



Whether the commitment to CSR is authentic or token needs to be probed.

Among other factors, the 1996 Marcopper incident in Marinduque almost signed the obituary of Philippine mining industry. Communities and civil society demanded accountability from the company for destroying the environment, causing physical harm and demolishing livelihoods. The entire industry suffered from the bad press. No public relations and reputation management gimmick could undo the damage. Mining operations decelerated.

The Supreme Court decision declaring the constitutionality of contested provisions in the Mining Act of 1995 resurrected

CORPORATE SOCIAL RESPONSIBILITY AND THE MINING INDUSTRY

Ingraining people's participation in mining communities through CSR

■ By **ROEL A. ANDAG**

Recapturing glory

IN THE early '80s, there were 58 mines in the Philippines, accounting for US\$1.2 billion in mineral export revenues. In 2004, there were only 16 active mines in the country, with mineral export revenues lower than US\$500 million.



Photos: Sibuyan ISLE, Inc.

the industry. Prior to the decision promulgated in January 2004, newspaper readers were bombarded with teasers heralding a glittering comeback.

Catch-words such as "new breed of mining firms," "paradigm shift," "sustainable mining," "responsible mining," "environmentally sound mining practices" and "ecology-conscious mining regime" peppered press releases.

With mineral deposits valued anywhere from US\$90.8 billion (identified mine deposits) to US\$965 billion (including yet unidentified mine deposits), the Philippines could easily become the 5th mining power in the world: globally 3rd in gold, 4th in copper, 5th in nickel, 6th in chromite.

Fully operational, the mining industry is said to be the only growth engine that will help government achieve at

least 7% annual economic growth rate. It is often reported that it is only at this rate of economic growth that the country will be able to significantly combat poverty. Hence, mining has the prospect of obliterating poverty – at least according to the government. Foreign direct investments will flow in, direct and downstream jobs will be created, taxes and royalties will be paid. From its deathbed, the industry is poised to spring to a glorious rebirth.

CSR: deodorant or development strategy?

There are birthing pains. Opposition to mining continues. A politically sensitive industry with a smeared reputation, no matter how heavily it invests in public relations, will not be able to completely silence its critics. It has to prove its commitment to a concept that the industry may find anathema – sustainable development.

In the past, the sole motivation was to profit from operations. Today, a mining company contends with the pressures of satisfying its investors by sustaining and accelerating profit in the face of finite natural resources, maintaining industrial peace by ensuring job satisfaction, and helping address the socio-economic needs of the communities where they operate. It is the third that can prove the thorniest of concerns. Locals benefit from mass media and the presence of civil society organizations whose educative effects empower the community, catalyzing them to become health and environment advocates.

Despite their poverty, people in mining communities have been awakened by realities so as not to compromise their integrity and that of their environment. For a mining company intending to commence operations, free and prior informed consent, as provided for in the Mining Act, can be difficult to obtain. For a company with existing operations, the community's continued approval is vital.



Photo: Sibuyan ISLE, Inc.

It is in this context of heightened scrutiny and acute environmental awareness that mining companies acknowledge the relevance of corporate social responsibility (CSR). As evidenced in corporate visions and annual reports, mining companies have embraced CSR. Whether the commitment is authentic or token needs to be probed. It is also essential to differentiate CSR from philanthropy.

Definitions of CSR abound. The prevailing concept is that CSR is a corporation's voluntary action to ensure the welfare of its stakeholders, especially that of the community where it operates. In the words of the World Summit on Sustainable Development, CSR seeks "to minimize the negative and maximize the positive impacts of business on sustainable development."

Community-company partnership

Shortly after the Mining Act was upheld, former president Fidel Ramos, under whose administration the law was passed, reminded industry stalwarts: "The Supreme Court has given the industry a fresh legal license. But only the local communities where mining companies operate can validate your 'social license.'" Ramos added that the mining industry

can give flesh to people empowerment by involving the locals in decision-making via mandatory consultation and monitoring.

The operative word is "mandatory" and CSR stresses "voluntary." Surely, people's participation – where people are closely involved in the economic, social, cultural and political processes that affect their lives – has a place in CSR. People's participation is an essential element of sustainable development.

CSR initiatives do not follow cookie-cutter approaches. Companies perhaps exchange notes on best practices but there is no leitmotif. At this point, there is neither global nor national CSR standard particularly for application by extractive industries. While promoting CSR innovations on the one hand, this lack of standards makes company-to-company analysis and industry generalizations difficult. Individualized approaches however bear a commonality – the attempt to engage stakeholders. It is only through genuine people's participation that the community can reap the benefits of CSR.

Owing to the voluntary nature of CSR, people's participation may be more difficult to institutionalize in comparison with people's

participation that is mandated by law. It is therefore important to determine mandated versus proactive people's participation. The latter plays a role in CSR.

In assessing levels of people's participation in CSR, the model shown in page 27 is proposed.

In **Level 1 (Information)**, the company implements a CSR initiative because it is the "in thing" to do. The purpose of the program is for branding and to obtain peer approval. Through a public service announcement, people in the community are informed about the CSR program. No prior consultation with the locals is made.

In **Level 2 (Consultation)**, the company calls in the community's key opinion leaders to seek their views about a proposed CSR project. The proposed project is pre-designed by the company, ready for implementation. Done merely as a token gesture, the objective of the consultation with the community leaders is to let word-of-mouth spread the information about the prefabricated CSR project, making it appear that the company cares for community welfare. At best, CSR initiatives hatched at Level 1 and 2 stages are one-shot engagements.

Level 3 (Deliberation) has the elements of Level 2: the company presents a predetermined CSR program based on predetermined community issues. The difference is that people's opinions are valued and are accommodated before the CSR program is implemented. Here, the attendance remains exclusive to company representatives and community leaders.

In **Level 4 (Decision-making)** the community presides at the CSR's agenda table. The company takes on the role of a learner. It listens to the unfettered flow of ideas based on social realities prevailing in the community. Participation is broadened to include representatives of all sectors of the community, if not everyone

of legal age. The community determines what CSR program is best suited to its situation.

The other role of the company is that of resource partner. It has the financial and technical capability to support the CSR program. Implementation becomes a shared responsibility of the company and the community. Both parties have clear accountabilities.

Level 5 (Evaluation) is the logical progression of Level 4. People are involved at every step of the implementation process. They are equipped with tools that they can use in assessing the progress of the program. Monitoring is continually conducted and evaluations are timed at regular intervals. Company and community representatives are partners ensuring that the program fulfills its identified objectives and is meeting its targets. Feedback is then fully integrated in fine-tuning the program.

The sense of ownership inculcated in Levels 4 and 5 helps ensure the sustainability of the CSR program.

The 1% principle and disabusing CSR

Its voluntary nature makes CSR an experimental tool – an open workshop of innovation that is also susceptible to misuse and abuse. CSR should never be used as a fig leaf to cover anomalies.

For CSR in the extractive industries to be successful, it has to:

- Go hand in hand with corporate accountability, meaning the company complies with what laws demand.
- Adhere to global CSR instruments and standards.
- Be supported by people of the company at all levels and backed by adequate budget.
- Institutionalize dialogue between the company and the community where needs and concerns are discussed.
- Introduce high-impact long-term solutions, not stopgap measures aimed at window-dressing for PR

and to mute criticism.

- Avoid exploiting the vulnerabilities of community leaders, whether official or tribal, especially in poor communities that lack infrastructure and social services.
- Report its processes and results in a way that undergoes independent verification that validates claims, especially when environmental integrity and human rights are at stake.
- Communicate openly and objectively in a culturally-sensitive manner. Company websites have to be resorted to only as secondary reporting channels because they are inaccessible to local communities.
- Deter corruption by transparently reporting to the community its profits and taxes due to the local and national governments.
- Promote unity in the community, not polarization.

as one of the pillars propping up the launching pad of the mining industry's second coming. The potentials of mining are staggering. Mining companies will make a substantial difference in the lives of poor communities if they will earmark to CSR programs even just one percent (1%) of income before taxes. At the same time, as the mining industry uses CSR as a PR tool, communities can likewise leverage CSR as a blue chip in bargaining for just benefits and redress for past wrongs.

At its current valuation of US\$90.8 billion to US\$965 billion, local communities can benefit greatly from this windfall – but only if the silos hindering people's participation are torn down to give way to authentic CSR. ■

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It is not at all bad to use CSR

LEVELS OF PEOPLE'S PARTICIPATION IN CSR (ANDAG)

LEVEL 1 INFORMATION

The emphasis is on information provision. No actual people's participation takes place.

LEVEL 2 CONSULTATION

People's views on predetermined CSR initiatives are solicited. People's participation remains artificial, as there is no assurance that opinions they submit will be factored into decision-making.

LEVEL 3 DELIBERATION

The company proactively pursues people's participation. This level takes an educative approach in encouraging and popularizing participation. With the main objective of achieving consensus on specified CSR initiatives, people are given the opportunity to deliberate on explicitly expressed issues and options based on evidence. This is the first level where CSR decision-making process becomes truly permeable as it acknowledges citizens' opinions and assures that input will be used in shaping decisions.

LEVEL 4 DECISIONMAKING

People are allowed to conceptualize and propose CSR programs/projects based on their own needs and priorities. The company asks people what these needs and priorities are prior to embarking on particular courses of action. In effect, citizens are given the opportunity to set the CSR agenda.

LEVEL 5 EVALUATION

People are able to assess program/project outcomes. Enables them to investigate, based on available data, the impact of certain CSR initiatives vis-à-vis identified targets. The aim is to generate further input for project/program refinement.