvement of the locals as they are rather more focused on the philanthropic approach.

In Zimbabwe, different forms of CSR have been adopted for many years particularly by mining companies. Mining in Zimbabwe is seen as a driver of rural community development since that is where most of the mines are situated. However, this has been negatively affected by lack of a policy framework to effectively give directions to CSR to benefit the communities from the exploitation of minerals in their respective areas. This is despite the government's advocacy for an approach that is participatory in coming up with programmes and projects that benefit communities after the mines cease operations (Masawi, 2014). This was evidenced by mining giants such as Kamativi Tin Mine, Mhangura, Empress and Panganai mines to mention but a few. These mines had started community programmes that proved to be unsustainable as shown by their failure to thrive at the closure of these companies. It is therefore imperative for companies to engage or plan for projects that are sustainable so that the beneficiaries are still able to carry on long after the mining projects have come to an end.

On issues of policy, the nearest the country has come to having one is the Mines and Minerals Act 21:05 of 1965, the Mines and Mineral Amendment Bill of 2007 were developed to come up with an improved mining framework that is competitive. However, these bills have not addressed the issues of CSR by mining companies. The challenges of the absence of law and policies that specifically provide for CSR by mining corporations operating in the country are therefore evident. The Community Share Ownership Trusts contained in the Indigenisation and Economic Empowerment Act of 2008 remains unclear on the mandates of these corporations. Recommendations on making CSR work in communities, to this end, are that CSR should be made into a legal issue whereby all mining corporations should be legally required to give back to host communities by engaging in life changing projects and empowering the very communities to be self-sustained (Muranda, 2012).

Maphosa (1997) postulates that if there is no framework to guide company CSR activities social issues will always be put to the periphery. The Ministry of Mines

and Minerals does not have a statutory framework regulating CSR, instead it just encourages the mining corporations to be responsible and sensitive to their communities of operations. The mining companies communicate directly with community leadership on CSR matters. On issues of the environment, the Environmental Management Agency of Zimbabwe (EMA) monitors the activities of the mining companies but does not advocate for community development but only to have safe measures that do not impact negatively on the communities. Lack of CSR policies by the government has made mining companies fail to put themselves under any pressure to invest in their communities. The Chinese mining in Zimbabwe have basically not made any investment in their areas of operations. Instead, they have created massive environmental impacts. Where CSR has been done, it has largely been philanthropic, or donations based.

Renco Mine, through its RioZim Foundation, has been at the forefront of community projects since the inception of Renco Mine in Nyajena in 1982. Some of the notable projects include infrastructure development, agriculture, education, health, environment and job creation. However, it remains to be seen why even with such notable CSR interventions, Nyajena remains socio-economically backward.

Community development as a concept started as early as the 1950s because of social formation where face to face contact was possible in rural societies. A community is defined as a group of people that share a common purpose, who depend on each other for certain needs and live within proximity of each other. In the community there is a sense of belonging and cooperation among members (Mainmunah, 2009). In addition, these communities are led by community leaders who are responsible for decisions taken by the community. On the other hand, community development refers to measures that are undertaken by the community in collaboration with different organisations to empower members of the community by provision of various resources.

The major focus of community development is on instituting the intervention processes that assist communities in taking autonomy in decisions that meet their needs and addressing issues affecting their lives the most. It is the promotion of collective action and not individualised well-being. In most developing countries, community development is being largely practiced by Non-Governmental Organisations (NGOs) through various developmental interventions. They work with the community by organising them to effect change. In Nyajena, through CSR initiatives by Renco Mine, the developmental projects are targeted to bring about community development. However such development is still a dream as

communities continue to be underdeveloped in the face of multi-million dollar projects.

Community development fosters active citizenship where people work together in improving human life for the communities' well-being. According to Bhattrya (2004) the goal of community development encompasses the economic, social and cultural improvement of quality life. This comes in various issues that include among others, water and sanitation, housing, agriculture, health, education and food security. To this end the CSR interventions by Renco Mine in Nyajena have attempted to contribute to community development by implementing programmes to address some of these issues. Most importantly, one of the most important principles of community development is sustainability. Sustainable development in this case means CSR programmes that meets the needs of today's generation without compromising those of the future. It refers to CSR interventions that can continue to sustain communities beyond the end of the business venture.

Community development, therefore, is necessary to overcome challenges that are posed by lack of good policies by the government and other stakeholders. Through CSR, some challenges may be addressed but not fully hence persistent underdevelopment. This study therefore established the factors causing this.

The virtue of CSR as the voluntary or philanthropic incorporation of the social, economic and environmental concerns into business conduct has established itself largely as an international norm. Businesses and development agencies have accepted this concept with the hope that it brings development particularly to developing countries. Philanthropy as a concept gained momentum as business enterprises were seen to have a duty and responsibilities to pursue social investments through philanthropic contributions that are in line with its core competencies and as an integrated part of its sustainable strategy (Leisinger, 2005). Philanthropy is voluntary and non-reciprocal; it is efforts by a company with the sole purpose of benefitting humans or meeting a social need. Philanthropy is connected with charitable giving.

Philanthropy provides an opportunity for companies to establish an ethical and a moral mantra within the organisation (Mandina, 2012). Corporate philanthropy is an arm of CSR. Caroll (2009) articulated the corporate philanthropy as more voluntary and discretionary even though the society always expect the business to provide for it. In his pyramid, Caroll placed philanthropy at the top indicating that it is the most practised dimension of CSR. According to Caroll (2004), in the corporate world, philanthropy is a needs-oriented concept and is not based on

economic, legal or political considerations. Kotler and Lee (2009) state that for a company to be socially responsible it should engage in philanthropic responsibilities. However, this can be attributed to the mining companies who have seen philanthropy as the easiest way of contributing to development of the host communities. Philanthropic funding is frequently provided directly or through company foundations that exist separately from the corporate entity. RioZim Foundation is one such foundation that oversees the overall management of CSR projects for the group of companies. It engages more on philanthropic projects that lack sustainability. The issue of hand-outs linked to philanthropy characterises the nature of CSR by Renco Mine in its quest for community development in Nyajena.

However, Kotler and Lee (*ibid.*) argue that philanthropic CSR always tells one side of the story in which some companies engage in philanthropy with good intentions while the other may not be by choice but because of social pressures. However, there is a consensus that in most cases it is a matter of companies not wanting to commit themselves to demanding CSR interventions that may demand a lot of funding. Furthermore, philanthropic interventions have also been seen to create dependency to beneficiaries due to lack of sustainability.

The study consists of five chapters including this introductory chapter. Chapter 1 has considered the context of CSR and the factors causing the ineffectiveness of community development and proceeded to indicate the study justification through a review of the relevant literature. The chapter then presented subsections that state the problem statement, research objectives and significance of the study respectively. Finally, delimitation of the study, theoretical framework, and conceptual framework of the study are stated to conclude the chapter. The rest of the study is organized as follows: Chapter 2 makes an intensive cover of literature review focusing on CSR and community development. Chapter 3 focuses on presenting the methodology of the study which will provide guidelines on the design utilised in the study that is, sampling methods, data collection methods utilized and how the collected data will be analysed. Presentation of the study findings and discussions is done in chapter 4 and finally conclusions from the findings and recommendations are covered in chapter 5.

Chapter one was the introduction of the study and covered the background of the study, statement of the problem, significance of the study, objectives, research questions, limitations of the study, theoretical framework and the conceptual framework. The next chapter will be review of literature on factors limiting the full realisation community development through CSR interventions by mining companies in Nyajena.