

**Community and Government Effects on CSR: Case Studies of Mining  
on Bolivia's Altiplano**

by

Robert Cameron Copyright 2009

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## **Abstract**

# **Community and Government Effects on CSR: Case Studies of Mining on Bolivia's Altiplano**

Robert Cameron

While corporate social responsibility has long been used as a business tool for marketing and risk management, more recently the scope of corporate social responsibility has expanded to include the sustainable development of poor countries. However, the development benefits of corporate social responsibility are debated and some observe that the contribution of corporate social responsibility will depend not only on the firm, but also up on a range of other actors that together make up the context in which corporate social responsibility takes place. To explore this idea, the effect of local community and host government dynamics is examined for three mining operations on Bolivia's impoverished Altiplano. It is found that the host government and local communities both encourage and assist and discourage and impede corporate social responsibility's contribution to sustainable development.

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## List of Acronyms

CEDLA-*Centro de Estudios para el Desarrollo Laboral y Agrario* (Centre for the Study of Labour and Agriculture Development)

CAEDES- *Colectivo de Estudios Aplicados al Desarrollo Social* (Collective of Applied Studies on Social Development)

CEPROMIN-*Centro de Promoción Minera* (Centre for the Promotion of Mining)

CGIAB-*Comisión para la Gestión Integral del Agua en Bolivia* (Commission for the Integrated Management of Water in Bolivia)

COMIBOL- *Corporación Minera de Bolivia* (Mining Corporation of Bolivia)

COMSUR-*Compañía Minera del Sur* (Mining Company of the South)

DFAIT-*Department of Foreign Affairs and International Trade*

DFID- *Department for International Development*

EDC-*Export Development Canada*

EIR-*Extractives Industry Review*

EITI-*Extractive Industry Transparency Initiative*

FDI-*Foreign Direct Investment*

Fructas- *Federación Regional Única de Trabajadores Campesinos Altiplano Sur* (The South Altiplano Regional Federation of Workers and Farmers)

GRI-*Global Reporting Initiative*

HDI-*Human Development Index*

ICMM-*International Council on Mines and Metals*

IIED-*International Institute of Environment and Development*

*ILO-International Labour Organization*

*INE- Instituto Nacional de Estadística de Bolivia (National Institute of Statistics)*

*MMSD-Mining, Minerals and Sustainable Development project*

*NAFTA-North American Free Trade Agreement*

*OBIE-Observatorio Boliviano de Industrias Extractivas (Bolivian Observatory of  
Extractive Industries)*

*ODA-Official Development Assistance*

*OECD-Organisation for Economic Co-operation and Development*

*SMEs-Small and Medium Enterprises*

*SOEs-State-Owned Enterprises*

*SRI-Socially Responsible Investing*

*TNC-Transnational Corporation*

*UN-United Nations*

*UNCTAD-United Nations Conference on Trade and Development*

*UNDP-United Nations Development Programme*

*UNRISD-United Nations Research Institute for Social Development*

*WBCSD-World Business Council for Sustainable Development*

# Chapter 1

## Introduction

### 1.1 Introduction

Corporations have long had a controversial relationship with development. On the one hand, they have traditionally been put forward as a force for economic growth and industrialization and for sustainable development. On the other hand, corporations are also derided for their poor performance on human rights, labour conditions, and their negative effects on the environment, poverty, inequality, and even values. In the last decades of the Twentieth Century, as globalization extended and corporations became more prominent, criticism and controversy surrounding their development effects, aided by modern communications technology, also grew in intensity and in the public consciousness.

One response to this scrutiny and criticism has been corporate social responsibility (CSR). Generally speaking, CSR refers to the idea that private firms not only have obligations to their owners, but also to wider society. Firms must make decisions and take action not only in pursuit of their own profit, but also in the interest of stakeholders such as consumers, communities, the environment, and employees. At the ground level this involves the adoption by corporations of policies and practices like codes of conduct, philanthropy, and environmental management systems that aim to

improve their performance with regards to various issues like human rights, pollution, corruption, and poverty.

At one level, CSR is strictly about the bottom line. By addressing the concerns of the wider body of stakeholders beyond shareholders, firms seek to address the criticism of their detractors, manage risk, and market themselves. However, at another level, CSR is held as one way in which corporations can contribute to sustainable development. This latter assertion is made not only by corporations themselves, but also by various development institutions including the World Bank and the United Nations.

Perhaps unsurprisingly, just as the development effects of corporations have long been controversial, there has also been much debate over the potential contributions of CSR to sustainable development. One school of thought maintains that the development contributions of CSR depend not only on the firm, but also on external actors and the relations between them. In the words of Sagebien, Lindsay, Campbell, Cameron, & Smith:

While the act of developing and implementing CSR initiatives lies firmly within the firm's domain and its primary intent is to strategically advance corporate interests, the degree of the impact of these initiatives upon targeted stakeholders depends to a great extent upon the enabling or disabling dynamics resulting from the actions and interactions of a host of actors outside the boundaries of the firm (2008, p. 118)

There are many actors external to the firm that may influence CSR. Some of these include NGOs, home governments, host governments, social movements, industry

groups, banks, and communities. All of these actors can help and encourage, or hinder and discourage a firm's CSR efforts and determine its effectiveness.

Following this line of thought, this thesis investigates the role played by the Bolivian government and local communities in shaping the CSR practices of three mining operations on Bolivia's Altiplano. Mining is an ideal sector in which to study CSR and its connection to sustainable development. It is a controversial activity and its contributions to development have been highly debated. Mining corporations and industry have been one of the foremost adopters of CSR and have put it forward not simply as a business tool, but also as a contributor to sustainable development. Furthermore, corporate mining operations often take place in underdeveloped regions and countries where mining represents both a badly needed potential source of revenue and pole of development, and a potential danger that is amplified by the challenges of poverty and low government capacity that is often present in developing countries.

Bolivia is a country struggling to develop and reduce poverty. Mining was, and still is, an important sector of its economy and many rural communities on Bolivia's Altiplano have had a long and conflicted relationship with mining. On the one hand, mining has represented a danger to their agricultural livelihoods and way of life; on the other hand, mining has also presented an opportunity to improve their standard of living through access to stable employment and other benefits often lacking in rural Bolivia. Furthermore, after a long period of market-oriented restructuring, the 2005 election of Evo Morales—Bolivia's first Indigenous president who ran on a platform of community and indigenous rights and the nationalization of its resources—raises the possibility that

mining companies operating in Bolivia will face a changing relationship between the government and communities

## **1.2 Framework**

To explore how the host government and local communities encourage and assist — or discourage and impede — CSR's contributions to sustainable development, three mining operations were studied. Two of the mines, Apex Silver and Sinchi Wayra, belong to transnational mining corporations while the third mine, Empresa Huanuni, is a state mine. In each case, basic information was sought on the mine, its CSR, and the surrounding communities. To evaluate the host government's influence, information was sought on how the government provided (or failed to provide) leverage for communities and how the government either assisted or impeded the CSR efforts of the three mining firms. To evaluate community influences on CSR's contribution to sustainable development, information was sought on community leverage and the community pushes and challenges with respect to a number of elements derived from the widely accepted definition of sustainable development given by World Commission for Economic Development. These elements are 1) quality of life improvements that are available to all community members, 2) The ability to extend benefits beyond the life of the mine, and 3) environmental protection. This framework is discussed in more detail in Chapter Five.

## **1.3 Definitions and Clarification of Terms**

As there are a number of terms in this work that may be unfamiliar to the reader or may have a number of possible definitions, some definitions and clarifications are given here.

### Sustainable Development

Although it is not unproblematic, the most widely accepted definition of sustainable development was given by the World Commission on the Environment and Development (also known as the Brundtland Commission) in 1987: “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (p. 43). While the definition does not give any precise prescriptions, it does imply two necessary conditions:

1. The needs of this generation must be met as equitably as possible. This, in turn, implies a need to alleviate the poverty faced by the majority of the global population.
2. Current efforts to reduce poverty and meet the needs of today’s generation must not damage the ecosystem or use resources to the point where they prevent future generations from meeting their own needs.

In one sense mining is clearly unsustainable. Mineral deposits are nonrenewable and will run out and thus clearly violate the second condition given above. However, in another sense, mining is sustainable if mineral deposits can be successfully converted into other forms of capital that will endure past the lifetime of the mine. This thesis adopts the later sense and allows that mining may contribute to sustainable development despite the nonrenewable nature of mineral deposits.

### Corporate Social Responsibility (CSR)

As given above, CSR refers to the idea that private firms have obligations not only to their owners, but also to wider society. Firms must make decisions and take action not only in pursuit of their own profit but also in the interest of stakeholders such as consumers, communities, the environment, and employees. As point of clarification, it should be noted that many view CSR as strictly voluntary or above and beyond the requirements of the law. Many often also think of CSR as philanthropy. In this thesis these views are not adopted. Instead, CSR is held to go beyond philanthropy to change how a firm operates and while voluntary actions are a part of CSR, it is also seen as driven and embedded in the law. Furthermore, for methodological reasons (see Chapter Three), it would be difficult to adopt a purely voluntaristic notion of CSR. A more in depth discussion on the definition and character of CSR follows in Chapter Three

### Community

The term “community” is somewhat ambiguous and problematic. It may be defined on the basis of any number of shared traits including geography, politics, culture, history, etc. Furthermore, individuals may belong to multiple and overlapping communities. This problem arises in this thesis. In many instances of the mining and development debate, the “community” and the mine are discussed as if they are separate entities with the community as a homogeneous entity whose members are subject to the same uniform effect of the mine in their midst. In reality the community is heterogeneous with different members experiencing different effects and, in many cases with the

difference between the mine and community blurred by the double role of local inhabitants as a community members and miners.

In this thesis the term “community” refers to a local community or group of individuals who have history or a period of time residing in area where there is now a mining operation and allows for the fact that the border between the mine and the community is blurred by mining employment.

### The Social License to Operate

In this thesis the terms social license to operate, social license, and local license are used often and interchangeably. In all cases, these terms refer to the informal approval or acceptance of a mining firm’s operation by communities that are close enough to be directly affected by the mine in question. While the social license to operate in a community may be affected by a firm’s legal performance, the social license is not the same as the legal license.

## **1.4 Methodology**

This study is primarily qualitative for a number of reasons. First, qualitative studies are well suited to investigating the “how” and “what” in scenarios that are complex. Additionally, the long history of mining conflict, pollution and institutional weakness in Bolivia, the relatively new push for CSR in mining, and the recent nature of one of the mining operations used in this study, mean that baseline quantitative data on environmental contamination and socio-economic effects is difficult to find and produce.

The research for this thesis was carried out over a period of about a year. First, background research on mining and development, CSR, and Bolivia were conducted in Halifax. Next, was a four month period of field research that took place in a range of environments from the offices of mining firms and NGOs in urban centres of La Paz, Potosi, and Oruru to the mining cites and homes of the surrounding communities. Afterwards, the data was analyzed and written up in Canada.

In the field, primary data was collected through recording observations in a journal, casual conversation, and most importantly through semi-structured interviews or guided conversations. Most interviewees came from one of four backgrounds—community members, NGOs, various levels of government, and mining firms—and were found through two major sources. The first was the Centre for the Promotion of Mining (CEPROMIN) which was essential for providing information and contacts for government officials and mining firms that might participate. On a number of occasions they also provided direct contacts with community members at mining sites—a valuable contribution considering that it was not easy, independently of the mining firm, to make contact with community members living around remote mining operations. The second source was the mining firms themselves who provided access to their mining sites employees, and contacts with community members. While in Bolivia some secondary data was also collected from local news papers, NGO literature, and Bolivia's National Institute of Statistics (INE) which provided census and economic data.

While some differences in the social and environmental performance may be apparent, it is important to recall that this work is not an investigation or judgement of

any firm's CSR or social and environmental performance. Most investigation and questions were directed at the forces and challenges confronting CSR programs. With respect to these questions efforts were made to check the validity/credibility of various view points through triangulation with the perspectives of other relevant actors and secondary sources of data.

## **1.5 Thesis Outline**

This chapter has provided some background, a framework for analysis, some definitions, and a description of the research methodology. In the next chapter the body of the thesis begins. First, starting in the 1950s, a brief history of views of development and its relationship to mining is given. Next, given that mineral resources are nonrenewable, the possibility that mining may contribute to sustainable development is explained. Finally, the debates surrounding mining's relationship with various aspects of sustainable development (including poverty relief) are reviewed.

Chapter Three discusses CSR. First, the relationship of the private sector with development is reviewed. This is followed by description of the increasing importance of corporations and CSR in development. A discussion on the nature of CSR and the difficulty in defining it is then taken up. Next, the debates around CSR are reviewed. These debates have been divided into four categories—CSR is good for capitalism, CSR is bad for capitalism, CSR is good for development, and CSR is bad for development. Finally, the section focuses more squarely on the topic of this thesis by looking at the discussion around the contextual influences on CSR.

In Chapter Four, the Bolivian mining context is described. Some Bolivian development stats are reviewed and there is a brief description of Bolivia's mining history and current mining policy.

Chapter Five contains the three cases studies of this thesis. The first section provides a description of the analytical framework used for each case. Then for each case, the mine, its CSR, its social license, and the government and community pushes and challenges are described.

Chapter Six is the discussion. Here the community and government pushes and forces are compared, possible reasons for similarities and differences are discussed, and the data is related to some of the wider debates surrounding mining and development and CSR and development. The effect of state ownership is also discussed.

In the final chapter, Chapter Seven, a brief summary of observations are given and some implications and lessons are also suggested.

## Chapter 2

### Literature Review–Mining and Development

#### 2.1 Introduction

The World Bank writes that two thirds of the world's population living on less than two dollars a day, inhabit developing countries where mining is a significant economic activity. For the poor in these countries, their governments, and a multitude of development agencies, mineral endowments present a potential resource for development. Furthermore, the high returns and export orientation of the mining industry mean it is one of the few industries that have an acceptable risk-return ratio for investors under conditions of unfavourable geography, climate, poor governance, and fragile security that are often found in the poorest countries (Weber-Fahr, 2002). However, there is both theoretical arguments and empirical evidence that suggest mineral deposits are not an opportunity for developing countries to dig themselves to development, but rather a way to dig themselves into a hole. This section first gives a brief overview of how mining has been viewed in some of the major areas of development theory and some of the arguments and evidence for what is referred to as the resource curse—the correlation between mineral wealth and poor performance with respect to a number of socio economic aspects.

## 2.2 Mining and Views on Development

What is development? There are a variety of answers to this question ranging from an increase in national income to the structural change of society, and from the satisfaction of basic needs to participation and empowerment. These various answers to the question “what is development?” have also been reflected in the mining and development debate.

In the post war period from the 1950s to 1960s, modernization was the dominant development paradigm and it saw development primarily as increasing national wealth and industrialization. To economists within this paradigm mineral wealth was a resource that could be used for industrialization and increases in national income. Rosenstein-Rodan, for example, believed mineral resources would allow a country to escape low level equilibrium traps and expand their domestic markets (1943). Walter Rostow (1962) argued that developing countries could use their natural resources to achieve industrial “take-off” as the wealthy nations had done previously.

This view of mining was contested by economists in the structuralist tradition and dependency theorists not so much because they objected to a focus on increasing national income and industrialization, nor for a large part to the nature of mining per se, but rather because of the way mining in developing countries was structured under international capitalism, controlled by foreign firms from industrialized countries, and the effects of economic and political power asymmetries. For example, the famous economist Raul Prebisch, (as cited in Martinussen, 1997, p. 75) maintained that developing countries would remain trapped in an underdeveloped state if they focused on producing and

exporting raw commodities such as minerals. According to his theory of declining terms of trade, mineral exporting countries would have to continuously produce and export more minerals to pay for a given quantity of manufactured goods whose prices increased on average faster than those of commodities. Celos Furtado (1970) maintained that the mineral export sector, with its dependence on the capital of industrialized countries and influence on developing country infrastructure development, impeded the formation of large domestic markets which in the view of Furtado and other structuralists was a necessary ingredient for development. This was exacerbated by the geographical isolation that often characterized mining operations. For some of these theorists, the negative effects of mining were due in large part to the social relations of capitalism. Thus, they questioned the ability of mining under a system of global capitalism to contribute to development. Discussing the conflicts between multinational mining corporations and some Caribbean countries, Girvan writes “rather than constituting unfortunate episodes that can be handled by adroit management and ‘rational’ behaviour, such conflict should be seen as the manifestation of profound antagonisms among groups within the international capitalist order” (Girvan as cited in Bridge, 2004, p. 240).

In the 1970s, when development theory began to move away from its fixation on economic growth towards the satisfaction of basic needs, the mining and development debate also shifted. Reflecting the changes in the wider development debate, it began to take on concerns of poverty relief, capacity building, technology transfer, and the uneven geographic distribution of the cost and benefits of the mining industry (Bridge, 2004, p. 226).

These concerns continue in the current mining and development debate, which takes place within the context of neoliberal economic policies and a concern with sustainable development. In this context, advocates of the mining industry claim that mining operations can not only contribute to increases in national income and industrialization, but can also —despite the non renewable nature of extractive resources—be part of sustainable development and poverty relief. For example, the Extractives Industry Review (EIR) undertaken by the World Bank states the following:

. . . the development of extractive industries can contribute to sustainable development and poverty alleviation. Extractive industries can encourage economic growth in developing countries by generating revenue and employment, and by acting as a trigger for infrastructure development, education, training, and entrepreneurial activity. The large revenues that governments receive from extractive industries projects can be used effectively to support other development priorities. (EIR, 2003, Vol III, p. 15)

Similarly, the land mark study *Mining Minerals and Sustainable Development Project* (MMSD) commissioned by the some of the largest actors in the mining industry and carried out by the International Institute of Environment and Development (IIED), argues that while tradeoffs are involved, mining is, in some cases, at the forefront of sustainable development (IIED & World Business Council for Sustainable Development [WBCSD], 2002, p. 30).

Within the neoliberal school of thought, the main agent through which mining industry can contribute to sustainable development and poverty relief is private (largely

foreign) capital.<sup>1</sup> This is apparent in various World Bank publications. The 2003 *Mining Reform and the World Bank: Providing a Policy Framework for Development* describes the inability of state mining to achieve sustainability either in financial terms or environmental terms,<sup>2</sup> the increasing importance of the private sector in mining since the 1980s, and the how mining reform will assist private mining to contribute to sustainable development (Remy, 2003). The mining chapter of the 2001 *World Bank's Poverty Reduction Strategy Source Book* advocates the establishment of a sound system of administration for large scale mining which, among other things, requires appropriate tax and fiscal policy and “. . . avoidance of subsidized, state-owned enterprises (SOEs), or, if they already exist, the privatization of SOEs” (Weber-Fahr, Strongman, Kunanayagam, McMahon, Shelton, 2001, p. 445).

Within the mining and sustainable development debate there is a concern with participation and empowerment. This can be seen as a reflection of both the neo-liberal school of development, which acknowledges that participation of the objects of development in planning and implementation results in better outcomes, and the more “radical” alternative development paradigm that congealed in the 1990s (Veltmeyer & Petras, 2000, p.21). This latter paradigm insists the marginalized and poor should be the

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<sup>1</sup> Another commonly noted agent through which mining can contribute to sustainable development and poverty relief is informal or artisanal mining. For more on this see Bridge (2004), MMSD (2002), and Pedro (2006).

<sup>2</sup> According to the World Bank, among other problems, state run mining operations had a poor environmental track record and suffered from a lack of capital, a of investment in exploration and modernization of equipment, and an inability to cut production costs (Remy, 2003)

agents of their own development and that they must not only participate in the development plans that originate from above, but rather that they should plan and control their own development. The most obvious manifestation of this alternative paradigm in the mining and development debate are discussions on the mining industry's relationship to women, to indigenous peoples, and the right to free informed and prior consent. Here the debate on mining and development is not simply about the environment or the distribution of costs and benefits, but the rights of communities to meaningful participation and to choose and control their own destinies.

This section has noted some of the major development concerns—economic growth, industrialization, basic needs, sustainable development, poverty relief, and participation—expressed in the mining industry and development debate since the 1950s. While the prominence of some of these concerns has changed over the years, all of them are reflected in the current debates surrounding the mining industry's relationship to sustainable development. Before discussing these debates, the concept of sustainable development used for this work needs to be elaborated.

### **2.3 Mining's Potential for Sustainable Development and Poverty Relief**

Given that minerals are nonrenewable and mining has high costs for ecosystems, some may ask how exactly mining can be sustainable? The answer lies with the idea of

capital and the different forms it can take.<sup>3</sup> At one end of the spectrum, many adopt the “weak” or “soft” view of sustainable development and maintain that different forms of capital can be substituted for one another. At the other end of the spectrum, others adopt the “hard” or “strong” view of sustainable development and maintain that different forms of capital cannot be substituted for one another. In between these two extremes are those that acknowledge that while substitution is possible, there are exceptions or limits to substitutability.

Those that maintain mining can contribute to sustainable development adopt, to some extent, the “soft” or “weak” view of sustainable development. While acknowledging the environmental costs of mining and the nonrenewable nature of minerals, they maintain minerals can be converted into other forms of capital to the extent that, despite the reduction in natural capital, the overall stock of capital increases and the needs of future generations are taken care of. Thus, it is under the soft view of sustainable development that mining has the potential to contribute to sustainable development

Without accepting the sustainability of mining, many critics also accept the soft version of sustainable development. They argue that, even if in principle, mineral wealth can be converted into other forms of capital, it is rarely done in quantities sufficient enough to make up for the environmental and social damage caused by mining. They also argue that the capital conversion process often takes place in a manner that is inequitable and, at best, unable to address poverty and, at worst, exacerbates poverty.

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<sup>3</sup> Forms of capital are human capital which includes knowledge, skills, health; social capital which includes trust, bonds, and institutions; economic capital which includes buildings, infrastructure, and machines; and natural capital which includes ecosystems, biodiversity, water, air, etc.

This thesis accepts and departs from the soft version of sustainable development. The debate around mining and sustainable development described below revolves around how effectively mineral resources can be converted into other forms of human capital, and whether (in accordance with WCED's definition of sustainable development) it is done in a manner that equitably meets the needs of this generation without damaging the ecosystem to the point where they prevent future generations from meeting their own needs.

## **2.4 Mining and the Resource Curse**

In this section the debate surrounding the extractive industry's relationship to sustainable development is discussed. The section begins with a general description of the state of the mining and sustainable development debate and then moves on to describe the discussion around particular aspects of the debate. These aspects are economic growth, industrialization or the creation of upstream and downstream industry, technology transfer, infrastructure development, health and education, vulnerability, participation and empowerment, and governance. Since it is the neoliberal school of thought that currently dominates the mainstream of development and large transnational firms that dominate the mining industry, and it is these firms that typically espouse a commitment to CSR, the discussion will primarily focus on foreign direct investment (FDI) and large transnational firms. Nevertheless, much of the debate could apply to state owned extractive operations, private national operations, and to a lesser extent, small scale or artisanal mining. Note

that the section is not intended to defend one side or the other, but rather to describe the debate.

Despite disagreements in the literature on how beneficial mining is for sustainable development, there are areas of consensus. Those critical of the mining industry will generally acknowledge that the industry has contributed to many sustainable development goals in some countries like Chile, Botswana, and Canada. On the other side, many that support the mining industry have acknowledged that it has the potential to impede sustainable development and that there are examples where mining has been a greater burden than a benefit (e.g. Sierra Leone, Peru, and Bolivia). So, while there is consensus that the mining industry has potential to contribute to sustainable development, there is a debate on how often it actually does so. There is also debate on the mechanisms of the resource curse and on the measures needed to make the extractive industry (including its ban) contribute to sustainable development.

According to the World Bank, economic growth is associated with improvements in income for all groups including the poorest, and is strongly associated with other indicators of wellbeing including health, nutrition and education (Weber-Fahr, 2002). Thus, if extractive resources slow economic growth, then extractive resources impede poverty relief and sustainable development. On the surface, it would seem logical that mineral riches below ground would be a clear advantage for economic growth, yet there is considerable empirical evidence to the contrary. According to observers of the resource curse debate, some of the most comprehensive and influential, but not uncontested work

is a series of papers by Sachs and Warner (Ross, 2001; Davis & Tilton, 2002).<sup>4</sup> This work shows that greater dependence on natural resources, including mineral resources, is correlated to slower rates of economic growth.<sup>5</sup>

Four economic causes of this poor growth performance are commonly asserted in the literature: “Dutch Disease”, declining terms of trade, price instability of commodity markets, and the lack of “backward” and “forward” linkages to other sectors of the economy. The first three causes will be discussed immediately while the fourth is taken up later.

“Dutch Disease” refers to the correlation between natural resource exploitation, in this case mining, and the decline of domestic manufacturing. The purported mechanism behind this correlation is the appreciation of currency that results from exporting natural resources. This currency appreciation reduces the competitiveness of the manufacturing sector by making its exports relatively more expensive and by decreasing the relative price of imported manufacturing goods. The end result is de-industrialization.

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<sup>4</sup> While the Sachs and Warner’s work is influential and supported by the empirical studies of others, the question as to the strength of the correlation between natural resource dependence and slow economic growth is still not settled. Davis (1998) notes the existence of other studies that conclude the opposite and that performance is highly heterogeneous with some resource dependent countries doing well and others badly. Rosser (2006) observes that while evidence for the resource curse is considerable, there are several reasons to treat it with caution; for example, the negative correlation between GDP growth and resource dependence may disappear if the measure of resource dependence changes from ratio of natural resource exports to GDP, to natural resource rents or production to GDP.

<sup>5</sup> See Sachs and Warner (1995, 1997, and 2001) for an example of this work.

Declining terms of trade was first pointed to by Raul Prebisch and Hans Singer in the 1950s. They argued that relative to manufactured goods, the price of primary commodities was decreasing, making it more expensive for developing countries to import needed goods. This, in turn, would make it more difficult to industrialize, as needed economic surpluses would be increasingly spent on foreign goods needed for industrialization.

Price instability of commodities was seen as problem that could easily affect the domestic economy through sudden and drastic drops in government revenue and foreign exchange, and increased risks to private investors. This instability is troublesome to the poor (and thus sustainable development), as they are especially vulnerable to economic shocks (World Bank, 2001).<sup>6</sup>

The quality of economic growth is as important as the quantity. If growth is of the type that produces jobs for the poor and/or is concentrated in sectors, such as agriculture, where the poor derive their income, then it will reduce poverty and inequality (World Bank, 2001). In the case of the mining industry these characteristic may not apply. While they do employ some people, the employment benefits of large scale modern mining are

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<sup>5</sup> While all three of these causes have empirical support, they are still debated. Ross (1999) observes that some characteristics of developing countries such as a labour surpluses, imply that 'Dutch Disease' would have minimal effects on a developing country, and as support he notes several empirical studies showing resource booms have had little effect on developing country manufacturing sectors. As for declining terms of trade, Rosser (2006) observes that while overall this declining terms of trade exists for primary commodities, later studies show this is due to declining prices of commodities exported by developed or successful developing countries, and not the commodities exported by poor developing countries. Similarly, for price volatility, some empirical evidence suggests that it may have beneficial effects for the export sectors as it encourages investment designed to protect against future price drops (ibid).

limited by its capital intensive nature. As Ross (2001) observes, extractive industries typically need and employ a small number of skilled individuals, often from developed countries, as opposed to the unskilled and semiskilled labour of the local poor. Thus, the modern mining industry is unlikely to employ many locals or reduce inequality where it exists. This is supported by Ross's empirical work linking mineral dependence to higher levels of inequality (2001). Such a link between mineral wealth and inequality would itself be troubling as inequality may be an impediment to growth (World Bank, 2001).

Even if the mining operations themselves cannot employ many poor people, some maintain that mining can still generate significant employment benefits for the poor. The World Bank, for example, has argued that the mining sector could generate economic growth and produce jobs for the poor indirectly through the development of upstream and downstream industries. These industries can contribute to sustainability by creating jobs that last past the life time of particular mining operations and that are suited to the unskilled and semiskilled labour that often characterizes the poor. In this vein, Remy & Macmahon (2002, p. 6) argue that "employment in subcontracted firms that supply mine goods and services is often equal to or much higher than direct mine employment."

For several reasons, critics of this argument reply modern transnational mining operations are enclaves with few links to the domestic economy of their host country. Upstream or backward linkages are limited as mining operations may prefer or need to obtain supplies from outside the region or country where they operate. The World Bank's own Compliance Advisor Ombudsman observed that within the extractives operations funded by the World Bank there was "no presumption in favour of local or regional

suppliers” (as cited in Pegg, 2006, p. 381). Opportunities for the development of downstream or forward linkages are also limited. There are two main obstacles. First are the comparatively higher tariffs placed on processed goods (as opposed to raw materials) by developed industrial countries (Ross, 2001). Second is the fragmentation of mineral and oil production chains due to increasingly lower transport costs (Power, 2002). It is now more efficient to transport raw minerals to developed countries for processing than to develop downstream industries in the developing countries where the minerals originate.<sup>7</sup>

Technology transfer is another proposed route by which the mining industry can contribute to sustainable development. Some argue the technological and capital intensive nature of modern mining production can lead to innovation and technological development in host countries (Weber-Fahr, 2002; de Ferranti, Lederman, Maloney, 2002). In turn, these improvements will lead to increases in productivity, and environmental protection technologies and practices both inside and outside the mining sector. The end result is expanded economic activities for all. Critics reply that such technology transfer and innovation do not occur for the developing host country. Power (2002) for example, argues that in today’s context of transnational firms, globalized technology and knowledge, the development of local mineral expertise and the occurrence of technological and knowledge spillovers into the rest of the economy are not likely outcomes. From beginning to end it is now transnational firms and their first world employees that develop and exploit a developing country’s resources.

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<sup>7</sup> One might ask if this will change if the recent increase in fuel prices decreases the viability of transportation.

Infrastructure development is also put forward as part of the mining industry's contribution to sustainable development. According to the World Bank, infrastructure developed by and for the mining industry can also form the basis for other economic activity in areas inhabited by the poor (Weber-Fahr, 2002). New roads to distant mineral rich but sparsely populated rural areas may not only be used by mining company vehicles, but also by rural inhabitants to transport goods to markets. Infrastructure can thus contribute to sustainable development through expanded economic opportunities for the rural poor. However, some observe the extractive industry infrastructure is built to serve the needs of a particular operation, and is often unsuited to needs of others or may damage the environment on which rural inhabitants depend. Frynas (as cited in Pegg, 2006) for example, comments that after 40 years of exploration in Nigeria, most of Shell's roads bypass local villages.

*The World Development Report 2000/2001* notes the importance of pro-poor spending on health and education for poverty relief (World Bank, 2001). Extractive industry proponents maintain that the wealth generated from mining and oil operations can be used for maintenance and improvements to health and education not only for a nation or region in general, but for the poor as well (Weber-Fahr, 2002). Yet extractive operations bring their own negative health consequences (aside from the dangers to labourers directly employed by such operations) and greater dependence mining correlates negatively with indicators of health and education. The World Bank observes that mining operations often bring large numbers of migrant workers, which can lead to higher rates of prostitution, alcoholism, and communicable diseases such as AIDS (Remy, Macmahon 2002; Weber-Fahr et al., 2001). Empirical studies by Ross (2001)

show countries dependent on mineral exports have higher levels of child mortality and lower life expectancy at birth than other countries of the same income levels. An empirical study by Birdsall, Pinckney, & Sabot (2000) found that natural resource abundant countries invest less in education than other countries. According to the authors, this occurs through a number of mechanisms two examples of which are Dutch disease, which lowers the rate of return to human capital investment by harming sectors such as agriculture and labour intensive manufacturing, and populist pressure where the state dispenses the high rents directly to the poor to reduce unrest instead of investing in creation of opportunities for productive employment. Both of these mechanisms de-incentivise investment the poor's investment in education. Similarly, a study by Gylfason (2000) showed that increasing natural resources were linked with decreases in female school enrolment, secondary school enrolment, and a decrease in the percentage of GNP spent on education. These statistics on health and education indicate that extractive resources detract from their own sustainability by impeding the formation of human capital.<sup>8</sup>

According to the *World Development Report 2000/2001*, a key aspect of poverty is vulnerability and exposure to risk (World Bank, 2001). Some maintain the mining industry may provide security for the poor through alternative livelihoods, capacity

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<sup>8</sup> As so far discussed, there is empirical evidence linking extractive resource dependence with lower GDP growth rates, negative health effects, and lower levels of investment in education. It is then of no surprise to find empirical work showing a negative correlation between extractive resource dependence and the UNDP's Human Development Index (HDI) which is a compilation of per capita GDP, and indicators for health and education. For an example of such work see Ross (2001).

building, and empowerment (Pedro, 2006). However, many also observe the industry is linked to increases in vulnerability and risk through a variety of means: exacerbation or instigation of civil strife and war (de Soysa, 2001; Ross, 2001); environmental damage that can endanger livelihoods and the food security of communities near to mining operations (Holt-Gimenez, 2008; Weber-Fahr, 2002); increases in social tension due to in-migration that result in competition for access to employment and services (Weber-Fahr et al., 2001 ); and, as already discussed, adverse health effects.

Giving all of society's members, especially the poor, the opportunity and ability to participate in the decisions that affect them is an important aspect of sustainable development. The World Bank's Extractive Industries Review (EIR) recommends that extractive operations seek the free and informed prior consent of communities as a step towards poverty relief through sustainable development (EIR, 2003, executive summary p. 3). The MMSD final report (IIED & WBCSD, (2002) states "... sustainable development also requires democratic processes to ensure that people can participate in the decisions that affect their lives, as well as legal and political structures to guarantee their civil and political rights" (p. 23). Some argue that extractive operations can bring increased government attention and capacity building to remote areas previously neglected by government (Pedro, 2006). Yet, the extractive industry is often related to trends that signify disempowerment. Dependency on extractive resources is correlated with corruption and authoritarian governments (Ross, 2001, Ross, 1999). At a community level, Weber-Fahr et al. (2001) observe that communities near extractive operations can be disempowered during decision making processes, denied participation, and often find themselves without access to appropriate information.

Mining has a legacy of poor environmental performance, but mining proponents claim modern mining now uses regulations, guidelines, and advanced technology so that its environmental effects have been reduced. The World Bank, for example, writes “most importantly an environmental ethic has emerged for the mining industry: that of stewardship, with the company assuming responsibility for the temporary use of the land, minimizing the impacts, and restoring the landscape once mining is over” (Remy, 2003, p. 3). So, by producing other types of capital while minimizing its environmental impacts, mining can maximize its contribution to sustainable development. Critics reply that mining still has very high/negative environmental impacts. Using the gold mining industry as an example, Kumah (2006) observes that despite the increased interest in sustainability expressed by mining corporations, high levels of environmental damage continue. As support, he cites thirteen major cyanide spills that have occurred since 1994. Kumah’s work is just one of a plethora that gives examples of the environmental damage caused by modern large scale mining.<sup>9</sup> The environmental effects of mining further detract from mining’s sustainability as its effects are more heavily weighted against the poor who tend to be farmers and fishermen and whose livelihoods are more connected to the environment.

Some proponents of the mining sector acknowledge the many detrimental effects of mining, but reply the negative effects can be more than made up for by the wise use of royalties and taxes the government collects from such operations (Davis & Tilton, 2002;

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<sup>9</sup> For some other examples see *Dirty Metals: Mining, Communities and the Environment* (Earthworks & Oxfam, 2004) and the *Mines and Communities* website found at <http://www.minesandcommunities.org/>

Weber-Fahr et al., 2001). This argument is made stronger if the negative effects on communities in the area of mining operations are compensated for. In reply, critics observe that the reforms many developing countries undertook to attract mining FDI—these include reductions in royalties, import duties on mining capital, and corporate income taxes—have diminished the government’s ability to collect revenue from mining operations (Pegg, 2006; Roncallo, 2006).

For many participants, on both sides of the debate, many of the aspects of the resource curse are heavily affected by governance. Power (2002) observes that rule of law and stable political and economic institutions played an important role in the positive effects mining had in Australia, Canada, and United States. Ross (1999) observes that governments play a large role in developing the resource sectors of developing countries and as such have the ability to prevent or soften many aspects of the resource curse. The World Bank, which in contrast to Ross and Power takes a largely positive view of resource extraction in developing countries, agrees. In a large multi-country study of mining’s effects on GDP growth, it concluded that the difference between mining dependent countries that performed well and those that did not, was good governance; in the World Bank’s words: “it’s not what you do but how you do it” (Weber-Fahr, 2001, p. 3).

While there is wide agreement on the importance of governance in improving the development effect of the extractive sector, there is disagreement over how easily good governance can be achieved. The World Bank continues to lend money to the mining sector operating in developing countries believing that a combination of policy work and

lending requirements will improve governance so that mining will have a positive impact (Pegg, 2006). Others note the mining industry is not just affected by bad governance, but that it causes or exacerbates bad governance. For example, the high rents that the extractive industry produces cause corruption, poor quality bureaucracy, and governments that are less responsive to the poor (Ross, 2001; Sachs & Warner 1997).<sup>10</sup>

Overlapping with many of the above points of debate is an argument by analogy. It is mentioned separately since it is used commonly and forcefully in defence of mining as a force for development. Proponents of the mining industry argue that if the now developed countries of Australia, Canada, and the United States used their natural resources to achieve development, then current developing countries ought to be able to do the same (de Ferranti et al., 2002, Pedro, 2006, Weber-Fahr, 2002). But, as Power (2002) observes, such an analogy is flawed. First, he argues that mining in these now wealthy countries played only a part of these countries' development and was linked to an overall transformation of culture, business, finances, and infrastructure. Secondly, Power argues that even if mining was the dominant force in the development of Canada, Australia, and the United States, the context of today's developing countries is far different than the historical context of these now wealthy countries. Canada, Australia, and the United States may have been resource rich, but unlike today's developing countries, they were labour poor, they had large internal markets, and were protected by high transportation costs and government imposed trade barriers.

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<sup>10</sup> The agreement that governance plays an important role has meant that there has been a large amount of recent work on the political economy of the resource curse. This material is not covered here but good overviews of this material are given by Ross (1999) and Rosser (2006).

This section has explained that while there is reason to believe that the mining industry can contribute to various aspects of sustainable development, there are also theoretical reasons and empirical evidence to the contrary. While this section did not attempt to give any definitive answer as to which side of the debate has got it right, it should be evident that the mining sector's contribution to sustainable development is questionable. Just as there is debate as to the costs and benefits of the mining industry, there is also debate regarding what policies should be adopted to increase the benefits and reduce the costs of the mining industry. Some of this latter debate centres on CSR which is the topic of the next section.

## **Chapter 3**

### **Literature Review–CSR and Development**

#### **3.1 Introduction**

In a globalized world increasingly focused upon sustainable development, large corporations have been portrayed in two conflicting lights. On the one hand, they are often put forth as villains who, unconstrained by national boundaries and laws ruin the land and tread on people in the name of profits. On the other hand, they are portrayed as the saviours of sustainable development, whose innovation and vast resources not only make profits and provide jobs, but also, find solutions to pollution, and build human capacity for all, including the poor.

Here, whether corporations are mainly villains or heroes is not the main discussion point. This work assumes there are some elements of truth in both portrayals of corporations. Instead, the question is if and how corporations, mining corporations especially, can be encouraged to contribute more to sustainable development in the developing world. There are a number of ways in which this might be done one of which is CSR. CSR has surged since the 1980s and is now included in the development debate that has long surrounded corporations and FDI. Mining corporations, so often the target of criticism due to their purportedly high environmental and social costs, have become

one of the major promoters and adopters of CSR and as such find themselves at the nexus of the development and CSR debate.

In this chapter, CSR is placed within the wider role of the private sector and corporations in development. The forces driving the CSR surge and its promotion as a tool for sustainable development are described. These forces come from both inside the corporate world and from civil society and development agencies. This is followed by a discussion of what is meant by CSR. As will be seen, CSR is not easily defined, and its definition is the subject of some disagreement. Next, the debates surrounding the CSR benefit to business and to sustainable development are taken up. Clearly, CSR is a controversial subject that has opponents from both the left and neo-liberal right speaking against it. Finally, the importance of context for CSR is taken up. Contextual effects on CSR are particularly important for this work as it relates directly to the main topic of this thesis; namely, how do community and government affect mining CSR and its contribution to sustainable development.

### **3.2 Private sector and Development**

Over the last twenty to thirty years, profound changes have signalled the private sector's rising power and increasing importance to development. These changes include the liberalization of trade and investment, privatization of state companies, the rollback of government welfare programs, the dismantling of capital controls and the increasing dominance of FDI over official development assistance (ODA), and the locking in of

neo-liberalism through securing corporate and investor rights in the areas of trade, investment, and intellectual property rights (Mckague, IRIS research Associates, & Wheeler, 2004; Utting 2008). The vision for many proponents of this private sector expansion is not only to have the private sector contribute more to economic growth but to also make a contribution to the wider area of sustainable development such as environmental protection and poverty alleviation. Those who see the private sector in this light not only include major multilateral financial institutions and business groups such as the World Bank and the WBCSD that have often seen economic growth and markets as key for development, but also agencies that have been more typically concerned with equity and social justice such as the United Nations (UN). Maintaining that the goals of the private sector and the UN can be mutually supportive, former UN Secretary, Kofi Annan, said that the UN would work to grow the private sector, encourage free markets, and strengthen its partnerships with the private sector (Zammit, 2003). George Kell, the director of the Global Compact, the most emblematic partnership of the UN with the private sector wrote, "It is widely recognized that business has a critical role to play if development is to succeed in a sustainable way, particularly in the poorest countries of the world" (2003, p.1) Although there are a number of different types of actors and mechanisms within the private sector that can potentially contribute to sustainable development—among others these include social entrepreneurs, small and medium enterprises (SMEs), tax contributions, infrastructure development, innovation and technology advancement, standards setting, and marketing to the bottom of the

pyramid<sup>11</sup>—perhaps the most prominent (and controversial) actor and mechanism are corporations (mostly large and transnational) and their CSR.<sup>12</sup>

### 3.3 The Power and Changing Role of Corporations

As both promoter and progeny of the neo-liberal paradigm, TNCs have grown in influence over the last 30 years. One indicator of this is corporate profits and revenue. At 446 billion dollars, the 2004 profit of the 500 largest corporations dwarfs the 15 to 20 billion dollars loaned yearly by the World Bank. Stiglitz (2006) observes the 2004 revenues of GM were greater than the GDPs of 148 countries and in the 2005 fiscal year the revenue of Wal-Mart was larger than the combined GDP of Sub-Saharan Africa.<sup>13</sup> By the early 2000s, TNCs accounted for one third of global economic output and two thirds of world trade (Department of For International Development [DFID], as cited in Wheeler & Mckague, 2002). Some observers note that TNCs are politically active and influential entities and have used their mobility and power to press for regulations and

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<sup>11</sup> Social entrepreneurship refers to individuals or companies which focus their activities on solving social needs. Their goal is not so much profit, but the resolution of a given societal need. Bottom of the pyramid refers to strategy whereby companies design, market, and sell products to the world's poorest members. By doing so, such companies not only contribute to their bottom line, but also to the quality of life for the poor. This idea is laid out by its creator, CK Prahalad in his 2004 book *The Fortune at the Bottom of the Pyramid*.

<sup>12</sup> Mckague, et al.. (2004) give a good overview of the private sector's contribution to development

<sup>13</sup> The comparison is misleading since GDP is the sum of value added of a country's productive activity but revenues, on the other hand, are gross values that include original costs of materials plus the value added by labour and profits (Wolf, 2004).

concessions favourable towards their own ends. Examples include the lobbying efforts of U.S pharmaceuticals industry to extend intellectual property protection to the international level (Bhagwati, 2004, p. 182; Stiglitz, 2006, p. 191), and the successful corporate attempts to insert a provision into the North American Free Trade Agreement (NAFTA) allowing them to sue for loss of asset value due to host country regulations (Stiglitz, 2006, p. 197). However, even without lobbying, the mobility of capital means that national governments must compete for their attention. The United Nations Conference on Trade and Development (UNCTAD) 2007 *World Investment Report* observes that in 2006, 80% of the 184 policy changes relevant to entry and operations of corporations made national markets more favourable to FDI (UNCTAD, 2007).

The development effect and potential of the increasing prevalence and power of TNCs is a highly debated topic. Proponents of TNCs, often from the neoclassical economics school of thought, generally maintain that TNCs bring a number of development producing benefits to their host countries such as capital, skills, employment and technology. For instance, former World Bank Chief A.W. Claussen (2000) stated the following:

... multinational corporations have the ability to enhance the quality of life in the underdeveloped parts of the world is no longer debatable. The continuing transfer of capital, technology and managerial skills from the rich to the poor countries has become the classic justification of multinational [TNC] activity. (as cited in Zammit, 2003, p. 190)

In rebuttal, detractors of TNCs and neo-liberalism offer arguments against these supposed benefits and note that in general the interests of TNCs are both divergent and detrimental to the needs and aspirations of developing countries and their poor populations (Klein, 2000; Shiva, 2001; Stiglitz, 2006; Petras & Veltmeyer, 2007).<sup>14</sup>

Just as the power and reach of TNCs has grown so has criticism and worry over their potentially detrimental effects. For example, concerns over the high price of HIV drugs charged by pharmaceutical companies; indigenous livelihoods, culture and rights trod on by mining corporations; sweatshop labour; and genetically modified organisms promoted by large agribusiness, are all the subject of academic and activist protest and literature as well as policy maker concern. The Criticism and concern over TNCs has been made more poignant by the extreme contrast between the wealth and power of a First World TNCs and the often indigent living conditions of developing country inhabitants. It is also facilitated by modern communications technology that instantly allows images and accounts of corporate misdeeds and negative effects to be disseminated from the poorest and remotest regions to wider audience all over the globe. Of course these images and accounts seep into the mainstream media as well, albeit in diminished intensity, to reach the general populace.

In response, TNCs have increasingly adopted and promoted CSR. As of 2005, Vogel observed that over 2000 corporations issued CSR reports, 1000 corporations had developed or signed codes of conduct to govern their social, environmental and human

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<sup>14</sup> While this debate will not be explored in depth here, much of it is reflected in the mining and development debate that was explored above.

rights practices and over 100 000 corporate web pages that address aspects of CSR could be found (2005, p.6).

The forces that have led to private sector engagement with CSR are especially relevant for the mining industry. Mining is a particularly costly activity with significant social and environmental effects. As Power (2002) observed mining is “not just another industry.” Its nonrenewable nature, volatile commodity prices, harsh environmental effects, high rents and, links to corruption and governance problems make it particularly controversial. Warhurst specifically links CSR and mining with her observation that many of the environmental disasters and human rights violations over the last 40 years that have helped drive the CSR agenda have occurred in the mining and oil sectors (2001). Modern mining methods may in some ways increase the negative impacts of mining. New techniques such as open pit mining may operate on scales much larger than the traditional vein and tunnel mining and so have greater impacts on the environment. The larger scale may mean larger tailings ponds, the release of more toxic metals and chemicals, and greater use of water. At the same time the capital intensive nature of modern mining means fewer employment benefits for the host country. The liberalization of FDI, the securing of investor rights that has occurred as part of neoliberal reforms in the South and the recent spike in commodity prices have increasingly led transnational mining firms to developing countries. On the one hand, operating in such areas may lower the legal bar for social and environmental performance, but on the other hand, it may also mean that the local and national populace present challenges and demands on mining operations that they would not normally face operating in the context of a developed country. Such challenges can include lack of health care and education,

unclear land ownership and legal rights, differences in cultural expectations, and general poverty and government neglect. Failure to meet these challenges can mean an expensive loss of the social license to operate. Unhappy members of local communities can shut down operations with protests, blockades, and where they form part of a mine's labour force, strikes. Where the communities have the ability to air their complaints at the national or international levels, a mining firm can suffer expensive reputational damage in their home and host country, and internationally. In this respect, some have observed that just as mining corporations have gone global so have much of their potential opposition through partnerships and using modern communications technology (Sagebien et al., 2008). Examples of this include Mining and Communities, Mining Watch, and the Latin American Observatory of Mining Conflicts (OCMAL). Furthermore, where the loss of social license reaches the upper levels of government power legal license can also be endangered. Cynthia Carroll, the CEO of Anglo American, noted the perception that mining does not give enough back to society is in part responsible for a recent increase in resource nationalism (as cited in Kosich, 2007).

In the face of these challenges/risks, the mining industry has become one of the most frequent adopters of CSR (Jenkins & Yakovleva, 2006, p. 272). At an industry level, two examples of CSR include the Extractive Industry Transparency Initiative (EITI)<sup>15</sup>, and the International Council on Mines and Metals (ICMM), a CEO led industry

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<sup>15</sup> Started by the British government in 2002, the EITI is a coalition of governments, companies, civil society groups, investor groups, and international organizations, and its purpose is to encourage and set standards for extractive companies to disclose what they pay and for governments to disclose what they receive (EITI Association, 2009).

organization which is developing and applying a number of CSR tools.<sup>16</sup> At a company level, many firms now conduct individual CSR efforts and subscribe to one or more of a number of CSR and reporting guidelines that have been established such as the Global Reporting Initiative (GRI),<sup>17</sup> and the Global Compact.<sup>18</sup> According to its 2006 mining survey, KPMG, a prominent accounting firm, CSR reporting is now regular practice for mining firms (2006, p.81).

What does CSR have to do with sustainable development? As implied above, at some level CSR is more about managing risk and marketing than contributing to development. Mining firms hope by adopting CSR they can manage their reputation and prevent costly disruptions of their operations and perhaps even head off costly government regulation. In this view, CSR is a business tool which at worst is a necessary cost of doing business which needs to be minimized and, at best, a competitive advantage which can contribute to the bottom line. This point may be surprising, but the business case for CSR has become a primary argument for its adoption by business (Vogel, 2005).

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<sup>16</sup> See for example the ICMM's Community Development Tool Kit which is available on its website (<http://www.icmm.com/>)

<sup>17</sup> The GRI is the World's most widely used sustainability reporting framework. The framework gives principles and indicators so organizations measure and report their economic, social, and environmental performance. (GRI, 2009)

<sup>18</sup> The Global Compact is a partnership between participating businesses and the UN. Member firms agree to follow ten principles that encompass environmental, labour, corruption, and human rights concerns (United Nations Global Compact, 2008).

At another level, CSR is being put forward as more than just a business tool; it is also being promoted and adopted as mechanism for sustainable development (Blowfield, 2005; Blowfield & Fyrnas, 2005; Jenkins, 2005; Idemudia, 2008). Many firms and industry organizations talk as if CSR and sustainable development efforts are linked. For example, in its 2006 survey of 44 of the biggest mining firms, KPMG refers to the CSR reporting of mining companies as “CSR/Sustainable” reporting (p.82); the final report of MMSD maintains that CSR is one method to help the mining industry contribute to sustainable development (IIED & WBCSD, 2002, p.24); and the “CSR Charter” of the World’s largest gold mining company, Barrick Gold, states, “We recognize that responsible behaviour is our calling card, creating opportunities to generate greater value for our shareholders, while at the same time fostering sustainable development in the communities and countries where we operate” (Barrick Gold Corporation, p. 1, 2004).

The adoption of CSR for sustainable development is not limited to corporations. Signalling CSR’s mainstreaming into development, international development agencies and national development cooperation agencies and governments have also began to promote CSR. There are various examples: the UK’s DFID which maintains that, “By following socially responsible practices, the growth generated by the private sector will be more inclusive” (As cited in Newell and Frynas, 2007, p. 669-670); the World Bank programs linking sustainable development to CSR such as the International Finance Corporation’s “Social Responsibility Program”; the World Bank’s “Development Communications” Division’s CSR program; and the UN’s Global Compact.

Some NGOs have also started to participate in CSR. While many NGOs are clearly unsatisfied with CSR, for example Christian Aid which calls it a “mask”,<sup>19</sup> others have partnered with various corporations to deliver various CSR programs. Examples include Barrick Gold’s partnership with World Vision or Rio Tinto’s partnership with Earth Watch and the World Wildlife Fund (Sagebien et al., 2008, p. 116).

### 3.4 Defining CSR

What is CSR? As many CSR observers note, there is no universally accepted definition of CSR (Carroll, 1999; Frynas & Blowfield, 2005; Idemudia 2008, Vogel, 2005). Much of the problem results from the fact that what counts as “socially responsible” is somewhat subjective and dependent upon one’s context and identity (Frynas & Blowfield, 2005; Famer and Hogue as cited in Idemudia, 2008). What counts as “socially responsible” for an individual on the right side of the political spectrum may be less so for an individual on the left side of the political spectrum. Similarly, what is a “socially responsible” in the United States may be “socially irresponsible” in Japan where corporations have had a different relationship with society.

Aside from contextual dependence of “socially responsible” even within a given context, the term “social responsibility” is ambiguous. Votaw observed that it may be taken in a legal sense as in liability; it may be taken to mean socially “conscious” or

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<sup>19</sup> See Christian Aid’s, *Behind the mask: the real face of corporate social responsibility* (London: Christian Aid, 2004)

“aware”; or it may be taken in the casual sense as in “responsible for” (as cited in Idemudia 2008, p. 95).

The subjectivity and ambiguity of the term “social responsibility” make it difficult to come to a consensus on what indicators can be used in research and how to judge whether or not a particular corporation is “socially responsible”. Thus, questions like “can a tobacco company with a progressive policy of gender equality hiring be considered ‘socially responsible’?” and “given that so many families may depend on income earned by their children, is a company that refuses child labour necessarily more socially responsible than companies that do not?” are difficult to answer.

While these difficulties persist, it is still possible to give a general description of what is usually meant by CSR. Utting (2008) gives such a description and includes the actions and tools that are often involved:

CSR generally refers to a range of voluntary initiatives that aim to minimize corporate bad practice or continuously improve corporate performance in the social, environmental, human rights and corporate governance domains. It is often suggested that CSR should go beyond both philanthropy and law, although the role of both are increasingly recognized as important drivers or features of CSR. CSR instruments typically include: codes of conduct and other sets of principles and guidelines; improvements in environmental management systems (EMS), occupational health and safety, and company–community relations; triple-bottom line accounting and company sustainability reporting; internal and external monitoring; social auditing and certification; and stakeholder dialogues. (p. 959)

Two important points in Utting's CSR description concern the voluntary nature of CSR and philanthropy. As Utting observes, while CSR can include philanthropy, many see CSR as more than just donating a given percentage of after tax profit. In this viewpoint CSR is supposed to reach the core of business and change how profits are made (Hamann, 2003; Hopkins, 2005). In mining operations, for example, this may entail changes in production processes and the inclusion of external stakeholders into firm decision processes. Thus, some have tried to separate CSR from philanthropy and maintained that actions taken simply to benefit the environment or society but do nothing to change a company's operations and benefit the bottom line are not CSR. For example, according to Hamann (2003) philanthropy is not enough; while it can make an important contribution, CSR must integrate itself into the core of business activity and change how profits are made in the first place. In attempting to define CSR, Hopkins makes a similar point but includes the idea of profit: "Philanthropy does little or nothing to help companies make profits, while all CSR activities are linked to improving a company's bottom line" (2005, p8). For Hopkins, contributions to the bottom line are precisely what will make CSR sustainable.<sup>20</sup>

With respect to classifying CSR as voluntary, there are several points to be made. First, voluntary is often taken to mean apart or above and beyond what the law requires. Many, however, note that there are several reasons to be cautious about defining CSR in this way. There are cases where the law and CSR blend. International voluntary

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<sup>20</sup> On the flip side, some of those that are most critical of corporate activity focus on motivation as the key and refuse to classify anything other than self sacrifice as "socially responsible" (Economist, 2008).

guidelines can become part of national legislation,<sup>21</sup> laws at the national and international level can have voluntary aspects (Frynas & Blowfield, 2005; Utting, 2008; United Nations Research Institute for Social Development [UNRISD], 2003).<sup>22</sup> Furthermore, in developing countries it may make little sense to talk of corporations going beyond legal compliance when there is little enforcement of laws and noncompliance is the norm (Prieto-Carron, Lund-Thomsen, Chan, Muro & Bushan, 2006). It is also noteworthy that where legal compliance is treated as the minimum baseline for CSR, then CSR is embedded within the legal framework (Fox, 2004)

Second, voluntary is not the same as discretionary. Even when there is no law or legal enforcement it may not be up to the discretion of a corporation to adopt any behaviour it wishes. Communities, NGOs, and media have the ability to cause expensive disruptions to operations or loss of reputation. As such corporations may have to bend, at least to some extent, to the wishes of external actors even when not legally required or enforced to do so.

To illustrate these differences in CSR definition and CSR's characterization as "voluntary" and to clarify what definition will be used in this work, a diagram is provided below (Fig 3.1). Many CSR definitions will leave out box 1 and box 2. However, as

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<sup>21</sup> For example, Ghana requires logging companies to secure a Social Responsibility agreement with customary landowners (Blowfield & Frynas, 2005, p. 503 )

<sup>22</sup> An example is the national and international Pollutant Release and Transfer Registers (PRTRs), which impose reporting obligations on companies producing toxic substances, but leave it to civil society, media, and shareholder to apply pressure when company performance is found wanting (Utting, 2008).

Prieto-Carron et al. observed, some may decide to include box 2 as part of CSR if laws are not enforced. The most permissive definitions of CSR will classify the action in everyone of the given boxes as part of CSR.<sup>23</sup> As implied by Utting's CSR description, this approach is not as common as seeing CSR as separate from the law. Nevertheless, it is used here partly for reasons discussed above, but also because in at least the first case of this study there is a great deal of ambiguity as to where the law ends and voluntary action begins. Thus, adopting the more permissive view of CSR will facilitate comparison between the cases.

Fig 3.1. Definition and CSR Actions.

Depending on the definition of CSR, all or some of these actions can be classified as CSR as long as they attempt to decrease negative effects of corporate operations or increase corporate contributions to society and the environment.



<sup>23</sup> The World Bank's working definition of CSR is an example: "Corporate Social Responsibility is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve the quality of life, in ways that are both good for business and good for development". (as cited in Ward, 2004, p. 1) Note that it does not imply that CSR is voluntary or beyond compliance.

### 3.5 CSR—Business and Development Debates

In the following section, the debates around CSR and development are presented. The arguments are divided into four general categories and a brief description of each argument is given. This is then followed by a description of two schools of thought or perspectives on CSR. The first is the “accountability school” which has emerged from a set of criticisms against CSR. The second is the “enabling context or environment” school which emphasizes the effects of context on CSR. The latter school is given some emphasis as it is particularly relevant to this work which explores the effects of two contextual actors on a firm’s CSR— namely, the host government and the community.

As shown in the below table (table 3.1), the arguments surrounding CSR and development are divided into four categories. After the table, the arguments are briefly taken up proceeding clockwise from the top left of the table.

Table3.1 CSR-Development Debate Summary Table

CSR is Bad For Capitalist Enterprise (BC)	CSR is Good For Capitalist Enterprise (GC)
BC 1. CSR misuses shareholder money  BC 2. CSR undermines profits	GC 1. CSR acts to reduce risk  GC 2. CSR may allow access to sources of financing unavailable to less socially responsible firms  GC 3. CSR can attract socially and environmentally conscious talent and customers  GC4. CSR can provide an advantage when

	competing for contracts
CSR is Bad for Development (BD)	CSR is Good for Development(GD)
BD 1. Ignores structural origins of poverty	GD 1. CSR Increases FDI spin offs
BD 2. Incapable of questioning capitalist orthodoxy	GD 2. CSR addresses governance gaps
BD 3. Unhealthy interference with government responsibility	GD 3. CSR is moving beyond philanthropy
BD 4. CSR is driven by Northern concerns	
BD 5. CSR is dissociated from national development plans	

Table adapted from Sagebien & Whellams, 2008

### 3.5.1 CSR is Bad for Capitalist Enterprise

#### BC 1 & BC2) CSR Undermines Profits & CSR Misuses Shareholder Money

Arguments against CSR on the basis of its negative impact on profit are often made from a perspective that is highly positive about private enterprise, the free market, and globalization (Friedman, 1970, Henderson, 2005; Kerr, 2004, Wolf, 2004). For example, Martin Wolf writes the following:

It is by seeking out opportunities for profit that business contributes to economic and social development. Competitive businesses are forced to seek new markets and employ previously under-used resources. In doing so they benefit their customers, their employees, and the countries in which they operate” (as cited in Kerr, 2004, p. 5).

Given this view of the market and free enterprise, such writers see CSR as a dangerous and burdensome distraction for corporations and for society which derives extensive benefits from corporations. Noting that CSR will tend to increase costs and distract managers, former chief economist of the Organization for Economic Co-operation and Development (OECD), David Henderson, maintains that CSR is likely to make society poorer. The same sentiment was expressed most famously by the free marketer Milton Friedman who wrote that there is “only one social responsibility of business: to use its resources and engage in activities designed to increase profits” (as cited in Blowfield and Frynas, 2005, p. 505). The concerns of Friedman and Henderson are well supported by the comments of one Monsanto executive: “One of the conclusions that I’ve come to is that 99.9 per cent of our impact [among smallholders] is through our business activities. Even if we stopped [the philanthropic programmes], we’d still be achieving the 99.9 per cent” (as cited in Glover, 2007, p. 862).

Related to this point, Friedman and others also believe CSR, if it were not designed to contribute to the bottom line, would be a misuse of shareholder money. For them, corporate executives are hired to make profit and not to save the environment or solve social problems. In fact, since firms have a fiduciary duty to shareholders, CSR may, to some extent, violate the law by funnelling share holder money away from the pursuit of profit to pursuing environmental goals and addressing the concerns of stakeholder other than share holders (Doane, 2005; Whellams, 2006).

### **3.5.2 CSR is Good for Capitalist Enterprise (GC)**

#### **GC 1) Risk management**

While a company may have a legal license to operate, it may not be enough to avoid costly negative media attention, protests, and sabotage. Through improving the reputation of a company and strengthen its ties to a community, CSR can give a company the social license to operate (Kapelus, 2002; Hopkins, 2004). According to one survey by the Economist magazine, managing reputation was one of the primary business benefits behind CSR (2008, p. 13). In addition, CSR may help prevent or reduce social tensions in the areas where they operate and so improve political stability providing a more favourable context in which to conduct business (Goddard, 2005). In this sense CSR is akin to enlightened self interest. The benefits of CSR may be difficult to quantify and not immediate, but in the long run being surrounded by happy and healthy people is more conducive to profit.

#### **GC 2) Improved Access to Financing**

CSR can improve access to sources of funding that are unavailable to companies that are less socially responsible (Vogel, 2005). Socially responsible investing (SRI), whereby individuals invest in companies that are judged to be socially responsible, has recently gone mainstream and has increased exponentially over the last several years (Doane, 2005,). For example, in 1999, the Dow Jones Sustainability index was created and in Canada, SRI investing grew dramatically from about 65 billion in 2004 to about 500 billion in 2006 (Social Investment Organization, 2007) while in the U.S, SRI increased from 639 billion in 1995 to 2.29 trillion in 2005 (Social Investment Forum

Foundation & Social Investment Forum Ltd, 2005). For at least some, SRI is not only about morals; it is also about managing investment risk. The Ethical Funds Company of Canada argues that firms operating in countries where human rights abuses are common should take measures to protect themselves from the legal and financial risks that operating in such environments can entail (Baue, 2005). CSR is one such measure. Apart from equity investors, some institutions will require CSR measures before they will lend to corporations or provide risk insurance. The Export Development of Canada (EDC) and the World Bank are two such examples.<sup>24</sup>

### GC 3) Recruitment of Socially Conscious Talent and Customers

Proponents claim CSR can help attract and retain needed talent since potential employees will often prefer to work in firms with a reputation for social responsibility (Economist, 2008; Frynas, 2005; Vogel, 2005). This may be particularly relevant for mining companies as mining has a reputation for being socially and environmentally costly and has often been the target of civil society complaint. In his research, Frynas (2005) observed oil firm employees, especially expats, were demoralized by criticism of their sector and that in extreme cases recruitment and retention of employees had been negatively affected. Supporting Frynas's observations is the *Millennium Poll on*

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<sup>24</sup> The World Bank uses the IFC performance standards and the EDC uses the closely related equator principles when deciding who to loan money to. These IFC performance standards and Equator Principles can be found at <http://www.gcgf.org/ifcext/sustainability.nsf/content/PerformanceStandards> and <http://www.equator-principles.com/index.shtml> respectively.

*Corporate Social Responsibility*<sup>25</sup> which found that 20-39% of opinion leaders would be inclined to reward/punish their own company for its degree of social responsibility (as cited in Whellams, 2006, p. 32).

Social responsibility may also help to attract customers who are socially and environmentally conscious. At least some ethically branded products, such as free trade goods, are growing quickly and some studies show that labelling goods as socially responsible has an effect on consumer choice (Doane, 2005). One example is a study conducted by Harvard University researchers showing that towels carrying a label indication they were produced in an environmentally and socially responsible manner sold better and at higher prices than identical towels with no such label (as cited by the *Economist*, 2008, p. 16). However, other studies indicate that the percentage of consumers that are highly committed to 'responsible' shopping is relatively low with only about 10% willing to go out of their way to get responsible goods (Marks and Spencer 2007, as cited by the *Economist*, 2008)

#### GC 4) Competing for Contracts

Some argue that CSR can give businesses a competitive advantage when competing for contracts. For example, Frynas (2005) observes that some oil producing countries have favoured socially responsible companies bidding for concessions. The Canadian government has developed a CSR strategy entitled *Building the Canadian*

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<sup>25</sup> The Millenium Poll on Corporate Social Responsibility was conducted by Environics International Ltd and polled 25000 citizens in 23 different countries. 'Opinion leaders' refers to those that have leadership roles in organization, regularly speak in public, or influence the opinion of others.

*Advantage: A Corporate Social Responsibility (CSR) Strategy for the Canadian International Extractive Sector* based on the premise that Canadian firms that are irresponsible can undermine the competitiveness of its compatriots (Department of Foreign Affairs and Trade [DFAIT], 2009). Unfortunately or cynically, Frynas (2005) observes that the competitive advantage of CSR can be more than just a case of a country choosing a company with a good CSR record. Companies can use their CSR very strategically by timing CSR initiative to have maximum marketing impact, and to curry favour with host governments and its officials. In such a case CSR may seem more akin to an advertising ploy or method of transferring money to the host government to get a contract rather than a genuine attempt to be more responsible.

Before moving on to the next section there are two points that need to be mentioned. The first point returns to the first argument of this section (GC1 risk and reputation management) to emphasize the role of the community in business case for mining CSR. A number of authors have pointed to the importance of the community social license to operate (Hamann, 2003; Jenkins & Yakovleva, 2006; Kapelus, 2002). Communities may impose significant costs on a mining operation through protests, road blocks, sabotage, and where they form part of the labour force, strikes (Hamann, 2003; Jenkins & Yakovleva, 2006). Perhaps more importantly, because local communities are the most affected by the adverse environmental and social consequences of a mining operation, their claims carry more credibility than those of other actors. As Kapelus (2002) observes, this credibility means that a contented local community can act as a cloak of legitimacy against a mining operation's critics. Thus, a good relationship with

local communities can be vital for a firm's reputation which, in turn, can provide the various business benefits discussed above.

Second, a person more interested in development than business may grow impatient with so much time spent on the question of whether or not CSR is good for business. Yet, this question and the question of whether CSR makes development sense are connected for a number of reasons. First, if CSR is bad for business but is implemented anyway then, as commentators such as Friedman and Henderson argued, it may prove to be a damaging distraction that weakens firms and reduces the societal benefits they supplies as part of their normal operation . Second, if CSR does have a significant positive impact on development, then the lack of a business case would be of concern since business would be less motivated to pursue and sustain CSR efforts.

### **3.5.3 CSR is Good for Development (GD)**

#### **GD 1) Increasing FDI Spinoffs**

Some proponents of CSR argue that CSR can increase the positive effects that are already thought to be part of FDI such as job creation, technology transfer, and infrastructure (DFID, 2003; Fox, Ward, and Howard, 2002). For example, as part of their CSR programs companies can develop infrastructure so it is not only of use to them but of use to local inhabitants as well. They can also come to agreements with local inhabitants and governments on hiring and training policies. For example, under its CSR banner, Barrick Gold notes that it trains and employs locals and makes efforts to source their product needs locally or regionally (Barrick Gold Corporation, 2007).

## GD 2) Addressing the Governance Gap

CSR may help reduce the burden of regulation and enforcement or address the lack of it. This is especially pertinent in developing countries where governance gaps are common. Blowfeild (2004, p.63) writes that CSR may reduce the burden of enforcement and free up resources for other development initiatives. Furthermore, where the rule of law is weak, CSR can encourage firms to adhere to, or surpass standards even when they are not enforced (Blowfield and Frynas, 2005, p. 502). In support of this idea some observers note that CSR is often in front of legislation or guidelines from governments or international bodies. For instance, the MMSD final report observes that many major mining companies go beyond legal requirements to improve their environmental and social performance (IIED & WBCSD, 2002, p. 249) and John Ruggie, the UN's Special Representative on human rights and business observes that business CSR standards have often surpassed the OECD guidelines on corporate responsibility and human rights (as cited in Sagebien et al. 2008, p. 118). At the extreme end of the governance gap, Kuper observes that it cannot be assumed that governments will be the primary agents of development and that such responsibility should be determined based on motivation, capability, and opportunity (as cited in Whellams, 2006). This sentiment seems particularly apt given the lack of resources and high level of corruption exhibited by some governments and the abundant resources of TNCs.

### GD 3) Beyond Philanthropy

Aside from the governance gaps and differences in capabilities, it is sometimes argued that corporations themselves are getting better at development. If in earlier times CSR was characterized only by philanthropy, now CSR is becoming more sophisticated. Zadek (2001) notes several companies have taken CSR to a level beyond philanthropy such as Cisco which has launched efforts related to their core business to overcome the 'digital divide', and BP and Shell who have invested in improving the social and environmental outcomes at their various operations (p.10). As part of their CSR, companies now often work in conjunction with experienced NGO's, development professionals, and community members familiar with the host country context to better design CSR programs that are sustainable (Evans, 2007; Frynas, 2005). Perhaps the most sophisticated examples of CSR, are tri-sectoral partnerships where companies work with communities and government to design and implement their CSR. Acutt, Hamann, Carter, & kapelus (2001) maintain that well managed tri-sectoral partnerships can provide an effective response to social and environmental issues while at the same time reducing the costs of CSR for corporations.

### **3.5.4 CSR is Bad for Development (BD)**

#### BD 1) Structural Origins of Poverty

Blowfield (2005) observes that CSR is done at a company or industry level and thus fails to tackle the structural causes of poverty. So, if poverty is matter of an individual's or group's position in economic, social, or political systems rather than one of capacity, then CSR is unlikely to solve poverty. Similarly, Lund-Thomas (2005) in his

study of mining in South Africa compares CSR to putting out the worst fires without ever really addressing the cause of the fires in the first place. In the case of mining operations in South Africa, Lund Thomas believes the original causes of community-mine conflict were mining investment liberalization and the need for companies to look for low cost sources of minerals, issues not addressed by CSR. Similarly, for the “father” of structuralism, Raul Prebisch, CSR is likely going to be limited in its contributions to development if it does not address declining terms of trade or the small domestic markets of developing countries.

#### BD 2) Incapable of Questioning Capitalist Orthodoxy

This next point is similar to the one above. While CSR calls for change it does so only within the capitalist framework. CSR does not, for example, question the flexibilization of labour, commoditization of natural resources like water, privatization, or the appropriateness of capitalism and the individualistic values that it promotes. In the words of Blowfield and Frynas (2005) “CSR as a discipline lacks the means to reflexively consider its own orthodoxy...in doing so, there is a strong possibility that CSR will legitimize and reproduce values and perspectives that are not in the interests of developing economies or the poor and marginalized” (p. 510).

The above two criticisms—the structural causes of poverty and CSR unable of self-criticism—lead commentators like Utting to conclude that many issues related to underdevelopment or global injustice remain off limits to CSR. CSR does not for example, address corporate lobbying, tax avoidance, lobbying, the so called “race to the bottom”, and the role corporations have in determining international or domestic policy

that is environmentally or socially damaging (Utting, 2008). According to some observers, these failures are not surprising as corporations and industry are profit seeking institutions and so will resist measures that challenge the system upon which their power and profit depends, or measures that are otherwise too expensive (Blowfield, 2005; Doane, 2005; Kapelus, 2002; O’Laughlin, 2008). In line with this logic, there are claims that this is not only naivety on the part of many CSR proponents, but a deliberate attempt to distract critics and prevent more fundamental changes and/or enforcement with formal legal mechanisms. Thus, one member of an organization highly critical of the mining industry characterizes CSR as an “industry effort to control the debate, to define the problem and thus its resolution” (Kuyek, 2006, p. 214). In this sense, CSR is often called green washing by critics who see it as nothing more than a deliberate attempt to distract from socially irresponsible behaviour, or as the cheapest possible response to criticism.

### BD 3) Unhealthy Interference with Government Responsibility

The above considerations lead to the concern that CSR, purposefully or not, will reduce or block pressure for needed tougher legal regulation and/or structural reform. This is not only dangerous as CSR ignores various issues related to structure and capitalist orthodoxy (as discussed above) but also because CSR is largely voluntary. Newell (2005) observes that in the absence of binding regulation it will be left to a firm’s discretion as to what level of obligation they wish to fulfill. CSR will not prevent the worst offenders from operating and it may even act as potential cover for their poor performance. There is also the fear that where states forgo regulation in favour of CSR,

citizens will have little recourse when firms fail to behave responsibly or otherwise cut their CSR programs. Unlike governments, firms are profit oriented as opposed to democratic. As Friedman (1970) notes, firms and executives are not motivated or directed to respond to social and environmental issues in the way that elected officials are; unlike corporate executives and management, public officials can be voted out (at least in the case of democratic governments), if they fail to satisfy the environmental and social demands of their constituents. Furthermore, even in cases where corporations are motivated to sincerely address social and environmental issues, their success in doing so may be very limited as firms and staff may be ill-equipped for the task. In his look at the CSR of BP and Shell in Africa, Frynas (2005) observed that firm employees lacked development skills, were unfamiliar with the local context and had technical and administrative attitudes better suited to dealing with engineering and management problems than complex social issues. Lastly, by taking over functions that have traditionally been seen as the role of the state, CSR programs may operate to legitimate government cutbacks and the privatisation of social programs. This, in turn, may result in decreased social spending, inappropriate government priorities, and the creation of “islands of development” (IIED & WBCSD, 2002, Kapelus 2002)

#### BD 4) CSR is Driven by Northern Concerns

Another concern with CSR is its often Northern focus in which it fails to address the concerns and priorities of developing country constituents (Jenkins 2005; UNRISD, 2003; Utting Prom dev through CSR—does it work, 2003). Jenkins, (2005) writes that CSR has been largely concerned with actions it should avoid such as human rights

violations, and child labour, rather than how it can make a positive development outcome such as eradicating poverty. This, according to Jenkins, is largely the result of the Northern drivers of CSR which are for the most part trade unions, environmental NGOs, consumers, and TNCs concerned about their reputation in their home bases.<sup>26</sup> Apart from merely determining the CSR agenda some also complain that CSR is often implemented and monitored without the help of the intended beneficiaries which results in reduced effectiveness (Murphy as cited in UNRISD, 2003). This observation echoes an observation often made in the world of development work—most often carried out by NGOs, official aid agencies and governments rather than corporations—that the most effective measures are driven and implemented by those who are the targets or objects of development.<sup>27</sup>

#### BD 5) Dissociation From National Plans

Some critics have noted that CSR plans are often disassociated from larger development frameworks or national development plans (Feinberg, 2008; Frynas, 2005). According to Frynas (2005) CSR separate from government and authority may actually result in jealousy and intercommunity conflicts. He also noted that CSR plans that are made without consideration of national development plans can result in wasteful duplication of efforts and loss of benefits that might result for more synergistic actions. In this respect Feinberg (2008) maintains that firms that coordinate with large international

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<sup>26</sup> This may be less and less the case now that development agencies such as DFID, CIDA, and the World Bank who focus on sustainable development are more actively involved in CSR.

<sup>27</sup> See for example, the now famous book *Rural Development: Putting the Last First* written in 1983 by Robert Chambers.

or national frameworks can better leverage their resources, overcome isolation through participation in larger projects and better see how exactly their firm contributes to wider development goals.

### **3.6 Accountability and the Enabling Context Perspectives on CSR**

Many of the above criticisms of CSR—especially the first two on CSR’s failure to address structural issues and capitalist orthodoxy—have led to the rise of the so called “accountability” perspective or school of thought. According to this perspective, if CSR is strictly voluntary, some firms will undertake limited actions but in the end choose profitability over measures needed for development while other firms will do worse and free ride or adopt a strategy of greenwash or distraction (Doane, 2005; Utting, 2008; Idemudia, 2008). Thus, this perspective advocates a move away from a voluntary emphasis to ways in which corporations can be held accountable to stakeholders. Measures to achieve accountability range from the more systematic disclosure and reporting with independent monitoring and verification, to the formation of legally binding international regulations, to a more fundamental overhaul of the corporate structure (Doane, 2005; Utting, 2008; Idemudia, 2008). This view of CSR is in contrast to that of CSR proponents who maintain CSR is effective precisely because it is voluntary and thus avoids the clumsy, inefficient, and ineffective measures of government in favour of the more flexible, creative, effective voluntary measures (Blowfield, 2004; Steiner & Steiner, as cited in Whellams, 2006).

Another perspective or school of thought, one that is particularly important for this thesis, emphasizes the effect of context on CSR. This school may be referred to as the “enabling environment” perspective (Idemudia, 2008). In the words of Sagebien et al.:

While the act of developing and implementing CSR initiatives lies firmly within the firm’s domain and its primary intent is to strategically advance corporate interests, the degree of the impact of these initiatives upon targeted stakeholders depends to a great extent upon the enabling or disabling dynamics resulting from the actions and interactions of a host of actors outside the boundaries of the firm. (2008, p. 118)

As Sagebien et al. observe, while the firm is the prime mover of CSR and implements it out of self interest, the effect of CSR is dependent upon actors outside of the firm. Other proponents of this school maintain that context not only influences the effects of CSR, but also the drive to adopt CSR in the first place. Ward (2004) observes that the business case for CSR includes not only internal drivers (such as employee retention) but external drivers that among others include media exposure, and campaign pressure from NGOs and trade unions. In agreement with this, another proponent of this school, Tom Fox, notes that CSR drivers are far from uniform and that for certain firms in certain locations there may be little reason or business incentive to engage in CSR (2004).

Within this perspective some emphasize the role that government policy plays in enabling CSR. According to Fox (2004) and Ward (2004) government policy can

improve the business case and development effects of CSR in a number of ways which can be divided into four broad categories:

- 1) facilitating, whereby the government sets clear overall policy for investment in CSR, develops nonbinding guidance or codes, institutes laws and regulations that incentivize CSR by mandating transparency and disclosure, provides tax incentives for CSR, and facilitates stakeholder dialogue;
- 2) partnering, whereby government combines resources to determine CSR agendas and leverages resources and skills;
- 3) endorsing, whereby the government shows public political support for particular CSR efforts of companies, promotes specific indicators, guidelines, standards or award schemes, and/or sources goods from companies displaying certain CSR practices; and
- 4) mandating, whereby government defines minimum standards for business performance through laws, regulation, and penalties (Fox, 2004; Ward, 2004 ).

Below is a table providing some examples of Ward and Fox's four categories of government Roles.

Table 3.2 Examples of Government CSR Roles

CSR Theme	Government Role: Facilitating	Government Role: Partnering	Government Role: Endorsing	Government Role: Mandating
Setting and ensuring compliance with minimum standards	Tax incentives and penalties; naming and shaming poor performance; supporting civil society	Working with multilateral agencies and civil society to build and set standards		Defining minimum standards; supporting citizen legal action; inspection and enforcement
Philanthropy and Community Development	Tax incentives and league tables to promote peer pressure	Public-private partnerships	Publicizing leading corporate givers	Mandating Corporate contributions
Stakeholder engagement and Representation	Supporting civil society engagement; defending key stakeholder interests in key forums	Facilitating dialogue and multi-stakeholder processes	Association with particular multi-stakeholder process	Licensing requirements for stakeholder consultation

Adapted from Ward et al. 2002

Fox and Ward, along with other authors who might be described as part of the enabling environment school of thought, sometimes de-emphasize the distinction between the law and voluntary initiatives. For them, CSR is influenced by and embedded within the legal and regulatory environment. Ward, for example, writes the following:

Public sector regulatory and enforcement capacity plays a critically important role in underpinning CSR. When minimum environmental and social standards are established and even-handedly implemented by public sector actors or by citizens acting on rights reflected in public sector action, market-based signals can work to reward those players who go further. (2004, p.7)

While Fox and Ward have focussed on how government policy may improve CSR and its contributions to sustainable development, other authors have looked more generally at contextual effects of not only host governments, but also of home government (governments of a TNC's home base), multinational finance and development agencies, civil society, communities and social and environmental factors. For example, Odell and Silva (2006) studied the effect of various contextual factors surrounding the conflict/social license of mining operations in developing countries. Some of the factors studied include government aspects such as militarization, policy changes, and corruption; and social/environmental factors such as the presence of indigenous people, subsistence farming or fishing, and poverty. They found the presence of these factors tended to increase the chances of conflict and make the social licence to operate more difficult to maintain or obtain.

Newell and Garvey (2004) have studied how state, community, and company factors either impede or facilitate a community's ability to influence or hold a corporation accountable either through law or other means. For example, Garvey and Newell observed that lack of alternative employment and the fear of unemployment that it entails, reduce a community's ability to apply pressure either through legal means or

other methods such as protest or media campaigns. Aside from applying pressure they also observe that community ability to take advantage of won or provided spaces for negotiation are impeded by their lack of skill, confidence, and resources. Furthermore, community factors meant company-community negotiations often left out the concerns of the most marginalized sections of the community. In conclusion, Garvey and Newell found that, along with Northern NGO and consumer pressure, local community strategies and agency were important influences on CSR (p.34).

With respect to the state, Garvey and Newell also found a number of host government factors that affect the community's ability to influence or hold a corporation accountable. A few of these factors are the host government's inability to enforce its laws, corruption, the governments relationship with the community (does it support community rights), and transparency (Garvey & Newell, 2004).

In another study Hamann, Kapelus, Sonnenberg, Mackenzie and Hollesen (2005) investigated the local context of several mining operations in Africa. They found that weak governance, conflict between traditional authorities and government officials, historical distrust and resentment, and political agendas impeded company CSR efforts. They concluded that if mining CSR was going to be successful, corporations may need to move beyond simple stakeholder engagement and work to make the local governance system more inclusive and accountable. Similarly, Sagebien et al. (2008) suggest that if mining CSR is going to be an effective mechanism for managing risk and contributing to sustainable development, it must be complemented by the efforts of other contextual

actors including home and host governments, supranational actors like multinational banks and development institutions, and by NGOs.

Finally, Idemudia (2008) observes that the importance of context for CSR becomes more apparent if CSR is expected to not only contribute to sustainable development by reducing the negative impacts of a corporation's activities, but also by making a positive contribution to sustainable development. While reducing the negative impacts of its operations may be more firmly within the realm of the corporation's responsibility (and perhaps its control) making a positive contribution to sustainable development is, to a much greater extent, not just the responsibility (or function) of the corporation, but of actors external to the firm as well.

Unfortunately, Fox (2004) observes that it is precisely in those countries in which the business case for CSR is weakest (due to lack of civil pressure and consumer interest) that the capacity of the public sector to incentivise CSR and assist with CSR is lowest. Encouragingly, however, some maintain that CSR programs of companies can make contributions to sustainable development within developing countries,<sup>28</sup> and moreover, the "enabling school of CSR" seems to suggest that if CSR is not working to contribute to sustainable development in developing countries, then factors external to firm can be addressed to not only increase the business incentives to adopt CSR, but also to make it more effective for sustainable development.

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<sup>28</sup> See Eweje, 2006, Ite 2007 as cited in Idemudia, 2008; and Whellams, 2006.

### **3.7 Conclusion**

While the CSR of large corporations forms only one aspect of the private sector's contribution to sustainable development, it is perhaps the most visible and controversial part with many arguments both for and against it, not just a business tool but more importantly as a tool for sustainable development in the developing world. As the last part of this section discussed, much of the answer as to whether or not CSR will make a useful contribution to sustainable development is dependent upon context. The question is not whether CSR can contribute to sustainable development, but under what conditions can it contribute to sustainable development. This last question is where this thesis places its focus.

## **Chapter 4**

### **An Overview of Bolivia and Mining**

#### **4.1 Introduction**

With the purpose of providing background for the subsequent case studies, this chapter gives an overview of mining in Bolivia and information on Bolivia's current state of development. The chapter starts with a description of the types of mining in Bolivia and the importance of mining to Bolivia's economy. This is followed by some regional and country level statistics on poverty, inequality and governance. The last section is an overview of Bolivia's mining history. It emphasizes the last twenty years in order to describe some of the environmental and social efforts and policies of the Bolivian government that are still in effect today. The chapter ends with a brief description of some of the changes that the Morales administration is implementing.

#### **4.2 Mining's Place in the Bolivian Economy**

Although there are different ways to classify mining, generally speaking, there are three dominant types of mining in present day Bolivia: large scale mining (often open pit), medium scale mining, and small scale mining and cooperatives. The first type is generally conducted by subsidiaries of international mining companies, has foreign management, and is run according to standards—environmental, industrial security, and

financial—set by their home office and lending institutions abroad. In Bolivia there are only three operating examples of this class of mining: Apex’s San Cristóbal mine (which makes up one of the case studies in this work), Newmont’s Kori Kollo and Kori Chaca mines, and Coeur d’ Alene’s San Bartolome mine. The second type, medium scale mining, is subterranean and although it is less capital intensive than large scale mining, it still requires a high level of management and technical knowhow. The capital for this type of mining is often national in origin but can have participation from foreign mining firms. With respect to environmental and social performance, Jordan (2008) maintains that medium sized mining tends to follow environmental law (despite lack of enforcement), but compared to large scale mining, have limited CSR programs. The third sector of mining, small scale and cooperative mining, is labour intensive, low tech, and has low productivity. In general, it often functions without respect for social, labour, and environmental regulations. While the first two sectors of mining are responsible for the majority of mineral production it is small scale and cooperative mining that employs by far the most people in the mining sector.<sup>29</sup>

Since colonial times, Bolivia has been a mining country and although mining has lost some of its dominance to hydrocarbons, agriculture, and manufacturing, it remains one of the most important sectors of the Bolivian economy. From 1990 to 2000, mining made up an average of 36% of Bolivian exports. Out of 51 developing countries where mining products made up 6% or more exports this gave Bolivia a rank of 17

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<sup>29</sup> As such, small scale mining enjoys a high level of negotiating power with the state (Jordan, 2008, p. 8; UNDP, 2005, p. 122).

(Weber-Fahr, 2002). In South America this places Bolivia behind only Chile and Peru where, respectively, mining products made up 46.6%, 43.7%, of exports (ibid). As of late, the prevalence of mining products in Bolivian exports has decreased falling to an average of 26 % in the period 2000 to 2007 (Ministro de Minería, 2009)

Bolivia's long history of mining has affected and transformed communities on the Altiplano. After centuries of contamination, rural communities have feared and rejected mining for its potential environmental affects that endanger their agricultural livelihoods. However, at the same time communities have also sought the benefits of mining such as employment and various services often missing in Bolivia's rural areas. Beyond attitudes of rejection or acceptance, several authors have noted that the extensive history of mining in Bolivia has transformed the priorities, culture, forms of labour, and habits of Bolivia's rural communities (Jordan, 2008; Madrid et al., 2002). In some cases communities are neither purely miners nor purely farmers, but a hybrid that has both long farmed and long mined the land as a means of survival (Madrid et al., 2002)

### **4.3 Bolivia's State of Development**

In spite of Bolivia's long history of mineral wealth and extraction (or perhaps because of it) Bolivia is one of Latin America's least developed countries. In 2006, 50% of urban dwellers and 76% of rural inhabitants lived below the poverty line (INE, 2008).<sup>30</sup> According to the 2007/2008 Human Development Report of the United Nations

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<sup>30</sup> This refers to the moderate poverty line at which point people have enough to satisfy basic needs such as food water and shelter but not enough for education and health care

Development Program (UNDP), Bolivia's Gini Coefficient (for income distribution ) was 0.6<sup>31</sup> and Bolivia was ranked 117 out of 177 countries on the Human Development Index (HDI)<sup>32</sup> making it one of the least developed, and most unequal countries in Latin America (UNDP, n.d.).<sup>33</sup>

Potosi and Oruro, the two departments<sup>34</sup> with the majority of mining operations, are two of poorest departments in Bolivia. In 2001, out of Bolivia's nine departments, Potosi had the lowest HDI index (0.514) and highest incidences of extreme poverty (66.7%) while Oruro had the third worst HDI (0.618) and the third highest levels of extreme poverty (46.3%) (UNDP, 2007).<sup>35</sup> Together, the poor development performance of Potosi and Oruro, Bolivia's low level of development, and the long and dominant presence of mining in Bolivia, are suggestive of the mining curse.

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<sup>31</sup> Here the Gini coefficient or index is a measure of inequality (there can also be measures for wealth and access to goods and services such as food and healthcare). It has a value between 0 and 1, with a coefficient of 1 representing perfect inequality and a coefficient of 0 reflecting perfect equality. The survey year for this measure was 2002.

<sup>32</sup> In 2005, Bolivia's HDI score was 0.695. The HDI is a composite indicator and measures three aspects of development: health of country's population as measured through life expectancy at birth and child mortality rates; education levels of a country's population through literacy rates and average years of schooling; and per capita GDP.

<sup>33</sup> Only Haiti and Guatemala had worse HDI and Gini values.

<sup>34</sup> Departments are roughly the equivalent of states in the United States or provinces in Canada.

<sup>35</sup> This refers to the extreme poverty line below which people do not have enough money to satisfy basic needs such as food and water.

The governance indicators of Bolivia are also very low. In 2007, according to World Bank, Bolivia was in the 10<sup>th</sup> to 25<sup>th</sup> percentile with respect to four out of six governance indicators—rule of law, control of corruption, government effectiveness, and political stability—and in the 50<sup>th</sup> to 75<sup>th</sup> percentile for remaining indicator of voice and accountability (World Bank, 2008). By comparison, Chile was in the 75<sup>th</sup> to 100<sup>th</sup> percentile for all of the same indicators (ibid). Transparency International reported similarly damning results in its latest Corruption Perceptions Index, placing Bolivia in the bottom third percentile (Transparency International, 2008). Governance indicators are important as poor governance is commonly postulated to be related to the poor development effects of mining.

#### **4.4 A Brief History of Bolivian Mining and Current Policies**

While Bolivia's history of mining dates back to before colonization, it was the Spaniards that made Bolivia a mining country when they began extracting silver in the 1500s. Despite the vast wealth extracted by the Spaniards, very little development occurred for Bolivia (Enriquez, 2002). The era of Bolivian silver mining ended in the late 1800s as tin overtook silver as the new mineral of importance. Within Bolivia, tin mining was to become dominated by a few large modern firms owned primarily by 3 Bolivians – Simón Patiño, Carlos Aramayo and Mauricio Hochschild—often collectively referred to as the “Tin Barons”. While the large tin mines of this small oligarchy used modern techniques and were competitive in the international market, the benefits for Bolivia were limited. The enormous wealth and power of the “Tin Barons” and the relative weakness

of the Bolivian state meant the Barons were able to pursue their interests often at the cost of the wider Bolivian society. Thus, for example, the Tin Barons treated the environment and workers poorly and did little to develop downstream industry (ibid).

In 1952, the Bolivian revolution erupted. As part of this revolution, foreign mining companies were excluded from operating in the country and the mines of the Tin Barons were nationalized to form Bolivia's state mining corporation, COMIBOL.<sup>36</sup> Alongside COMIBOL, there were a large number of private medium and small mines as well as cooperative mines (Enrique, 2002; L. Hinojosa, n.d.).<sup>37</sup> The results of nationalization were mixed. On the one hand, COMIBOL's profits were used to develop other regions and economic sectors of Bolivia, and while COMIBOL did not protect the environment it provided education, subsidized food, and health care for its workers (Enriquez, 2002; Roncallo, 2006). On the other hand, the state's preference for sending COMIBOL's profits to develop other areas of the economy left it short of the money needed to maintain its own operations and created tensions with communities surrounding its operations. These tensions, lack of reinvestment, poor management, low prices and the low ore quality of its mines placed COMIBOL in a precarious condition and when tin prices dropped in the mid 1980s, COMIBOL collapsed (Enriquez, 2002). One important consequence of COMIBOL's collapse was the expulsion of 30 000 workers, many of whom joined the ranks of cooperative miners (Enriquez, 2002, L. Hinojosa, n.d.). To this day, cooperative miners make up the vast majority of mining employees and are an influential political force.

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<sup>36</sup> COMIBOL stands for the Corporación Minera de Bolivia (Mining Corporation of Bolivia)

<sup>37</sup> In cooperative mines workers (at least ideally) are given a say in mine management

The mid 1980s marked a transition of not only the Bolivian mining sector, but Bolivia in general. Under a structural adjustment program, Bolivia began to privatize its state enterprises (including COMIBOL mines), labour unions were weakened, welfare programs were eliminated, and the doors were opened to FDI (Roncallo, 2006). Bolivia shifted from nationalist development state to a market led or competition state. In the old model, the state directly tackled development issues and in this sense it used mining as a direct source of welfare by providing jobs, housing, and subsidized food. In the new model, the state took an indirect path to development. Mining was increasingly given over the private sector and COMIBOL's role was increasingly limited to administration of mining contracts and in the year 2000 the last COMIBOL mine was privatized (Enriquez, 2002).

Along with the adoption of policies to attract foreign investment, the 1990s was also a period in which the government of Bolivia began to increase efforts to protect the environment and communities from mining. With respect to the environment, these actions included cooperation with national and international organizations to study the environmental effects of mining and the creation of government institutions and laws (Enriquez, 2002; Jordan, 2008). While this was an improvement over the past when the environment received little consideration, many of the negative environmental effects of mining continue to be a problem to this day. Not only does pollution from the many mining operations of Bolivia's past continue to affect the environment and communities, but the current mining operations of many actors (with the possible exceptions of large and medium scale mining) fail to obey Bolivian environmental law (Enriquez, 2002, p. 27)The reasons for this failure include the lack of technology and technical knowhow,

lack of economic resources, low environmental consciousness, and a lack of monitoring and enforcement on the part of the state .

With respect to community and indigenous rights, government efforts have had similarly mixed results. The most prominent of these efforts has been the adoption of convention 169 of the International Labour Organization (ILO) in the early 1990s.<sup>38</sup> While the adoption of this international convention has been a positive step, its effectiveness has been limited as the processes, rules, and institutions are not in place for its enforcement and as such it has remained more of a symbol than an operative law. Furthermore, the convention is in potential conflict with Bolivia's current mining code, adopted in 1997, which states that where an agreement on the price, use, or extent of land cannot be reached between the mining company and a community, the mining company can expropriate the community's land (Observatorio Boliviano de Industrias Extractivas

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<sup>38</sup> Article 7.1 of this convention states, "The peoples concerned shall have the right to decide their own priorities for the process of development as it affects their lives, beliefs, institutions and spiritual well-being and the lands they occupy or otherwise use, and to exercise control, to the extent possible, over their own economic, social and cultural development. In addition, they shall participate in the formulation, implementation and evaluation of plans and programmes for national and regional development which may affect them directly. Article 7.3 states, "Governments shall ensure that, whenever appropriate, studies are carried out, in co-operation with the peoples concerned, to assess the social, spiritual, cultural and environmental impact on them of planned development activities" (ibid). Article 15.2 states "In cases in which the State retains the ownership of mineral or sub-surface resources or rights to other resources pertaining to lands, governments shall establish or maintain procedures through which they shall consult these peoples, with a view to ascertaining whether and to what degree their interests would be prejudiced, before undertaking or permitting any programmes for the exploration or exploitation of such resources pertaining to their lands. The peoples concerned shall wherever possible participate in the benefits of such activities, and shall receive fair compensation for any damages which they may sustain as a result of such activities (UN Office of The High Commissioner for Human Rights, 1989)

[OBIE], 2008 P. 5). In such cases, as Jordan (2008) observes, if the mining code has the mechanisms to be implemented while ILO 169 does not, then ILO 169 will not be obeyed (p. 24).

In 2005, Bolivia's first indigenous president, Evo Morales, was elected. Morales, ran on a highly anti-neoliberal platform that included nationalization of natural resources and equality for rural and indigenous communities. Given this background, many expected that there would be radical change to the relationship between Bolivian communities and mining operations. However, while change is occurring, it has not been as radical as some have expected or hoped. For instance, while the Morales government is working to provide the rules and processes needed to incorporate the previously adopted ILO Convention 169 into its mining policy<sup>39</sup>, it has not, despite some of its rhetoric, nationalized mining. And while the Morales government has recently adopted the UN's 2007 Declaration of Indigenous Rights, the processes for its implementation have not yet been decided.<sup>40</sup> It is also noteworthy that even if the Morales government

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<sup>39</sup> As earlier discussed Bolivia incorporated convention 169 into law in the 1990s, but it did not provide the needed rules, processes and institutions for its implementation.

<sup>40</sup> Article 32 of this declaration states, "1) Indigenous peoples have the right to determine and develop priorities and strategies for the development or use of their lands or territories and other resources. 2) States shall consult and cooperate in good faith with the indigenous peoples concerned through their own representative institutions in order to obtain their free and informed consent prior to the approval of any project affecting their lands or territories and other resources, particularly in connection with the development, utilization or exploitation of their mineral, water or other resources. 3) States shall provide effective mechanisms for just and fair redress for any such activities, and appropriate measures shall be taken to mitigate adverse environmental, economic, social, cultural or spiritual impact. (UN High Commissioner for Human Rights, 2007)

does manage to implement and integrate ILO convention 169 and the UN's Declaration of Indigenous rights into Bolivian law, it is unclear what these measures will mean for mining operations that are already in place and the communities that are affected by them. Will such policies be applied retroactively?

Nevertheless, despite these problems, there is an indication that these laws and the election of Evo Morales have empowered communities. The ex-vice minister of mining, Pedro Mariobo, noted that despite the lack of exact rules for their use, the ILO convention 169 and the new Declaration of Indigenous Rights were being used by community members (even if incorrectly) to occupy mining operations on their land (Centre for the Study of Labour and Agriculture Development [CEDLA], 2008, p. 5). Similarly, Bolivia's Director of Mining and Metallurgy, Freddy Beltran, notes that with Evo Morales in power, rural communities feel they will be listened to and, unlike in the past, there will be no use of force against communities on the part of the government (personal communication, Sept 10, 2008).

While the Morales government originally threatened to nationalize the mining industry, it has now opted for a different approach. While, COMIBOL will move beyond administration of contracts and participate in the production and exploration it will not take over current private mines. Instead, it will increase taxes and require all future mining operations to enter into joint ventures with the state mining company COMIBOL (Andean Information Network, 2007).<sup>41</sup> Roughly speaking, the tax rate for private mining

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<sup>41</sup> Some mines belonging to Sinchi Wayra may be an exception as these were rented by Sinchi Wayra. As such the government is looking to enter joint ventures with these mines despite their existence previous to the changes that the Morales administration is proposing.

companies (this excludes cooperatives) will increase from about 35% to 50% of profits (CEPROMIN, 2008). The Morales government has also changed the distribution of some tax revenue so that 15% of mining royalties collected from a mining operation go to the municipality where the mining operation is located (ibid).<sup>42</sup> This second measure is particularly important as it makes it more likely that communities will benefit from mining operations near them.

Some observers see the failure to nationalize mining as bad for Bolivia and for its rural communities. For example, one member of an NGO familiar with the Bolivian mining context noted that in past times of state mining, COMIBOL used to provide its workers with wages and quality health care and education for their families to an extent not done in today's private mines (H. Hinojosa, personal communication, Nov 7, 2008). However, as will be seen in one of the case studies, it is unclear in today's context that greater participation of government in any individual operation will be beneficial for the local communities in question.

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<sup>42</sup> Bolivia is divided into nine departments each of which is divided into provinces. Each province is in turn divided into municipalities.

## **Chapter 5:**

### **Case Studies**

#### **5.1 Introduction**

This thesis has gradually narrowed in on its central topic. It started with a discussion on mining and development and then moved on to discuss the role of the private sector and development, the forces behind the rise of CSR, and the CSR and development debate. Next, the central topic of this thesis was taken up with a discussion of contextual effects on CSR and its relation to development. Finally, the Bolivian mining and development context were described.

Through three case studies, this chapter explores the effect of government and community on mining CSR in Bolivia. These cases include the operations of two foreign owned mining firms—the San Cristóbal mine operated by Apex Silver, and the Porco mine operated by Sinchi Wayra—and a state owned mine in Huanuni called Empresa Huanuni. At the end of the chapter, several tables comparing CSR programs, communities, and the community and government influences for all three mines, are given.

#### **5.2 Framework for Case Studies**

While differences in the extent and quality of the different mining CSR programs may seem evident from the information in this section, it is important to recall that the

purpose of this research is not to evaluate the CSR program of an individual mine. Instead, the purpose is to investigate the community and government forces and challenges on mining CSR and to ascertain what these forces and challenges might mean for CSR's contribution to sustainable development.

The reader is also reminded that while many see CSR as strictly voluntary that is not the position of this thesis. While this thesis recognizes that actions beyond compliance with formal law are an important part of CSR, it also recognizes that the law and CSR blend. Furthermore, for at least the first case study (Apex Silver), distinguishing between which actions were voluntary and which were merely complying with the law was difficult for a number of reasons. First, Apex's CSR department did not seem to distinguish between legal and voluntary actions; indeed, Apex representatives discussed any action that attempted to improve social outcome for communities as CSR. Second, there are a number of ambiguities in Bolivian law that make it difficult to see the division between what is actually required by law and what is voluntary.<sup>43</sup> Third, when asked what the drivers were for a particular CSR action, some Apex representatives would reason that some of their actions were not only driven by the law, but were also voluntary since they went above and beyond what the law strictly required.

For each of the three cases of this study, information was sought on the following areas:

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<sup>43</sup> With respect to this case study, Apex was legally required to negotiate with communities to mine in their area. However, legally it is also the case that where no agreement is reached the mining firm can expropriate the land it needs.

- 1) the nature of the firm's mining operation, its CSR, and its social license.
- 2) the pushes and challenges the host (Bolivian) government presents for CSR. Specifically, what does the government do to encourage CSR through giving communities leverage and assisting CSR efforts and what does the government do to impede or discourage mining firm CSR?<sup>44</sup>
- 3) the pushes and challenges that local communities present for CSR and its connection with sustainable development. Specifically, what community characteristics increase or decrease community leverage, what do communities push for and is it related to sustainable development, and what challenges do communities present that disconnect CSR from sustainable development?

For all three cases, the community pushes and challenges are evaluated with respect to a number of elements of sustainable development. These elements are the following

- 1) Quality of-life improvements available to all members of a community.  
This includes pressures for and challenges to improvements to infrastructure, healthcare, and education.

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<sup>44</sup> In the language of Fox (2004) and Ward (2004) "leverage" is the equivalent of mandating and assisting would include "endorsing", "facilitating" and "partnering". See pages 61– 62

- 2) The ability to extend benefits beyond the life of the mine. This includes pressures for and challenges to actions that diversify the communities' economies and create the capacity in the communities such that when the mine is gone, the communities can stand on their own and maintain their quality of life.
- 3) The environment. This includes pressures for and challenges to actions that protect the environment to the extent that damage does not reduce the quality of life of community members in the present or in the future.

## **5.3 Part A: Apex Mining**

### **5.3.1 Description of Mine and Local Communities**

Apex's San Cristóbal mine is located in the remote southwest corner of Bolivia in the department of Potosi and in the municipality of Colcha K. Despite being situated on a high altitude and arid plain, agriculture is the principal economic activity in the area, with the most important products being quinoa, potatoes, and llamas. There had also been some mining in the area—primarily small scale and cooperative mining—before the Apex mine. According to the latest municipal census (2001) Colcha K had about 10 000 inhabitants, of which almost 90% were Quechua (INE & UNDP, 2005). While almost 90% are literate, the vast majority are also poor (90%) (ibid).<sup>45</sup>

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<sup>45</sup> Poor here means moderate or extreme poverty as measured by the unsatisfied basic needs approach. "Basic needs" refers to education, sanitation, healthcare, food, water, shelter and clothing. Moderate poverty is just below the standards requirements to be considered poor while extreme poverty refers to

Apex's San Cristóbal project began with its first explorations in 1995. In 1998 and 1999 Apex negotiated and signed agreements for the relocation of the San Cristóbal village, access to community grazing land, and the location of the tailings pond in a seasonal lagoon near the village of Culpina K. In 2007, the mine's construction was finished and operations began. It is an open pit, capital intensive, high tech operation. In search of lead, zinc, and silver, the mine processes approximately 40 000 tons of ore per day and in this sense is Bolivia's largest mine. The mine directly employs approximately 1000 workers (Rodas, personal communication, Oct 10, 2008). Based on studies, Apex's mine is expected to be one of the largest producers of zinc and silver in the world and remain in operation from twenty to thirty years (Apex Silver, n.d). As an indication of the mine's size, Bolivia's GDP grew a record 6.5% in 2008 and Apex's mine was said to be responsible for over a third of this growth (Minería de Bolivia<sup>a</sup>, 2008). In 2008, it was 65% owned by the U.S firm Apex Silver and 35% by the Japanese corporation Sumitomo (ibid).

There are three primary villages that fall within Apex's area of influence. First and foremost is the village of San Cristóbal, which had to be moved before mining could begin. Next is Culpina K which is located in the area of the tailings pond, and some wells needed by Apex. The third village affected by the mining operation was Vila Vila of which some members had land needed by Apex. To a lesser extent Apex has given some direct benefits to other villages that are close to roads or the railway that Apex uses.

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condition far below the level needed to be considered poor. People in extreme poverty lack sanitation and water services, have very low levels of education, receive little attention to health, and have substandard shelter (INE & UNDP, 2005).

### 5.3.2 The CSR of Apex

Of the three mines in this study, Apex has the most extensive and sophisticated CSR efforts. The head of Apex's CSR department, Javier Diez De Medina, sighted both sustainable development and the social licence as goals of its CSR program (personal communication, Oct 7, 2008).

Two general phases can be distinguished in the CSR of Apex. The first phase consists largely in the form of negotiated benefits with the community for loss of land, access to water resources, and the needed relocation of a village. The benefits provided to the community by Apex include straight forward payment in the form of cash or equipment for loss of land or access to water, preference given to locals for employment in the mine, a new village, improvements in houses and infrastructure (including health and education infrastructure), support for culture, training for mining activities, and support for economic activities other than mining, such as agriculture and tourism. Some of these benefits were deployed through cooperation with multilateral organizations, while others were deployed through a community controlled foundation that was started with two million dollars USD from Apex. Others were deployed by Apex directly. Now that this compensation phase is near completion, Apex is beginning a second phase where it will focus more squarely on building the capacity of the community so they can design, manage, and execute their own development based on renewable resources (Rodas, Oct 10). Towards this end, Apex's Sustainable Development Unit (a new subdivision of Apex's CSR department) has begun planning with community and municipal leaders, and

has conducted classes in family economics to help families better manage their income and invest in their future (Gunnar, personal communication, Oct 9, 2008).

With respect to the environment, Apex appears to follow Bolivian Law and in some respects surpass it. While complying with Bolivian environmental law signifies a level of environmental responsibility, there may still be room for improvement. One observer familiar with mining standards and the Apex operation noted that while Apex met Bolivian environmental requirements, it did have some practices that would not be accepted in the jurisdictions of some developed countries. This included the use of a lagoon as a tailings pond and the open air storage of semi processed zinc/silver/lead ore. With respect to this latter concern, an Apex executive said the company was planning to construct a dome over their stockpile. Finally, although it had not yet completed the process at the time of this investigation, an Apex representative said Apex was in the process of getting its ISO 14000 certification (Diez de Medina, personal communication, Oct 7, 2008).<sup>46</sup>

While there have been fluctuations in the past,<sup>47</sup> currently Apex appears to have a strong social license from the communities that are most involved in its CSR program.

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<sup>46</sup> ISO 14000 is an environmental management system produced by the International Organization for Standardization (ISO). Its purpose is to provide a systematic approach for environmental management with the end objective of improved environmental performance. It does not specify levels of environmental performance (ISO, 2009)

<sup>47</sup> Mainly due to labour related issues, but there have been other reasons as well. According to Apex, dips in their social license also occurred in 2005-2006 when the mine carried out activities in Culpina K without authorization, and in 2001 when a shut down in mine activities was interpreted as abandonment by the community (Diez de Medina, personal Communication, Oct 11, 2008)

Interviewed community members from San Cristóbal and Vila Vila expressed general approval of Apex and its treatment of their communities. Asked if he wanted to add anything at the end of his interview, the head of the San Cristóbal community foundation, observed there was still work to be done, but that there was a good relationship between the community, its leaders, and the mine (Lazo, A., personal communication, Oct 8, 2008). This message was supported by other community leaders who noted that past community protests had been resolved with dialogue, that Apex listened and gave guarantees, and that there was a mutual respect between the communities and Apex (Lazo, J & Gonzalez, personal Communication, Oct 11, 2008). A possible exception is the community of Culpina K where there is some discontent over Apex's failure to follow through on some of its promises including capacity building for employment in the mine and promises regarding drinking water (Quispe, personal communication, Oct 10, 2008). Unsurprisingly, Apex's social license is lower among communities not included in Apex's CSR program.<sup>48</sup> Apex is hoping to remedy this by informing them of the tax contributions it makes to the region and by providing capacity building to the municipal government so it can better manage the large tax revenues from the mine (Diez de Medina, personal Communication Oct 7, 2008, Ramos, personal Communication, Oct 8, 2008).

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<sup>48</sup> Communities of a neighboring municipality that is not a part of Apex's CSR and which does not receive tax revenue from the Apex mine held a blockade for four days preventing Apex from transporting its semi-processed ore. The communities were demanding a share of the tax revenue (Minería de Bolivia<sup>b</sup>, 2008)

### 5.3.3 Government Pressures and Challenges

When asked about government influences on their CSR, Apex representatives predominantly mentioned the government with respect to the following themes: Apex's environmental performance, tax distribution, low capacity, and empowerment of communities.

Javier Rodas, an Apex Community Relations supervisor, listed the government as one driver of Apex's environmental behaviour and noted the government representatives came every three months for an inspection (personal communication, Oct, 10, 2008). Similarly, when asked about Apex's environmental policy, the head of Apex's Sustainable Development Unit replied that Apex obeyed Bolivian Law (Gunnar, personal communication, Oct 9, 2008).

While the government expressed its confidence in the environmental performance of Apex, various actors from Apex, the community and an NGO thought this was not sufficient. Both a community member and some NGOs expressed doubts about the government's impartiality or ability to regulate and report on Apex's environmental performance (Lazo, A., personal communication, Oct 8, 2008; Commission for the Integrated Management of Water in Bolivia (CGIAB) & The South Altiplano Regional Federation of Workers and Farmers (Fructas), personal communication, Oct 5, 2008). Noting this suspicion, some Apex members expressed the desirability and the difficulty of finding a third party capable of reporting on the environmental performance of their mine and gaining the trust of community. In this regard, one Apex member commented that while Apex could pay for this third party monitoring, involvement of Apex money

would probably undermine its trustworthiness (Rodas, personal communication, Oct 10, 2008).

Some Apex members observed that government taxes affected their CSR in negative and positive ways. Recent tax increases in commodity prices, reduced revenue of Apex and so could reduce the amount of money Apex could conceivably use for their CSR (Diez de Medina, personal communication, Oct 9, 2008). A similar worry was also expressed by one community member who worried that increases in taxes may endanger the survival of the mine. While the tax itself may be a burden on Apex and its CSR, the Apex CSR head noted the government policy of distributing 15% of mining royalties to the municipality of origin would strengthen the social licence of Apex as the royalties would benefit resentful communities who were not included in the CSR efforts of Apex. However, Apex staff also noted the government had been slow to distribute the tax revenue to communities and expressed worries about the local government's ability to manage the large amount of money it received from Apex.

Because of some ambiguities in Bolivian law, it remains unclear what base it has formed for the relationship between mines and communities and CSR. Since the latter half of the 1990s Bolivia has required mining firms to negotiate for permission to mine on community lands. However Bolivian law also states that in the case where an agreement cannot be reached then the mining firm may expropriate the area it needs. It is thus that one Apex member noted that Bolivian law was highly favourable towards mining firms (*ibid*). In agreement with this, one community member maintained that Apex insinuated that if they could not arrive at an agreement through negotiation, Apex

would resort to the law (as cited in Madrid, 1999, p. 33). Similarly, community members and several sources of literature observed that the government had left a small community with little experience to negotiate with a large transnational mining company (Contreras & Madrid, 2006, p. 88; Lazo, A., personal communication, Oct 8, 2008; Quispe, personal communication, Oct 10, 2008).

Despite the reportedly favourable nature of Bolivian mining law for mining firms, there are some indications that Bolivian law had nevertheless empowered the communities around the Apex mine. For instance, an Apex mining executive noted that without reaching an agreement with the community it is difficult to get permission from the government to mine (Diez de Medina, personal communication, Oct 7, 2008). Several Apex members maintained that if they wanted, the community could shut Apex's mining operation down with mobilizations (Gunnar, personal communication, Oct 9, 2008; Diez de Medina, personal communication, Oct 7, 2008). This assertion is supported by the events of 1997 when the community stopped Apex's operations (Contreras & Madrid, 2006).

The 2005 arrival of the populist Evo Morales to government may mean the community has even more power. Some community members noted that Evo Morales's government would protect communities from bullying by mining companies (Cordova, personal communication, Oct 10; Lazo A, personal communication, Oct 8, 2008). One of these communities' members even went on to say that with the recent arrival of Evo Morales to power, the community could ask for the mine to be nationalized (Lazo A., personal communication, Oct 8, 2008). However, while some community members felt

the Evo Morales government would empower them, others expressed scepticism and observed that their community had essentially been abandoned by government (Lazo J. & Gonzalez, personal communication Oct 11, 2008; Quispe, personal communication, Oct 10, 2008).

#### **5.3.4 Community pressures and Challenges**

What have members of the three communities requested from Apex and its CSR? Do these requests push Apex to contribute to the sustainable development of their communities? Or in other words, does the community push or work with Apex to 1) promote or conserve forms of capital (human and natural) accessible to the wider community and/or 2) allow the community to have a high quality of life after the mine is gone and/ or 3) protect the environment? Literature and interviewees from the community and Apex reveal that the community has had an interest in and pushed for elements of sustainable development, but that they have also focussed to a large extent on immediate economic benefits, particularly employment.

Asked if the communities in Apex's area of influence were interested in sustainable development the majority of interviewees replied yes. Apex's head of CSR noted that sustainable development was an interest of the communities and a part of the original agreements negotiated between Apex and San Cristóbal (Diez de Medina, Oct 7, 2008). For example, the elements negotiated for by the members of the San Cristóbal community included support of education and health infrastructure, respect for local and

religious traditions, and infrastructure for transportation, electricity, and water (Camacho, 2003, p.129-135; Contreras & Madrid, 2006, p. 82).

Communities also demonstrated they were concerned about their ability to prosper after the mine was gone. One community member noted they are conscious that they would one day need to sustain themselves without the mine; this worry, he maintained, had been reflected in its agreements with Apex:

Once it [the mine] stops we have to be well re-established, we will have to sustain ourselves.... there has to be sources of employment and thus we have to create more jobs in this region. I believe this has been the vision of the communities and therefore the firm [Apex Silver]. (Lazo, J., Gonzalez, Oct 11)

Another clear expression of San Cristóbal's concern with sustainable development is the community-run Apex funded foundation. While there have been concerns about its performance,<sup>49</sup> several sources of literature maintain that the initiation of an Apex funded community-controlled foundation was a response to San Cristóbal's concern with the generation of economic activities that would remain after the mine was gone (Camacho, 2003, p. 132; Contreras & Madrid, 2006, p.84).

Yet, along with these signs that the communities are interested in sustainable development there are also indications that these communities, to a large extent, focus on immediate economic benefits. One Apex administrator observed that while communities

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<sup>49</sup>Observing that many of initiatives started by the foundation were dependent upon the presence of the mine several sources have expressed concern about the foundation's ability to promote economic opportunities beyond the life of the mine (Contreras, Madrid, 2006)

are interested in sustainable development they nevertheless express dissatisfaction with Apex's CSR when there are not immediate tangible benefits (Gunnar, personal communication, Oct 9, 2008). A former community leader who participated in the negotiations between Apex and San Cristóbal noted that the primary concern of the San Cristóbal community in its negotiations with Apex was mine employment (Ramos, personal communication, Oct 8, 2008). The primacy of employment was supported by several community members who also indicated employment was held as the most important benefit supplied by the mine and by the fact that the gravest expressions of community dissatisfaction have been over labour issues (Lazo, J. & Gonzalez, personal communication, Oct 11, 2008).<sup>50</sup>

The communities' attitude with respect to the environment seems unclear. On the one hand various interviewees from Apex and the community maintained that the community did care about the environment with water use, dust, and the inability to confirm Apex's compliance with Bolivian environmental regulations, as being at the forefront of their environmental concerns (Ramos, personal communication, Oct 8, 2008; Rodas, personal communication, Oct 10, 2008 ; Lazo, J. Gonzalez, personal communication, Oct 11, 2008). On the other hand, in its study of the relationship between Apex and San Cristóbal, CEPROMIN observed that the community largely ignored the environment in its negotiations with Apex (2006). In addition, several interviewees, from both Apex and the community, commented that the environment was sometimes used as

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<sup>50</sup> In 1997, 2000, and 2009 the community held marches to protest labour issues such as wages, poor treatment, and formal qualification requirements; on one of these occasions (1997) they managed to shut down operations (Minería de Bolivia<sup>a</sup>, 2009; Contreras & Madrid, 2006)

bargaining chip by communities. While the communities would often express legitimate environmental concerns, some communities would claim environmental damage as a way to access some other benefits (Lazo, A., personal communication, Oct 8, 2008; Ramos, personal communication, Oct 8, 2008; Rodas, personal communication, Oct 10, 2008).

The communities surrounding Apex present a number of challenges for sustainable development. According to interviewees, some of the most prominent challenges are the communities' condition of isolation and poverty, low levels of education and human resources, and economic and conceptual dependence upon the mine.

According to Apex, the inclusion of a community in its CSR is determined by the extent to which a community is affected by its operations. As San Cristóbal was the most affected it has been the major object of Apex's CSR. Communities unaffected by Apex's mining operations receive little or no benefits. While this seems a logical approach, the arrival of large transnational mines with large resources to an area of relative poverty with few economic opportunities has caused jealousy and demands by communities who are not affected by the mine's operations (Ramos, personal communication, Oct 8, 2008; Quispe, personal communication, Oct 10, 2008).

The low levels of education or human resources present in the community have led to a number of difficulties for Apex's CSR. Apex's CSR head observed that empowerment of communities has outpaced their education. The result has been odd demands from the community including the firing of various Apex technicians (Diez de Medina, personal communication, Oct 9, 2008). The combination of low levels of

education and the high tech nature of Apex's operation has also led to conflict.

Community frustration over the hiring of "outsiders" by the mining company to fill positions requiring higher levels of training or technical sophistication led to community wide protests in 2000 (Contreras & Madrid, 2006).

Combined with the excitement over the arrival of economic benefits and employment that Apex represents, the low levels of education and human resources have also raised the spectre of both conceptual and economic dependence. One Apex member observed that at present, the community was "crazy for mining" and were not attending to those activities that were sustainable beyond the life of the mine such as tourism and agriculture (Ramos, personal Communication, Oct 8, 2008). Similarly, another Apex member noted that some of the new infrastructure brought to the region by Apex as part of its CSR suffered from neglect as the community was too occupied with mining to care for it (Rodas, personal communication, Oct 10, 2008). The same Apex member also noted that at times there was a "blackmail" character to the relationship between the mine and the community, where the community would threaten action unless they received an asked for benefit (Rodas, personal Communication, Oct 10, 2008). According to the official, the community made such threats even though the mine had fulfilled its negotiated obligations. At a more general level, the head of Apex's Sustainable Development department observed that the low levels of education are preventing the community from appropriating their own development (Gunnar Oct 9). Apex is hoping to meet this challenge through joint planning with the community and local government to plan and implement projects that will benefit the region (Gunnar, personal communication, Oct 9, 2008; Rodas, personal Communication Oct 10, 2008).

## 5.4 Part B: Sinchi Wayra

### 5.4.1. Description of Mine and Local Communities

Sinchi Wayra's Porco mine is located in an area with a long history of mining. It is located in the municipality of Porco only 50 km away from the historic mining city of Potosi. Despite being situated on an arid high altitude plane, the principal economic activity of Porco is agriculture and livestock. According to a 2001 census, there were about 6000 inhabitants in the municipality of Porco, of which approximately 90% identified themselves as Quechua (INE & UNDP 2005). According to the same census, approximately 25 % of the population is illiterate and about 70% are poor (ibid).<sup>51</sup>

Starting in the 1960s, the Porco mine was owned and run by the Southern Mining Company (COMSUR), which at one time was Bolivia's largest private mining firm. COMSUR faced some controversy due to the identity of its previous owner, the widely discredited ex-President Gonzalo Sanchez de Lozada.<sup>52</sup> A 1996 tailings spill at the Porco

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<sup>51</sup> Poor here means moderate or extreme poverty as measured by the unsatisfied basic needs approach. "Basic needs" refers to education, sanitation, healthcare, food, water, shelter and clothing. Moderate poverty is just below the standards requirements to be considered poor while extreme poverty refers to condition far below the level needed to be considered poor. People in extreme poverty lack sanitation and water services, have very low levels of education, receive little attention to health, and have substandard shelter (INE & UNDP, 2005).

<sup>52</sup> Gonzalo Sanchez de Lozada is a two time Bolivian President (1993 to 1997 and 2002-2003). He resigned in 2003 over street protests that involved bloody clashes with authorities. He Started COMSUR in the 1960s.

mine is still the object of civil society scrutiny and complaint.<sup>53</sup> These COMSUR controversies have spilled over to affect Glencore, COMSUR's new owner since 2005. Based in Switzerland, Glencore is one of the world largest providers of primary materials to industrial consumers (Glencore, 2009). Glencore operates the Porco mine (and other mines in Bolivia) through its subsidiary Sinchi Wayra. The Porco mine is an underground lead, zinc, and silver mine that processes approximately 1500 tons of ore a day (Rodriguez, personal communication, Oct 16, 2008). It employs around 900 people, most of them from the surrounding Porco communities (ibid).

#### **5.4.2 The CSR of Sinchi Wayra**

Asked to describe the CSR of Sinchi Wayra's Porco operation, Sergio Rodriguez, Sinchi Wayra's head of community relations for Porco, noted their CSR had several strands. First, Sinchi Wayra is trying to obtain various international certifications. These include, for example, ISO 14000, and SA 8000<sup>54</sup> (Rodriguez, personal communication, Oct 16, 2008).

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<sup>53</sup> The tailings spill is held to be a significant cause of the contamination of the Pilcomayo River which provides water for many communities and flows to Argentina and Paraguay (Collective of Applied Studies on Social Development (CAEDES), 2004).

<sup>54</sup> SA 8000 is a widely accepted global social accountability standard developed by Social Accountability International and is based on the International Labor Organization (ILO) standards and U.N. Human Rights Conventions (Social Accountability International, n.d.). See <http://www.sa-intl.org/> for more information. ISO 14000 is an environmental management system produced by the International Organization for Standardization (ISO). Its purpose is to provide a systematic approach for environmental management with

Second, Rodriguez commented that Sinchi Wayra had provided the community with various benefits. To date, much of these benefits have been largely philanthropic in character consisting of infrastructure gifts. From 2006 to 2008 Sinchi Wayra had spent about 5.6 million USD on various projects –roads, bridges, a cell phone tower, irrigation, houses for teachers, public washrooms, sports fields, housing for workers and teachers, etc– that had been requested by the community (Rodriguez, personal communication, Oct 16, 2008). Rodriguez also indicated that Sinchi Wayra occasionally gives workshops on industrial safety, geology, and environmental protection to local cooperative miners who have operations in the same area as the Porco mine (Rodriguez, personal communication, Oct 20). As of 2007 Rodriguez indicated that Sinchi Wayra was trying to change the nature of their CSR away from pure philanthropy towards generating employment in other areas besides mining. In this vein, Sinchi Wayra, in cooperation with communities and various levels of government, has organized a competition where various employment generating ventures compete for Sinchi Wayra funding (Rodriguez, personal communication, Oct 16, 2008). Rodriguez further noted that if the competition was successful at generating alternative employment for its surrounding communities, it would be used at other Sinchi Wayra operations (ibid). Rodriguez also noted that Sinchi Wayra preferentially hired people from the surrounding community with 700 out of the 900 Porco mine employees coming from communities surrounding their mine.

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the end objective of improved environmental performance. It does not specify levels of environmental performance ISO, 2009). See [http://www.iso.org/iso/iso\\_14000\\_essentials](http://www.iso.org/iso/iso_14000_essentials) for more information.

Third, with respect to the environment, Rodriguez noted the ISO 14000 certification already commented on above, the adherence of Sinchi Wayra to Bolivian environmental regulation and some projects that went beyond legal requirements such as tree planting and the recycling of water used in their operations (ibid).

One important difference between the relationship of Sinchi Wayra with its community and the relationship of Apex with theirs results from the fact that the Porco mine, started in the 1960s by COMSUR, is much older than Apex's San Cristóbal mine. As a result, Sinchi Wayra, unlike Apex, is not subject to Bolivian regulation instituted in the 1990s that require mining firms to negotiate long term agreements for access to community areas. Instead, Sinchi Wayra negotiates yearly with communities on a voluntary basis (ibid). In this process, the community starts negotiations with a letter detailing their requests and Sinchi Wayra replies. Rodriguez explained that the negotiations were open to all community members and that the amount Sinchi Wayra gave was highly dependent upon their profits (Rodriguez, personal communication, Oct 20, 2008).

Interviewed community members appeared to be content with Sinchi Wayra. They expressed approval of Sinchi Wayra noting that it provided employment, listened, and took better care of the environment than state mines (Community Interview, Oct 17; Vilca, personal communication, Oct 17, 2008). However, there were signs that this approval of Sinchi Wayra was not unanimous among the communities of Porco. First, Sinchi Wayra's community relations executive noted that at least some community members did not want to be seen as being part of Sinchi Wayra (Rodriguez, personal

communication, Oct 16, 2008). Second, the mayor of Porco indicated that those communities who work in agriculture or who otherwise receive less benefits from the mine feel ignored (Vilca, personal communication, Oct 17,2008). According to the mayor, some of these community members supported nationalization of the mine in the hope that it would lead to employment in the mine (ibid). The mayor also noted that changes to the way mining royalties are distributed in Porco could change the opinion of these community members (ibid).

#### **5.4.3 Government Pressures and Challenges**

Asked about the government influences on the relationship between Sinchi Wayra and the community, various participants gave both positive and negative answers. On the negative side, research participants noted government failure to invest in communities, its lack of credibility and capacity, and ambiguous legislation. Community members felt their area had been abandoned by the government (various community members, personal communication, Oct 16, 2008). The mayor of Porco thought it unfair that much of the tax revenue from mining went to the department level of government rather than to the municipal level. From the perspective of Sinchi Wayra, lack of government investment or capacity had made it more difficult to both obtain the local license to operate and contribute to sustainable development. Specifically, Rodriguez observed that while Sinchi Wayra would like to service their equipment, buy supplies, and hire community members for certain technical positions, it was not possible due to

government failure to invest in human resources for mining (personal communication, Oct 20, 2008).

With respect to the environment, Rodriguez maintained that a lack of government credibility meant their compliance with Bolivian Environmental regulation was not believed by the community (Rodriguez, personal communication, Oct 20, 2008). This was complicated by the long history of mining in the area. Edgar Lopez of Potosi's Environmental Secretariate, noted that it was sometimes not possible for the government to discern the ultimate source of mining pollution due to the existence of baseline pollution from the long history of mining in the area (Lopez, personal communication, Oct 20, 2008). Government failure to invest in cooperative miners was also causing problems for Sinchi Wayra. As these miners often pollute and operate close to Sinchi Wayra, their negative environmental effects reflect badly on Sinchi Wayra (Rodriguez, personal communication, Oct 20, 2008).

Gonzalo Guzman, a community relations executive for Sinchi Wayra, noted that ambiguities in Government law caused some difficulties. He noted that while the government had adopted the convention ILO 169, it provided little guidance as rules regarding its implementation had not been established. This and the lack of other regulations meant that all sorts of things from all sorts of actors could be demanded from a mining firm (Guzman, personal communication, Sept 25, 2008). This, he concluded, made the social license more difficult to obtain.

On the positive side, research participants mentioned some government cooperation and changes in tax regulations. Sinchi Wayra and various Government

actors, from the department level to community leaders, were cooperating with Sinchi Wayra in an effort to bring alternative employment to Porco communities (Guzman, September 25; Rodriguez, Oct 20; Vilca, Oct 17).<sup>55</sup> Rodriguez commented that changes in tax regulations requiring 15% of mining royalties go to the municipality of mining operation had been a positive development for Sinchi Wayra's social license and the development of Porco ( Rodriguez, personal communication, Oct 16, 2008). The mayor of Porco, David Vilca, confirmed this but thought 15% was too small compared to the amount of mineral that was extracted out of the area (personal communication, Oct 17, 2008).

Asked whether the Morales government had empowered communities, one Sinchi Wayra representative discussed how social movements beginning in the late 1990s and peaking in 2006 had empowered communities who then took over mines and used blockades to pressure mining companies (Guzman, Sept 25). According to Guzman, these pressures are in part what led Sinchi Wayra to develop their CSR program so that it could move beyond dealing with individual problems as they arose, to provide a more systematically or institutional response (*ibid*).<sup>56</sup> Guzman further noted that because of Sinchi Wayra's close association with former president Gonzalez Sanchez Lozada,<sup>57</sup>

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<sup>55</sup> This refers to the competition already mentioned above.

<sup>56</sup> Admittedly, talk of social movements may seem off track as this section is supposed to be on Government pressures and challenges. However, some liberty was taken as the current Bolivian government can be seen as a social movement that came to form the government (Bebington, Hinojosa, Burneo & Warnaars, 2008)

<sup>57</sup> See footnote # 51

Sinchi Wayra had been a particularly attractive target for these movements and the current government (September 25). Guzman thus noted that one of its primary motives for CSR was to, “Demonstrate to the people that Sinchi Wayra was different than COMSUR, that we [Sinchi Wayra] were not the continuation of COMSUR” (Guzman Rodriguez, personal communication, Sept 25, 2008).

#### **5.4.4 Community pressures and Challenges**

Similar to the communities affected by Apex’s San Cristóbal mine, community members affected by Sinchi Wayra did push for elements of sustainable development.<sup>58</sup> They also, as with Apex’s communities, focussed to a large extent on immediate economic benefits such as employment.

Porco communities had asked for a considerable amount of infrastructure projects from Sinchi Wayra. Many of these projects related to 1) promoting or conserving forms of capital accessible to the wider community and/or 2) allowing the community to have a high quality of life after the mine is gone, included investment in education such as schools, teachers, and hospitals, and irrigation projects.

Perhaps the strongest expression of the community’s interest in sustainable development was their concern for employment after the mine was gone. Various interviewees observed that the community members had asked Sinchi Wayra to help

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<sup>58</sup> See analytical framework given in the previous case study for a reminder of thesis elements

produce alternative employment to mining (community members, Oct 17, 2008; Guzman, Sept 25, 2008; Rodriguez, Oct 16, 2008). One community member explained:

What Sinchi Wayra is missing at this moment is to generate a pole of development. For example, to create small industries so that here [Porco] is sustainable when the mine closes. . . a market is a market but when there is no mine who will buy? (Interview with community member, Oct 17, 2008).<sup>59</sup>

Guzman believed this desire for alternative employment to be related to economic hardship Porco witnessed as a result of previous periods of low mineral prices (personal communication, Sept 25, 2008).

Along with these signs that Porco community members are interested in sustainable development, there are also signs that they are focussed on the immediate economic benefits of mining with employment being the primary example. Rodriguez, for instance, noted that due to high mineral prices their investment in irrigation was of limited benefit as everybody had left their crops to work in mining (personal communication, Oct 16, 2008) This was in spite of the communities' knowledge that mineral prices are highly volatile. Furthermore, community members noted that the most important benefit of Sinchi Wayra is employment. Supporting this, the mayor of Porco noted that in the debate over whether or not to support nationalization of Sinchi Wayra, those who supported nationalization did so not because they believed it would mean a

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<sup>59</sup> By market, the community member is referring to a building that Sinchi Wayra constructed to house a local market

more responsible mine, but rather because it would mean access to employment (Vilca, personal communication, Oct 17, 2008).<sup>60</sup> Finally, referring generally to Bolivia, Guzman noted that conflict between mines and communities, was often about access to employment or financial benefits (personal communication, Sept 25, 2008).

The community attitudes with respect to the environment are mixed. On the one hand members of the Porco community, including the mayor, indicate that the environment is important to them. The mayor noted that communities downstream of the mine are sensitive to water pollution due to the poor environmental performance of previous Porco mine owners including COMSUR (Vilca, personal communication, Oct 17, 2008). Similarly, in an interview with community members, various participants indicated that the environment was very important to them (community interview, Oct 17). On the other hand, one Sinchi Wayra executive noted that their mining company experienced very little pressure regarding the environment from the community (Rodriguez, personal communication Oct, 20, 2008). The executive also indicated that the community complained about the environment as a way to get additional benefits and noted that communities would become evasive if Sinchi Wayra offered to investigate or repair the damage instead of offering some form of compensation (ibid).

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<sup>60</sup> As earlier discussed, Evo Morales has threatened to nationalize mining. This threat is more relevant for Sinchi Wayra as it is associated with former president Gonzalo Lozada and which, rightly or wrongly, is seen as a villain by many Bolivians, especially those who support Morales. At the time of this research, the Bolivian government was pushing Sinchi Wayra to make Porco into a Joint Venture with the state. It is unclear whether the mayor was referring to nationalization in general or to this specific pressure for a joint venture.

The communities surrounding the Porco mine presented a number of challenges for sustainable development. One of these challenges is the seeming lack of trust that exists between the community, or parts of it, and some of its leaders, and between the community and the mine. According to Rodriguez, the formation of mixed environmental committee (composed of individuals from the Sinchi Wyra and the community) was impeded by the reluctance of the community members to participate for fear of being seen as part of the firm (Rodriguez, personal communication, Oct 20, 2008). Lack of vision was another challenge. One community member was of the opinion that the community lacked the vision or desire to move past mining and commented that the community's youth was fixated on mining (Community Interview, Oct 17, 2008).

With respect to the environment, the community presented a number of challenges. Contamination from past mining operations and current cooperative miners endanger agricultural activities that could form an alternative to mining. One observer (a participant in Sinchi Wayra's contest to provide alternative employment to mining in Porco) remarked that agricultural projects in some Porco communities would be impossible due to mining pollution (Cardona, personal communication, Oct 20, 2008). In agreement with this, the Porco mayor noted that despite Sinchi Wayra's environmental efforts, life for downstream communities was difficult because the damage was already done. Adding to the problems of past pollution, Rodriguez complained that cooperatives operating in the area of the Porco mine continue to pollute the river by dumping water found in their mines directly into the river (personal communication, Oct 16, 2008).

## **5.5 Part C: Empresa Huanuni**

### **5.5.1 Description of Mine and Local Communities**

The Huanuni mine resides on the same high arid plane as the Apex and Sinchi Wayra mines. It is located in the municipality of Huanuni, on the edge of the Huanuni town, in the department of Oruro and is 50 km by paved road to the department capital, which is also named Oruro. As of 2001, the population of the Huanuni municipality was approximately 20,000 people, with about 15,000 living in the Huanuni town and the rest in small communities (INE & UNDP, 2005). The Huanuni mine is located on Posokoni Mountain (more of a hill), which has one of the richest tin deposits in the world. Despite this long exploited mineral wealth in their midst, the Huanuni town and the surrounding communities remain relatively poor. While around 90% of the population is literate, approximately 57 % of urbanites and 86% of rural inhabitants fall below the poverty line.<sup>61</sup> Approximately 60% of the Huanuni municipality identifies itself as Quechua. Reflecting the long history of mining in the area, many members of Huanuni rural communities have links to mining, which they use to complement their agricultural activities and to access cash earnings. Indicative of these extensive links, residents of these communities describe themselves as “mining farmers” (Madrid et al., 2002).

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<sup>61</sup> Poor here means moderate or extreme poverty as measured by the unsatisfied basic needs approach. “Basic needs” refers to education, sanitation, healthcare, food, water, shelter and clothing. Moderate poverty is just below the standards requirements to be considered poor while extreme poverty refers to condition far below the level needed to be considered poor. People in extreme poverty lack sanitation and water services, have very low levels of education, receive little attention to health, and have substandard shelter (INE & UNDP, 2005).

Huanuni is an underground tin mine. It currently produces 900 tons of tin ore per day (El Diario, 2008) and employs over 5000 workers, most of who come from the surrounding area (Aguilar, personal communication, Oct 29, 2008). While mining in the Huanuni municipality dates back to before the Spanish Conquistadores, its scale became important in the first quarter of the Twentieth Century with the increase in international demand for tin. With the 1952 Revolution, the Huanuni mine was transferred (as were many other mines) from private hands to the state mining company COMIBOL (Cassia, Ardaya & Aguanta, 2006). In 1985, Bolivia entered an economic crisis with the collapse of tin prices. Many of COMIBOL's mines were closed, others were rented to cooperative miners, and some were sold to private interests (ibid). While Huanuni did not escape unscathed from the tin price collapse –among other changes, its workforce was cut from 1500 to 600 – it remained a state mine under the control of COMIBOL due to the size of its deposits (Madrid et al., 2002). While cooperative miners had been present in the Huanuni area since the 1960s, they now became the dominant mining presence as they gained access to areas no longer occupied by COMIBOL, and their ranks grew with the now unemployed COMIBOL workers (ibid). In 1999 COMIBOL was further privatized and Empresa Huanuni became a joint venture with a private firm from England (Cassia et al., 2006). In 2002, this private firm declared bankruptcy leaving the state once again in charge of the Huanuni mine.

With the 2003 increases in tin prices, the Huanuni mine became a point of conflict between COMIBOL-employed miners and the area's considerable number of cooperative miners— with the latter was demanding access to the rich veins of the Huanuni mine (Andean Information Network, 2007). In 2006, the conflict reached a flash point with 16

people dying in street battles involving dynamite (ibid). In 2007, the Morales government resolved the conflict by first closing off the entire Posokoni tin deposit to cooperative miners through its nationalization, and then subsequently offering them jobs with Empresa Huanuni.<sup>62</sup> This solution has largely solved the conflict, but as Empresa Huanuni formally operated with 800 workers, there are concerns that the Huanuni mine will not be viable with its now 5000 strong workforce (ibid).

The long history of mining in Huanuni has left behind a legacy of environmental damage. The Huanuni River, which passes just below the Huanuni mine, has long been a dumping ground for mining waste. The mineral level in the river is high enough for low-tech cooperative miners to “mine” the river sediment for tin (Madrid et al., 2002, p. 56). The river’s contamination has had consequences for agriculture in the area, including the declining quality of pasture and crop land close to the river, and the contamination of some sources of irrigation water (Madrid et al., 2002). To this day, Empresa Huanuni and cooperative miners continue to dump their waste into the river.<sup>63</sup> It is also noteworthy that mining was not the only source of water pollution; obvious to any casual observer was dumping of household waste and sewage into the river by the populace of the Huanuni town.

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<sup>62</sup> Moving from a cooperative miner to a salaried miner in the state’s Empresa Huanuni is generally a step up. The hours worked per day decreased from 15 to 8, and the pay they receive is a stable 3300 bolivianos per month plus benefits such as health care and pension. This is compared to 500-10,000 bolivianos for cooperative miners (Harris, 2006).

<sup>63</sup> Ironically, from one of the offices of environmental and community-relations employees interviewed for this thesis, this investigator could watch Empresa Huanuni’s tailing being dumped into the Huanuni river.

### 5.5.2 The CSR of Empresa Huanuni

The most notable characteristic of Empresa Huanuni's CSR is its absence. This is not to say that it does not have any activities that might be classified as CSR, but only that it seems to lack any official or well developed CSR program or department. Tania Subiera, Empresa Huanuni's newly hired social specialist, explained that Empresa Huanuni had only recently created its environmental and social department (personal communication, Oct 30, 2008). Gonzalo Salas, another COMIBOL community specialist, noted that Empresa Huanuni was in the process of developing its environmental and social policies using a multi-stakeholder process that involved various levels of government and community members (Salas, personal communication, May 27, 2008).

Such a participatory process in itself can be seen as part of CSR and seems to be a significant improvement over past practices of the mine. Asked about their past process for communicating with communities, Subiera explained that when the mine received letters with requests or complaints from a community, it would simply file and ignore them until it provoked a protest (personal communication, Oct 30). She also noted that in the past, the mine would simply make plans and then convince the community that the plans were acceptable or beneficial (ibid).

Other current CSR- like benefits that Empresa Huanuni provided, include some limited cooperation with the town of Huanuni. The mayor of Huanuni, noted that Empresa Huanuni had volunteered some equipment and technical help for some town projects, and currently the town and mining firm were developing an agenda for future cooperation (personal communication, Oct 30, 2008).

Some of the CSR-like actions that occur at the Huanuni mine are not the action of Empresa Huanuni itself, but that of its parent company COMIBOL, which has a number of programs at its various mining sites. According to one COMIBOL community worker, Mireya Aguilar, COMIBOL was working in cooperation with the World Health Organization to reduce environmental health effects in mining communities by offering assistance with one of three projects—drinking water, garbage disposal, or sewage systems (personal communication, Oct 29, 2008). In this agreement, COMIBOL was to assess community demand, and finance the design of the chosen project while the town would finance the construction (ibid).

Other than these beginnings, Empresa Huanuni had developed/implemented very little with respect to CSR. In fact, when talking with government officials and staff from COMIBOL, Empresa Huanuni was more often noted for its lack of compliance with Bolivian environmental law than anything else. Specifically, it was well known that the mine continued to dump its tailings directly into the Huanuni River despite the complaints of many affected downstream communities. However, many of these same interviewees also noted that Empresa Huanuni was attempting to put an end to this dumping by constructing a tailings' pond in the nearby community of Venta y Media. Unfortunately, this had not yet commenced due to Venta y Media's resistance (Aguilar, personal communication, Oct 2008, Salas, personal communication, Oct 3, 2008).

According to Empresa Huanuni's social specialist, the community social license of Empresa Huanuni varies from community to community. In the Huanuni town, where a large portion of the population is employed by the mine, the company enjoys a strong

social license regardless of the mining pollution (Subiera, personal communication, Oct 30, 2008). In contrast, Huanuni's social license is much less in communities farther downstream of the Huanuni mine that have less access to employment in the mine, but which experience significant pollution (ibid). Members of two such communities expressed their dissatisfaction with Empresa Huanuni, and maintained that its contamination had damaged their agriculture and had not responded to any requests for compensation or dialogue (Aguya & Bustillos, personal communication, Oct 28, 2008).

### **5.5.3 Government Pressures and Challenges**

One of the common themes that surfaced when discussing the government effects of Empresa Huanuni's social and environmental performance was taxes. The mayor of Huanuni noted that there were over three million bolivianos in the Huanuni coffers thanks to the law requiring 15% of royalties to go to municipalities where mining operations were located (Huanuni Mayor, personal communication, Oct 30, 2008). Furthermore, both the mayor and the department of Oruro's head of mining, Genaro Canaviri, noted that there were rules requiring that some of the royalties be used to cover the expense of environmental audits and to increase the productive capacity of municipalities (Canaviri, personal communication, Oct 27, 2008; Mayor, personal communication, Oct 30, 2008). Unfortunately, Canaviri indicated that this money was often misspent (personal communication, Oct 27, 2008). Similarly, Empresa Huanuni's social specialist noted that Huanuni failed to spend its royalties on sustainable development initiatives (Subiera, personal communication, Oct 30, 2008).

Several research participants noted the government had done little to develop alternatives to mining or to create awareness of sustainable development. Huanuni's social specialist lamented that the government had failed to develop agriculture, which could form a sustainable alternative to mining, and maintained that this failure meant communities were disinterested in agriculture as an alternative to mining (personal communication, Oct 30, 2008). In agreement with this, the head of Oruro's Department of Natural Resources and the Environment, noted that Oruro was fundamentally a mining department and had in the past failed to support its agricultural producers (Gonzaga, personal communication, Oct 27, 2008). Finally, Iris Baptist, the head of the local branch of the NGO CEPROMIN, observed the government has had only limited success in raising awareness of sustainable development (Baptista, personal communication, Oct 30, 2008).

Several informants maintained that government effectiveness in encouraging responsible mining had been limited by either poor cooperation among various levels of government, or damaging sectoral politics. A Huanuni community member and researcher, Walter Cassia, observed that various levels of government in Huanuni had acted separately in their relationship with Empresa Huanuni. The result was an uncoordinated pressure on the company that was limited in achieving benefits for the community (personal communication Oct 30, 2008). Similarly, Subiera believed that damaging sectoral politics had impeded the government from developing an effective strategy for the use of mining royalties; instead, when different groups obtained power, they would seek "justice" or "vengeance" against other groups (personal communication, Oct30, 2008).

With respect to the law, several commentators noted that the government is pressuring Empresa Huanuni to reduce its contamination (Salas, personal communication, Oct 3, 2008, Subiera, personal communication, Oct 30, 2008). As mentioned earlier, it is well known that Empresa Huanuni is in violation of Bolivian environmental law, and is severely polluting the Huanuni River which passes below its operations. Nevertheless, government authorities allow Empresa Huanuni to remain in operation. The reason for this, according to several commentators has to do with origin of the mining operation and the social unrest that would occur if it were shut down. According to one COMIBOL community worker, Empresa Huanuni was nationalized to resolve a long simmering and eventually violent conflict between a large number of state employed miners and cooperative miners, and shutting Huanuni down for environmental reasons could mean a great deal of social unrest (Aguilar, personal communication, Oct 29, 2008). Similarly, Oruro's head of mining stated ". . . but Huanuni cannot be paralyzed, because if we paralyze Huanuni, 5000 workers will be on top of us with mobilizations and marches . . ." (Genaro Canaviri, Personal Communication, Oct 27, 2008). Several research participants also commented that the government had financial reasons for not shutting down the mine, as it would mean a loss of both direct revenue (as Empresa Huanuni is a state mine) and royalties that would be paid to the department of Oruro and the municipality of Huanuni (Aguilar, personal communication, Oct 29, 2008; Cassia, personal communication, Oct 30, 2008).<sup>64</sup>

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<sup>64</sup> In 2008 Empresa Huanuni's profits were approximately \$14 000 000 USD (Minería de Bolivia<sup>b</sup>, 2009). Since its nationalization in 2006 Empresa Huanuni has generated around \$ 9 million in Royalties (Minería de Bolivia<sup>c</sup>, 2009)

Asked whether Evo Morales' government had empowered the communities in the area of the mine, research participants gave a range of answers from empowerment to having little effect. The head of Oruro's Department of Natural Resources and Environment noted that indigenous rights were being used to pressure mining companies to satisfy community demands (Gonzaga, personal communication, Oct 27, 2008). On the other hand, the head of Oruro's Department of Mining and Metalurgy replied that in general this may be true, but it was not the case with Empresa Huanuni where communities were ignored and did not protest (personal communication, Oct 27, 2008). According to several interviewees, the biggest impact of Evo Morales on the Huanuni communities was the nationalization of Empresa Huanuni. This meant more access to mining for members of surrounding communities either because local inhabitants belonged to a mining cooperative incorporated into the Empresa Huanuni when it was nationalized, or because the company hired locally (Baptista, personal communication, Oct 27, 2008; Mayor, personal communication, Oct 30, 2008). However, one of these interviewees further noted that aside from the nationalization and a few country level projects directed towards Huanuni by COMIBOL, the Evo Morales government had little effect on the actual relationship of communities with Empresa Huanuni (Baptista, personal communication, October 27, 2008). In agreement with this, two members of downstream communities suffering from Empresa Huanuni's pollution, and with little access to mine employment noted that while Evo Morales' election meant the rural poor may be better represented than before, this had not changed their relationship with Empresa Huanuni since the president favoured the mine and the mining sector

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(Fernando Aguayo, personal communication, Oct 28, 2008; Fernando Bustillo, personal communication, Oct 28, 2008).

#### **5.5.4 Community Pressures and Challenges**

What have the communities around Empresa Huanuni pressured for in terms of promoting or conserving capital accessible to the wider community, allowing the community to prosper when the mine is gone, or protecting the environment? Some research participants noted that there had been some pressure by some communities to stop the mining company from contaminating the environment. Empresa Huanuni's social specialist noted that some communities with polluted lands had organized themselves to complain to the mine. She added that this was one of the reasons why Empresa Huanuni was starting to make an effort to reduce their pollution (Subiera, personal communication, Oct 30, 2008). Subiera also noted that communities were knowledgeable about mining contamination and took the long perspective and so were reluctant to allow mining on their lands (ibid).

However, despite this interest in the environment, most research participants indicated the dominant push of communities was employment. Expressing some frustration, Mireya Aguilar and Gonzalo Salas, two COMIBOL community workers, noted that communities used environmental issues and their increased voice under the government of Evo Morales to demand work (Aguilar, personal communication, Oct 27, 2008; Salas, personal communication, Oct 3). Much of this frustration perhaps comes from the so far unsuccessful efforts of Empresa Huanuni to construct a tailings pond in

the nearby community of Venta y Media. According to Aguilar and Salas, the community seemed unwilling to accept anything other than employment in the mine in return for its permission to construct a tailings pond on community land (Aguilar, personal communication, Oct 27, 2008 Salas, personal communication, Oct 3)<sup>65</sup>. The almost singular focus on work by communities in the Huanuni municipality was also referred to by other research participants (Baptista, Cassia, Huanuni Mayor, personal communications, 2008). Baptista, for instance, commented that the mining workers, who make up a large percentage of the Huanuni population, had little interest in issues outside of salary and work (Baptista, personal communication, Oct 27, 2008).

When asked about community challenges for CSR or sustainable development, one of the most common responses was community disinterest in projects or efforts that might be classified as sustainable development. Some observed that Huanuni communities showed little interest in the possible sewage, drinking water, or garbage projects that COMIBOL was offering (Aguilar, personal communication, Oct 28, 2008; Mayor, personal communication, Oct 30, 2008). Similarly, Aguilar noted that the community of Venta y Media had been disinterested in an alternative employment project that Empresa Huanuni had offered as part of its negotiations for community land (personal communication, Oct 27, 2008). Other research participants noted that Huanuni communities showed little interest in the environment (Baptista, personal communication, Oct 28, 2008; Cassia, personal communication, Oct 30, 2008).

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<sup>65</sup> Unfortunately, construction of the dike is a necessary measure for stopping Empresa Huanuni's pollution of the Huanuni River and downstream communities.

Asked about the causes of community disinterest in sustainable development projects and the environment, several research participants noted that many people in the Huanuni town had few ties to the area, as many saw themselves in Huanuni only to mine and earn enough money to start a new life or retire somewhere else (Baptista, personal communication, Oct 28, 2008; Cassia, personal communication, Oct 30, 2008). They also mentioned that once an individual had obtained employment in the mine, they felt their ability to complain about the environment or make other demands was diminished (ibid). According to one of these individuals, the employment of community authorities in the mine was especially effective at curtailing environmental complaints and demands (Cassia, personal communication, Oct 30, 2008). In this regard, Baptista speculated that community members were becoming increasingly individualistic and this individualism made people less likely to complain once they obtained employment (Baptista, personal communication, Oct 27, 2008).

Another possible cause of community disinterest in sustainable development was a lack of awareness. One of COMIBOL's community workers indicated communities had little understanding of sustainable development, and the head of CEPROMIN in Oruro explained that the concept of sustainable development was relatively new to Bolivia and that, as of yet, there had been few spaces in which to discuss the concept (Baptista, personal communication, Oct 27, 2008; Salas, personal communication, Oct 3, 2008). Similarly, a lack of awareness of rights is also another possible reason for the appearance of community disinterest. Genaro Canaviri, the head of Oruro's Department of Mining and Metalurgy, maintained that Huanuni residents did not understand their rights and had grown accustomed to abuse or inaptitude on the part of public authorities, and for this

reason, did not demand enough of the Huanuni mine or government authorities (personal communication, Oct 27, 2008).

By itself, the heavy focus of the community on mining employment can be seen as one of the impediments to CSR. It is not only that Empresa Huanuni receives little or no pressure for elements of sustainable development from Huanuni communities but that Huanuni communities actually impeded some CSR efforts through its focus on employment. The most apparent examples of this are the already mentioned social unrest that unemployed miners may cause if Empresa Huanuni is shut down for environmental reasons and the difficulty constructing a tailings' pond, so crucial for ending the mine's dumping of tailings in the Huanuni River, in the community of Venta y Media. As discussed, the community of Venta y Media seems willing to give permission for construction only if they receive employment in the mine.

## **5.6 Summary**

A comparison of the pushes and challenges faced by the three mining operations reveals that there are significant similarities but also some important differences. The differences are especially noticeable with respect to Empresa Huanuni which is relatively unique with respect to its surrounding communities and its identity as a state mine. Below are a number of tables summarizing the similarities and differences of the three cases with respect their CSR programs, community characteristics, and the pushes and challenges that come from the government and communities. In the following chapter, Chapter Six, a more in depth discussion of the similarities and differences is given.

Table 5.1 Summary and Comparison of CSR programs

<b>Apex</b>	<b>Sinchi Wayra</b>	<b>Empresa Huanuni</b>
Developed CSR department	Small CSR department	Has only small beginnings of a CSR department
Local Employment	Local Employment	Large amount of Local Employment
Obey and surpass Bolivian environmental Law	Obey and surpass Bolivian environmental Law	Non Compliance
Long term agreement with community	Yearly Negotiation	Negotiation as needed
Infrastructure	Infrastructure	Some offer of infrastructure assistance through parent company COMIBOL
Alternatives to mining	Alternatives to mining	Limited unsuccessful offer of mining alternative to one community
Community foundation and some cooperation with civil society	Some cooperation with government	Some limited planning with local government for future cooperation

Table 5.2 Summary and Comparison of Communities

<b>Apex</b>	<b>Sinchi Wayra</b>	<b>Empresa Huanuni</b>
10 000 inhabitants-rural	6000 inhabitants-rural	20 000 inhabitants-15000 are urban (in Huanuni town)
Little history of mining	Long history of mining	Long history of mining
90 % are at or below the moderate poverty line	90 % are at or below the moderate poverty line	57% of Urbanites and 86% of rural inhabitants are at or below the moderate poverty

Principle activity is agriculture	Principle activity is agriculture	line Mining is the principle economic activity followed by agriculture
90% Quechua	90% Quechua	60% Quechua, 13% Amyra

Table 5.3 Summary and Comparison of Community and Government Effects. Similar aspects for the three mines are placed side by side. Where research participants did not mention a particular aspect for a mine a blank space is left. Note that a blank space does not necessarily imply that the facet does not exist for a given mining operation, but only that it was not mentioned by interviewees.

<b>Government Pushes and Challenges</b>		
<b>Apex Silver</b>	<b>Sinchi Wayra</b>	<b>Empresa Huanuni</b>
<b><u>Assisting/Impeding CSR</u></b>	<b><u>Assisting/Impeding CSR</u></b>	<b><u>Assisting/Impeding CSR</u></b>
-Gov law requiring distribution of taxes to municipality of mine was potentially beneficial for social license and development, but there were concerns about local governments ability manage this money	-Same as Apex	-Same but some mentioned that law requiring use of royalties for environmental protection and productive capacity were not followed.
-Nothing mentioned by interviewees, but literature	-Some Gov facilitation for parts of Sinchi Wayra's	

<p>indicates that Apex received tax incentives for some of its community investment</p> <p>-Indication that the government lacks credibility in the eyes of the community. Thus, government judgement that mines are obeying environmental law do little for social license of a mine</p>	<p>CSR</p> <p>-Same as Apex</p>	<p>No pretence of complying with Bolivian Environmental law</p>
	<p>-Failure to deal with past pollution and to develop capacity in current cooperative miners has resulted in pollution that reflects badly on Sinchi Wayra. Makes Sinchi Wayra efforts to control pollution less likely to obtain social license</p>	
<p><b><u>Mandating/Leverage For communities</u></b></p> <p>-At the time of Apex's initiation Bolivian law required the mine to negotiate access to land with the community. Nevertheless the law seems</p>	<p><b><u>Mandating/Leverage For communities</u></b></p> <p>-No such legally required negotiation. Instead, Sinchi Wayra held yearly voluntary negotiations</p>	<p><b><u>Mandating/Leverage For communities</u></b></p> <p>-No such legally required negotiation. Nor any yearly negotiation. Instead mine negotiates as needed</p>

<p>to favour the mine.</p> <p>-Government was absent or did not assist community during negotiations with Apex</p> <p>-Adoption of conventions on indigenous rights had encouraged communities to assert themselves</p>	<p>-Same as Apex</p>	<p>-Failure of government to educate communities on their rights</p>
<p>-Most interviewees thought communities had been empowered by the Evo Morales government</p>	<p>-Similar but Sinchi Wayra exec attributed empowerment more widely to social movements. Due to past association of Sinchi Wayra with a former discredited Bolivian president made Sinchi Wayra an attractive target of these movements.</p>	<p>-There were some disagreements among interviewees but most thought the Morales government had done little to change the relationship between communities and Empresa Huanuni.</p>
<p>-Indication that communities may use support of nationalization as a lever</p>	<p>-Indication that communities may use support of nationalization as a lever</p>	<p>-Not possible as Empresa Huanuni is a state mine</p>
<p>-Community feeling of abandonment by government that provided</p>	<p>-Same as Apex</p>	<p>-Indication that government had done little to support agriculture as a possible</p>

<p>little in terms of support for infrastructure, employment options, health and education lowers community leverage</p> <p>-Indication that government was enforcing environmental law</p>	<p>-Same as Apex</p>	<p>alternative to mining</p> <p>-Sectoral and uncoordinated efforts by different levels of government produced ineffective pressure on Empresa Huanuni</p> <p>- Government knows the mine violates environmental law but is unwilling /unable to shut it down.</p> <p>-Government unwilling/unable to remediate damage from its own mine</p>
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<b>Community Pushes and Challenges</b>		
<b>Apex Silver</b>	<b>Sinchi Wayra</b>	<b>Empresa Huanuni</b>
<p><b><u>Quality of Life</u></b></p> <p><b><u>Improvements available to all</u></b></p> <p>-Community has pushed for support of education, health, culture, and community infrastructure.</p>	<p><b><u>Quality of Life</u></b></p> <p><b><u>Improvements available to all</u></b></p> <p>-Similar, community had often bargained for infrastructure support some of which is related to education and healthcare.</p>	<p><b><u>Quality of Life</u></b></p> <p><b><u>Improvements available to all</u></b></p> <p>-Almost no indication of such interest. One community opposed a tailings pond that would have benefitted downstream communities.</p>

-Relatively high focus on mining employment which may not be accessible to all

**Extended Benefits Beyond  
Life of Mine**

-Indication that community has also pushed for alternatives to mining that could last beyond the life of the mine

-Focus on mining and lack of human resources means the community does not look after Apex provided infrastructure

-Low level of education means community members are not appropriating their own development

**The Environment**

-Mixed messages. Some indication that the environment was a concern. However, some interviewees thought communities used the environment as a bargaining chip for other benefits.

-Same as Apex

**Extended Benefits Beyond  
Life of Mine**

-Indication that communities had pushed for development of alternative sources of employment.

**The Environment**

-Same as Apex

-Very strong focus on mining employment

**Extended Benefits Beyond  
Life of Mine**

-Little or no indication of this. Instead, many participants noted that there was an almost singular focus on mining employment.

-Community members lacked attachment to the Huanuni Mine—they wanted to earn money and then leave.

**The Environment**

-The Huanuni town showed little interest in the environment. Some indications that downstream communities with little access to mining employment showed interest in environmental protection. Also an indication

<p><b><u>Leverage</u></b></p> <p>-Leverage lowered by a lack of needed infrastructure, health care, education, and employment</p> <p>-Leverage may be lowered by lack of negotiating experience with mining companies</p> <p>-Communities have showed a willingness to protest and disrupt mining operations.</p>	<p>-Some distrust by the community of its leaders and of Sinchi Wayra. This prevented participation in a mixed committee to monitor pollution</p> <p><b><u>Leverage</u></b></p>	<p>that some communities used the environment as a bargaining chip for employment.</p> <p>-Pressure from large Empresa Huanuni work force impeded environmental protection</p> <p><b><u>Leverage</u></b></p> <p>-Many in the area have employment ties to the mine and this reduces willingness to make demands of the mine.</p> <p>-Lack of awareness of rights</p> <p>-Same as Apex</p>
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## **Chapter 6:**

### **Discussion**

#### **6.1 Introduction**

What does the above data say about the effect of community and government on the relationship between CSR and sustainable development? In the following section, the results of the three case studies are compared with respect to the government and the community. Some of the dominant trends and differences are highlighted and their possible causes are suggested. After this, where research data has allowed, some related issues are taken up. These include the separation of the social license to operate and sustainable development, some of the criticisms of CSR discussed in the section on CSR and development in Chapter Three, the role of the mining firm, and the CSR of state mining vs. that of private TNC mining.

#### **6.2 Government Forces and Challenges**

##### *Government Legal and Tacit Support*

With respect to Apex and Sinchi Wayra, it appears that the government has made a minimum community social license necessary. As per the current Bolivian mining code Apex was required to negotiate with communities for access to their land and resources. While this mining code may favour mining companies by allowing them to expropriate

land where an agreement between with communities are not reached, the tacit support of the Bolivian government in form of adopted (but not operationalized) laws protecting communities, and government refusal to use force has meant that Apex needs at least a minimum permission or social license from the surrounding communities. For their part, Apex communities have used protest and the disruption (or the threat of it) on a number of occasions. In this regard one community member observed that it is the communities that have used aggression and the mining company executives who have trembled (Lazo, personal communication, Oct 8, 2008).

The case of Sinchi Wayra is very similar to that of Apex. While the Sinchi Wayra mine predated the 1997 mining code and is therefore not legally required to reach a long term agreement for access to land, it nevertheless voluntarily negotiates community benefits on a yearly basis. This suggests that despite the absence of a formal legal mechanism, communities were still able to exert pressure on Sinchi Wayra. As with Apex, one source of this pressure was likely to come from the adopted (but not operationalized) Convention 169 of the ILO, the more recent adoption of the UN's 2007 Convention on Indigenous Rights, and Evo Morales's populist position or rhetoric. While the latter source of support was relevant for Apex, it may be particularly important in the case of Sinchi Wayra due to its real or perceived political associations. As discussed, one Sinchi Wayra executive observed that social movements and the Bolivian government

targeted the mine because of its past connection with Sanchez Lozada, a former controversial president and political opponent of Evo Morales.<sup>66</sup>

Interestingly, for both Apex and Sinchi Wayra there is some evidence that communities may use Evo Morales' threat to nationalize mining as a lever for their demands. With respect to the Apex mine, one member of a close by community (Culpina K) thought that his community might support nationalization of Apex's mine if Apex failed to live up to their agreements. Similarly, some members of communities around the Sinchi Wayra Porco mine also thought they might support nationalization to gain employment in the mine.<sup>67</sup>

Compared to the Sinchi Wayra and Apex mines, the case of Empresa Huanuni is somewhat unique. As with Sinchi Wayra, due to the age of its mine, Empresa Huanuni was not required by Bolivia's mining code to negotiate a long term agreement for land access with the community. However, unlike the cases of Apex and Sinchi Wayra, the government is unwilling or unable to enforce environmental regulations. Furthermore, while the arrival of Evo Morales to power and the Bolivian government's adoption of

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<sup>66</sup> As previously noted, because of the supposed deeds and dealings of Sanchez Lozada, Sinchi Wayra has been the target of criticism and increased scrutiny from the Evo Morales administration.

<sup>67</sup> While the legal/tacit support of the government has provided a basis for community protest, the protests themselves may be a sign of a lack of government support (or indicative of government inaction). In fact, sometimes the use of protest and other similar measures is an effort to make up for asymmetries in legal, economic, and political power (Camacho, 2004). In these cases, one wonders if the communities would have preferred to take the mining companies to court had ILO Convention 169 and the 2007 UN Convention on Indigenous rights not only been adopted but operationalized with the rules for their implementation in place and disseminated.

ILO Convention 169 and the UN's Convention on Indigenous Rights seem to have empowered communities surrounding the Apex and Sinchi Wayra mines, the effect of this empowerment is noticeably more diverse for communities affected by Empresa Huanuni.

On the one hand, there seems to be signs that the government supports the interests of some communities. Empresa Huanuni's current employment of 5000 miners is an example. Empresa Huanuni's large labour force is a result of the Government's need to resolve a violent and potentially explosive conflict between state miners and cooperative miners (who make up a significant portion of the Huanuni community), who were seeking access to the richer tin deposits of the Huanuni mine. To this day, there remains a high probability of violent social unrest if the mine is shut down for its environmental violations.<sup>68</sup> Another example of community empowerment is the ability of the Venta y Media community to resist the construction of a tailings pond on their land despite pressure from Empresa Huanuni.

On the other hand, the Huanuni case has clear examples of community disempowerment. The most notable example is the obvious, illegal, and severe environmental contamination by Empresa Huanuni and the inability of communities who suffer its effects to stop the contamination or receive compensation for the damages that they have incurred. At the extreme, the head of Oruro's Department of Mining and

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<sup>68</sup> Given the large number of cooperative miners in the area, their past political support for Morales and their militant behavior, it is possible that the government capitulation to cooperative miner demands is more a reflection of community strength than a sign of government enlightenment with respect to community rights.

Metalurgy notes that in one case, a community purportedly received a “military response” when they tried to deliver a letter of complaint to Empresa Huanuni offices at the mining site (Canaviri, Personal communication, Oct 27, 2008). Perhaps counter intuitively, given the pro-community or populist platform of the Morales government, the mere fact that Empresa Huanuni is a state mine means that community empowerment is less than in the case of a private mine. Referring to the Huanuni community’s silence on Empresa Huanuni’s contamination, one community member observed, “It’s like fighting the government. It’s possible to fight a private firm but if the population [of Huanuni] wants to mobilize, it must mobilize against the government, it must mobilize against the state” (Cassia, personal communication, Oct 30, 2008).

While government support of communities—in the form of adopted (but not operationalized) laws and refusal to use military force—has been a significant source of community leverage, government legal support could certainly be made stronger. The Bolivian government could, for instance, do more to operationalize adopted laws that protect indigenous rights, and/or make a greater effort to educate communities on their rights. In the extreme it might also give communities a clear right to veto mining operations when they are unhappy. But even given such legal rights, other forms of government neglect may lower the leverage of communities. In all three cases, statistics, interviews, and casual observation testified to the significant poverty of communities surrounding the mining operations of this study. In as far as this poverty is a result of government failure to invest in rural communities, the government has disempowered communities. As one community member from the Apex mine observed, the lack of

services and employment meant that his community had little choice but to say yes to mining (Cordova, personal communication, Oct 10, 2008).

### *Government Taxes and Environmental Monitoring*

Aside from strengthening the need for mining firms to obtain a social license from local communities, governments can also act in ways to facilitate or impede mining firm CSR and its contributions to sustainable development. Possible roles that government can play in this regard were described earlier in this thesis (see table 3.2) and included facilitating, partnering, and endorsing. Along these lines, some sources of literature (but no interviewees) indicated that the government had offered tax incentives for mining companies to invest in local communities (Joyce & Thomson, 2002). Other than this, however, there was only passing references to some department level government cooperation in Sinchi Wayra's CSR and the Huanuni mayor's mention of some preliminary joint planning with Empresa Huanuni.

In fact, the government was most often mentioned as an impediment to CSR. The local distribution of a percentage of mining royalties is the main example. While in all three cases interviewees mentioned the Bolivian government's policy to distribute a percentage of mining royalties to the municipalities as useful in maintaining good relations with nearby communities, they also expressed dissatisfaction with the municipal government's ability to manage this money. Poor fiscal management decreased not only the social license of mining operations, but also the potential contribution of the money towards local sustainable development. Examples of this included the Apex mine where

the head of CSR expressed scepticism about the municipal government's ability to manage their considerable royalties (Diez de Medina, personal communication, Oct 7, 2008) and the Huanuni municipality's misspending of mining royalties as noted by the head of Oruro's Department of Mining and Metalurgy (Canaviri, personal communication, Oct 27, 2008). It would also seem reasonable to assume that if the government could effectively manage mining revenue and distribute and use it in communities near mining operations, then communities would find themselves less desperate and so have both less focus on immediate economic benefits from the mine, and more leverage.

With respect to the environment, poor government performance also seemed to inhibit CSR. In both the cases of Sinchi Wayra and Apex mining, employees noted that communities were reluctant to accept the government's evaluation that the mine was complying with environmental law. The lack of confidence was a reflection of the communities' low opinion of the government's ability to honestly and effectively monitor compliance with environmental regulation and detect mining pollution. These observations are reminiscent of those made by Hamann et al. (2005) who noted how poor governance and distrust could impede CSR efforts of mining companies. In the case of Sinchi Wayra, this problem was aggravated by difficulty in distinguishing between pollution that might come from Sinchi Wyra and pollution from both past mining operations and the current operations of nearby cooperative miners. This difficulty increased the probability that blame for contamination could be placed on Sinchi Wayra's shoulder regardless of whether or not it was responsible.

## 6.3 Community Forces and Challenges

### *The (Lack of) Environmental Push by Communities*

The environmental position of communities in mining areas is somewhat ambiguous. On the one hand, in both the cases of Apex and Sinchi Wayra, many interviewees indicated that environmental protection and quality was important to community members. In the case of Empresa Huanuni there were also reports of environmental concern, but in comparison with Sinchi Wayra and Apex this concern seemed relatively muted. In the town of Huanuni environmental concern was especially low. On the other hand, in all three cases there were also indications that environmental complaints were somewhat disingenuous as communities made environmental complaints not as a method to improve environmental performance, but rather as a method to gain access to economic benefits. Perhaps the clearest demonstration of this is the community of Venta y Media in the area of Empresa Huanuni. While at the same time refusing the construction of a tailings pond on the grounds that it was not safe, they were willing to give permission if they could access employment in the Huanuni Mine. At a more general level, one consultant familiar with the Bolivian mining context noted that some communities had become very skilled in using the environment as a front to negotiate for economic or social benefits (Thomson, personal communication, Nov6, 2008). In support of this, an ex-vice minister of mining commented that rural communities have used environmental complaints to remove mining operations from their land, only to begin mining themselves at a higher environmental cost (P. Mariobo, personal communication, July 24, 2008).

Given that Bolivian rural communities are connected to agriculture, their seemingly ambiguous attitude towards the environment may be puzzling. It is, however, explained by some observations found in the literature. Hinojosa, L. (n.d.) observes that the poor growing conditions of the Altiplano has meant agriculture has become a safety net and supplement to income from other economic activities and beyond the minimum needed for a safety net, communities value land based on what it can be bargained for. Similarly, in their description of communities close to Empresa Huanuni, Madrid et al. (2002) note that with the adaptation of communities into the market system and the need for cash earnings, rural inhabitants have adopted a strategy of negotiating for employment in return for access to their land and water resources. Nevertheless, as some observers point out, the instrumental use of the environment as a bargaining chip does not mean that communities do not care about the environment, but instead that the urgent economic and social needs of communities take priority (Hinojosa, L., n.d; Joyce and Thomson, 2002)

The above mentioned inability of the Bolivian government to convincingly monitor the environmental performance of mines and the community tendency to use the environment to bargain for economic and social benefits has led to a situation described well by Jordan (2008):

The lack of information, [and] monitoring on the part of the state . . . has determined that the activity of the population, particularly in rural areas, has focused on isolated unsupported denouncements as a way to pressure mining

firms not so much for environmental mitigation or remediation, but rather individual or communal benefits. (p. 119)

In this regard, it is noteworthy that both community and firm interviewees from the Apex case study noted the desirability of a third party that could provide an environmental evaluation that was trusted by the community. Under conditions where such a party is nonexistent, one wonders what incentives mining firms have to protect the environment if doing so does little to improve their local social license compared to providing other economic benefits.

### *The Focus on Employment*

While more pronounced in Huanuni, the dominant want of communities and dominant requirement for the community social license at all mines was mining employment.

If the measure of CSR was local employment, then Empresa Huanuni's CSR would outclass that of both Apex and Sinchi Wayra. Despite processing more ore per day (over 40 times more in the case of Apex), the capital intensive nature of the Apex and Sinchi Wayra mines and the need of Empresa Huanuni to solve a potentially explosive social situation with the provision of employment meant Empresa Huanuni employed far more local people.

However, because the length of mining employment is ultimately limited by the nonrenewable nature of mineral resources, the contribution of mining employment to sustainable development of the community is questionable and will depend not only on

what percentage of community members are employed, but also by how mining employees spend their money. Unfortunately, no specific information was collected on the spending habits of mining workers in the three mines. However, some members of an NGO familiar with Bolivian mining and miners commented that miners often spent their money on consumer goods and fail to invest for their future.

At both the Huanuni and Apex mines there were also indications that the focus on mining employment, the lack of competitive employment alternatives, and the poverty that underlie this focus, disempowers communities and government. In the case of Empresa Huanuni, mining employment seemed to form a significant obstacle to sustainable development. Due to the large and probable social unrest that its 5000 miners would cause if Empresa Huanuni were closed for environmental infractions, the mine is allowed to remain open despite its obvious and severe violation of Bolivian environmental law. While Empresa Huanuni is a large state mine, what is happening in Huanuni confirms an observation which Jordan (2008) makes about low tech traditional mining in Bolivia: "Its [traditional mining's] nature as an employer of a large number of labourers in an economy where there is open unemployment and high levels of underemployment, does not facilitate any action by the state to enforce environmental regulation." (p. 118). Similarly, several research participants interviewed in Huanuni noted that employment in the mine made it difficult for community members to complain about the mine and, as already mentioned above, one community member from the Apex mine commented that his community had little choice but to say yes to the mine without which there would be none of the needed benefits. These observations are corroborated by Newell and Garvey (2004) who, in their overview of the relationship between

communities and industrial operations, observed that a lack of employment alternatives and the fear of losing jobs were important factors that prevented communities from asserting themselves.

Unfortunately, where it pollutes or has polluted, mining can further disempower communities by limiting agriculture as a suitable livelihood alternative. In this vein, one interviewee noted that communities were not interested in the possibility of Sinchi Wayra funding greenhouses in their region since the water was contaminated with mining waste (Cardona, personal communication, Oct 20, 2008)

*Community Demands for Sustainable Development: Quality of Life Improvements Available to All and the Extension of Benefits Beyond the Life of the Mine*

While the main focus of communities was mine employment, in two of the mining sites studied there was also a notable push by local communities for the elements of sustainable development that form part of this study's framework. In both the cases of Apex and Sinchi Wayra, community members showed significant interest in benefits such as health, education, and infrastructure that were accessible to the wider community, and in the development of alternatives to mining that could potentially survive past the life of the mine. Unfortunately, the interest in such measures seemed relatively muted in communities around the Empresa Huanuni mine. The ultimate causes of this relative disinterest were suggested by the head of CEPROMIN in Oruro, Iris Baptista, who noted that many inhabitants from the Huanuni area invest as little as possible in their community since they intend to leave and resettle in a more prosperous area of Bolivia

(personal communication, Oct 27, 2008). Similarly, in their study of Huanuni, Madrid et al. (2002, p. 64) observed that Huanuni community members considered mining employment as a means to earn enough money to later insert themselves and their children into one of Bolivia's urban centres. With this intention it is then not surprising that Huanuni community members are less inclined to take an interest in the long term health of the community.<sup>69</sup>

*Separating the Social License from Sustainable Development—Lack of Capacity, Negotiating Experience, and Rights Awareness*

Communities displayed a number of challenges (aside from their focus on employment) that may impede the connection between CSR and sustainable development. Of particular note at the Apex mine was the lack of community capacity to take a more active role in the CSR of Apex. Apex had arguably provided significant contributions to the infrastructure of San Cristóbal and developed alternatives to mining. Unfortunately, some interviewees indicated that the community did not have the capacity to take care of this infrastructure on their own, or to take over the development of alternatives to mining. Such observations raise the spectre of dependency. If communities are unable to take over the care of infrastructure or the development of mining

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<sup>69</sup> While the areas around the Apex and Sinchi Wayra mines might also be considered mining centres, Huanuni's longer history of mining (at least compared to the area of Apex) and the relative larger percentage of local inhabitants tied to mining may make this tendency more pronounced in Huanuni's population.

alternatives, then these benefits may disappear when the mineral deposit is depleted and the mining company moves on.

The danger of dependency is nothing new in the relationship between resource companies and local communities. Referring to this danger, Thomson and Joyce maintain that the solution is to develop the capacity of communities to organize, access resources, and self manage (2002). If community capacity can be raised, it might allow communities to successfully manage CSR benefits (cash donations, infrastructure, and employment income) avoid dependency, and better connect CSR to sustainable development.

Building the capacity of communities may also help communities negotiate for agreements or CSR that is more sustainable in the first place. With a better understanding of sustainable development, their rights, or CSR, communities might push their demands more effectively and/or for benefits that better contribute to sustainable development. In these case studies, there were instances where low capacity may have hindered communities in their negotiations with the mining firms. For example, while the government required Apex to negotiate a long term agreement for access to community resources, there were indications that the government left the inexperienced and unequipped communities near the mining site to negotiate with Apex on their own. Referring to Huanuni and Oruru in General, Oruro's head of Mining and Metalurgy noted that indigenous and rural communities were unaware of their rights and that the government had done little to disseminate such information (Canaviri, personal communication, Oct 27, 2008)

Directing mining CSR more towards capacity building and less towards immediate tangible benefits may be easier said than done. As was observed in the case of Apex, while communities thought sustainable development is important, they grew impatient when benefits were not immediate and tangible—characteristics that do not apply to capacity building or raising awareness (Gunner, personal communication, Oct 9, 2008). This observation is reminiscent of what is often referred to as the *environmental Kuznets curve*, whereby the level of damage for a number of environmental variables is seen to first increase with increasing income and then decrease.<sup>70</sup> Speculating on the cause of this relationship between income and environmental quality, Grossman and Krueger write “As nations or regions experience greater prosperity, their citizens demand that more attention be paid to the noneconomic aspects of their living conditions” (as cited in Torras and Boyce, 1998, p. 149). If Grossman and Krueger are correct, then a dilemma is presented for connecting CSR to sustainable development; namely, how can community demand for sustainable mining practices be increased if the demand for elements of sustainability depends upon making an income from mining in the first place? It may be true that raising awareness of sustainable development and capacity building will help communities push for sustainable development, but if communities are desperate for income there may be little connection between the local social license to operate and CSR measures that contribute to sustainable development. All three case studies are suggestive of this. Fortunately, some studies also suggest that variables such

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<sup>70</sup> This relationship between the environmental damage and per capita income has been called the environmental Kuznets curve after Simon Kuznets, who theorized a similar relationship between per capita income and income inequality.

as education and political and civil rights may be equally or more important than income (Boyce, 2008; Torras & Boyce, 1998) If true, then raising awareness, education, and promoting rights may play an important role in connecting CSR to sustainable development. The question is who can best play this role in a developing country? This is taken up below

## **6.4 Mining Firm Intervention**

Given that building capacity may do less to obtain the social license for the mining firm than providing direct benefits, there is the question of who is best suited to build capacity. Asked this question, Cecilia Molina, the president of CEPROMIN, expressed scepticism about what the mining firm could or would do:

It will never be convenient for the firm [to show the community what sustainable development is] because the fact that the community can begin to know, to analyze and to reflect, means the community will begin to demand things that will not be so simple to give or facilitate, therefore it will not be convenient for the firm and it will never work from that point of view. (personal communication, Nov 7, 2008).

In some respects, this answer seems incorrect. Some measures to tie the community social license to sustainable development will make business sense for the mining company. If communities can take care of their own infrastructure, they might ask for less help from the mining firm; if a mining firm can increase the capacity of their employees to manage their money, then mining employs may be less likely to find themselves desperate for higher wages; and if local governments cannot manage the

revenue from royalties, then mining firms might assist them so they can manage and disperse the funds more efficiently. In these aspects, connecting the social license with sustainable development would seem to make business sense as it may lower the costs of CSR and risks to the mining firm.

However, in other respects, Molino's concern has merit. Mining firm involvement in some capacity building measures may be a conflict of interest. While increasing community capacity and awareness in the areas of negotiation, community rights, and the environmental and social effects of mining might tighten the relationship between the social license and sustainable development, it might also increase the costs and difficulty for the mining firm. To avoid this obvious conflict of interest (and the erosion of legitimacy that it would bring) these matters might be best addressed in partnership with, or entirely by, the government or civil society. This presents a conundrum in areas lacking in government capacity or civil society organizations—a condition present in many developing countries.

As a possible solution, Kapelus maintains that mining firms could “lead from behind” by building the capacity of the state to undertake roles where the legitimacy of the state is a needed (as cited in Hamann, 2003, p. 247). Yet even here, there are problems. In both the cases of the Sinchi Wayra mine, and the Apex mine, some research participants noted there was scepticism about the government's capability to judge the environmental performance of mines, either because of corruption or a lack of capacity. Asked if mining companies could play a role in improving the capability of the government to protect the environment, one research participant observed that mining

company involvement would likely undermine the credibility of governmental assessments of a mine's environmental performance (Lazo, personal communication, Oct 8, 2008). Thus, even if such attempts served to increase the sustainability of mining, they might also undermine the capability of a government to confer a social license by ruining the perceived independence of government—this is not helpful in an environment where there is already community distrust of government due to a long history of government neglect, and corruption.

## **6.5 State Mines vs. Private TNC Mines**

The comparison of the CSR of a state mine, Empresa Huanuni, with the CSR of two transnational private mines, Sinchi Wayra and Apex, provides an opportunity to contribute to the wider debate surrounding state run enterprises vs. private enterprise.<sup>71</sup> This debate is particularly relevant to Bolivia where the government has made efforts to increase its participation in the exploitation of its gas and mineral resources.

In some ways, Empresa Huanuni would indicate that state ownership will be negative for CSR and local sustainable development. Unlike Sinchi Wayra and Apex, Empresa Huanuni is obviously not in compliance with environmental law and it provides little support for health care, education or for efforts to develop alternatives to mining.

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<sup>71</sup> Chang (2008) gives a good description of this debate and notes it is commonly believed that in comparison to private enterprises, state run enterprises perform poorly- a belief which he convincingly debates against.

This would suggest that those advocating for the nationalization of Bolivian resources may be mistaken if they believe it will lead to more local sustainable development.

In another way, however, Empresa Huanuni potentially has a very significant CSR program. As a relatively low tech mine, it is labour intensive and employs around 5000 miners, many from the local area and many more than either Sinchi Wayra or even Apex which processes tens of thousands of tons more ore per day than Empresa Huanuni. Thus, if employment is seen as part of CSR, then Empresa Huanuni has a significant CSR program. Moreover, as a state mine, Empresa Huanuni's profits may be used towards Bolivian development rather than being repatriated back to a country of foreign shareholders. If Empresa Huanuni's large workforce invests its wages for the future, and the state spends Empresa Huanuni's profit in ways that preserve human capital and increase its ability to produce in the future, then perhaps Empresa Huanuni can make a significant contribution to sustainable development. However, these are big ifs.

Unfortunately, literature and interviewees suggest that neither the state nor the miners are particularly adept at managing and spending their money in ways that contribute to sustainable development. Governance indicators for Bolivia are very poor, and Bolivia's past experience with state-led mining had mixed results. While COMIBOL provided money for the development of other regions and economic sectors of Bolivia such as hydrocarbons and agriculture in the east, it also collapsed in the mid 1980s due in part to mismanagement that resulted from its close relationship to government (Canelas, 1981, p 109). In today's context, some have wondered if Empresa Huanuni can remain profitable while employing the many workers it was pressured to hire (Harris, 2006). As

for mining employment, the likelihood for wages contributing to the sustainable development of Huanuni is low not only due to the questionable spending habits of miners, but also by the intention of many miners to retire or move to another area of Bolivia. With such an intention they are unlikely to invest in Huanuni.

Whatever the evaluation of Empresa Huanuni's CSR, one message of this study is that the link between CSR and sustainable development is not entirely dependent upon the mining firm. More than any other mine of this study, Empresa Huanuni has faced unique challenges from its surrounding communities that disconnect CSR from sustainable development. Principal among these challenges is the threat of violent unrest by the numerous and militant cooperative miners if Empresa Huanuni closed. The poor CSR performance of Empresa Huanuni can be viewed partly as a result of the Huanuni community's focus on mining employment.

While it might be expected that the arrival to power of Evo Morales would mean a friendlier state mine and greater leverage for rural/indigenous communities dependent on agriculture and suffering from mining pollution, it must also be remembered that many community members in the Huanuni area have links to mining with many being former cooperative miners—a group noted for being vocal, militant, numerous, and an important source of political support for the Morales government (Andean Information Network, 2007; Keane, 2006).

## 6.6 Summary

In summary, these three cases offered a number of examples of how local communities and government can both encourage and assist or discourage and impede CSR and its contributions to sustainable development. Many of the underlying causes that prevented the Bolivian government and local communities from better encouraging and assisting CSR may be expected in a developing country context. Mining companies themselves might try to address some of these underlying causes, but some of the cases suggested they may not always be the best suited actors for this. The case of Empresa Huanuni also demonstrated that the community and the government may exert less pressure on a state mines than transnational private mines. The following chapter provides a brief summary of the findings and suggests some strategies to better link CSR with sustainable development.

## **Chapter 7: Conclusion**

### **7.1 Community and Host Government Effects on CSR**

From the business perspective, CSR is potentially a valuable business tool. Often local communities can impose significant costs on a mining operation through various actions, including work stoppages, protests, and blockades. Moreover, since more than any other stakeholder, local communities bear the potentially steep social and environmental costs of a mining operation, their social license can act to legitimize a mining operation and protect it from the accusations of activists, labour organizations, environmentalists, or political opponents.

A number of actions help firms to obtain the social license from a community, including obeying or surpassing environmental law, employing locals, providing infrastructure, and improving capacity in areas such as money management, community planning, entrepreneurship and environmental protection. Collectively, these actions can be labelled as CSR. From the development perspective, however, the hope is that CSR will not only allow mining firms to obtain the social license to operate, but that it will also contribute to the sustainable development of local communities.

As some commentators on the CSR and development debate have noted, while CSR might be implemented in its majority by the firm, its contributions to sustainable development are dependent not only on the firm, but on a host of actors external to the firm. These case studies of mining on Bolivia's Altiplano demonstrate that local

communities and the Bolivian government can both encourage and assist or discourage and impede CSR and its connection to sustainable development.

In some instances, communities successfully used protest and disruption of mining operations as a means of leverage to obtain benefits. While this was seen in the case of Apex, the standout example was the case of Empresa Huanuni, where a large number of Huanuni community members successfully disrupted mining operations until they received employment in the state mine.

In the cases of Apex and Sinchi Wayra there were notable pushes by communities for CSR measures that are clearly linked to sustainable development. In both cases, community members supported or asked for CSR measures that were available to all of its members (such as infrastructure) and/ or benefits that could potentially last past the lifetime of the mine such as support for health, education, and alternative forms of employment.

While the local communities encouraged and facilitated the implementation of certain dimensions of CSR there are also many ways that they impeded CSR and its connection to sustainable development. First, while communities were often able to encourage CSR through protest and legal and tacit government support, they may still have had little bargaining power as they were poor, had little negotiation experience, and may have been unaware of their rights. As one local actor observed, his community had little choice but to say yes to the mine without which there would be none of the needed benefits.

Second, communities were very focused on immediate benefits that were unlikely to contribute to long-term sustainable development. The focus on mining employment is a clear example and was seen in all three cases. In the case of Empresa Huanuni the drive for employment was strong enough to impede government enforcement of environmental regulations.

Third, the low capacity of communities to participate in the planning and management of alternatives to mining, to manage their income, or to take advantage of some of the upstream or downstream opportunities presented by mining made the connection between CSR and sustainable development more tenuous as it limited the ability of communities to take over and run CSR initiatives or to participate more fully in some types of CSR. This was, for example, observed in the Apex case study where mining firm representatives noted that the lack of community capacity was preventing the community from appropriating their own development. Such observations raise the possibility of dependency.

Finally, the communities had a somewhat ambiguous push with respect to the environment. On the one hand, community members indicated the environment was important to them and expressed concerns about the environmental effects of mining. On the other hand, there were indications in all three cases that the environment was used as a bargaining chip for economic benefits. The underlying explanation for this seemingly contradictory position of communities is not that their environmental complaints or concerns are disingenuous, but rather that immediate economic needs take priority.

In at least some ways, the leverage of local communities and their success or failure in connecting CSR with sustainable development is a reflection of the support (or lack of) from the Bolivian Government.

The case studies suggested that government support for communities is a key driver of mining firm CSR. Legal and tacit support from the government provides communities with the leverage to have their position heard and push for benefits from mining operations. In both the cases of Apex and Sinchi Wayra, comments from both mine and community representatives suggested that adopted (but not operationalized) international conventions like ILO 169, the government's policy of not using force, the threat of nationalization, and the overall populist position of Evo Morales formed part of the motivation for mining CSR. As one Apex representative commented, it would be difficult to get government permission to mine without permission from the local community.

While there were some examples of joint planning and tax breaks for CSR, in general the cases suggest the government has done little to assist the CSR of the mining operations. Rather, outside of the legal and tacit support for communities, the cases suggested that the government impeded CSR and its connection to sustainable development. On several occasions government failure to invest in communities and the poor management of government revenue from mining were mentioned as both lowering community leverage, and causing communities to focus on immediate tangible benefits such as mining employment and physical infrastructure. These challenges were evident in the comments from community members near the Apex mine who noted their

“abandonment” by government, and the comments of some interviewees in the Empresa Huanuni case study who noted the government had limited success in raising awareness of sustainable development and had failed to provide viable alternatives to mining.

The perception on the part of the communities that the government was either unable or unwilling to monitor and enforce compliance with Bolivian environmental law was also a possible impediment to CSR as it meant compliance with environmental law or assurances by the government of environment compliance would do less for a mine’s social license than if the government was judged as competent by communities. It was thus that in the case of Apex a number of mine representatives noted the desirability of a trustworthy third party that could judge environmental compliance.

## **7.2 Lessons and Suggestions**

### **1) The Need to Focus on More than Government Legal and Tacit Support**

As the discussion thus far has suggested, government and local community do not necessarily link the social license to sustainable development and may, in fact, divorce the two from one another. At all three mines, the most obvious sign of this division is the relatively strong focus of communities on mining employment and their willingness to use the environment as a bargaining chip. These pushes indicate the social license can be achieved through measures (providing mining employment and other immediate benefits) that may fall well short of sustainable development. The case of

Empresa Huanuni also demonstrates that the push for immediate benefits can be increased when community members do not have an attachment to an area.

Moreover, disconnects between the local license and sustainable development suggests that focussing on giving communities more rights or legal support, such as those who set the bar at free and informed prior consent, is somewhat off target. Where the immediate needs of communities are unsatisfied, legal or tacit support from government may be limited in its ability to empower communities and give them a choice. Similarly, immediate needs, and lack of awareness may cause communities to use their legal and tacit government support to push for items whose contributions to sustainable development are questionable. This is not to say that legal and tacit support from the government is irrelevant, but rather that government support is just one part of the answer. It is, perhaps, a necessary but not sufficient measure on the road to sustainable development.

One measure that could increase the ability of mining communities to connect CSR to sustainable development includes the provision of competitive alternative income streams for rural communities so that they have less need or incentive to mine. Here, the government, with its ability to set the direction of national and regional development, may have an important role. As the community relations official of Empresa Huanuni noted, communities were focussed on mining because the government had failed to make agriculture an attractive option on the Altiplano. The provision of attractive alternative income streams may be particularly useful in Huanuni where it was suggested that

community/workforce pressure was a principle reason for Empresa Huanuni's continued operation despite its noncompliance with Bolivian environmental regulation

Another useful measure may be raising awareness and capacity in current or future mining communities with regards to items such as negotiating skills, and sustainable development. As already noted, there is research (see Torras & Boyce, 1998) that suggests that increasing education may increase the demand, vigilance, and advocacy for protecting the environment.

Increasing the capacity of communities may not only increase community demands for measures related to sustainable development, but also increase the ability of communities to participate in the CSR provided by mining firms and possibly appropriate it for themselves. As was observed in the case of Apex, the mine with the most elaborate CSR program, the connection of the mine's CSR program with sustainable development was impeded by the communities' inability to care and run the mine's CSR benefits on their own. This raised the danger of dependency.

## **2) Contextual Influences on State Mines and Transnational Private Mines**

This study also suggests that private transnational mines and state mines experience different pressures from communities and government. In a number of ways communities enjoyed more leverage over private transnational mines than over the state mine. The communities could not (or felt they could not) protest against Empresa Huanuni as it was a part of the state, and unlike with the private mines, there was no

possibility of using nationalization as a threat. In the case of Empresa Huanuni the state also seemed unable/unwilling to fulfill its role as an environmental regulator and allowed the mine to stay open despite its obvious and egregious pollution that affected downstream communities. Given that Empresa Huanuni faced severe pressure from its considerable workforce to keep the mine open, the government's failure to strictly enforce its own environmental regulations is not attributable to indifference. It is also noteworthy that Empresa Huanuni is a relatively low tech mine compared to Apex and Sinchi Wayra and may have considerably fewer resources than private transnational mines to implement a CSR program and to control/mitigate its environmental effects. Such a predicament may not be unexpected in developing nations where the problems of poor governance and a lack of resources may extend to their state firms. These considerations raise the question of what forces can be used to encourage state companies to improve their CSR. Can, for example, the same level of pressure from international civil society or financial institutions be brought to bear on a state mine as on a transnational private mine?

### **3) Pushing CSR Beyond Capitalist Orthodoxy**

Two of the criticisms of CSR discussed in chapter three, were CSR's inability to address structural origins of poverty or to question capitalist orthodoxy. This study supports these conclusions by suggesting that the immediate needs of communities and/or their lack of awareness prevented the communities of this cases study from pushing mining CSR to undertake measures to address structural issues or measures outside of the

capitalist orthodoxy. While the Bolivian government may be somewhat more “revolutionary” in its push for nationalization or for higher taxes, the communities of this study pushed more for immediate benefits. Indeed, cooperative miners—a sector present in many communities and a source of support for the election of Evo Morales—have opposed efforts of the Evo Morales government to increase mining taxes or nationalize the mining sector (Andean Information Network, 2007). As was seen in the case of Sinchi Wayra, where communities expressed some support for nationalization they seemed to view it as a means to obtain immediate needs, such as employment, rather than a measure that in itself would be beneficial.

#### **4) The Need for Other Actors**

While this study focussed on the community and government, the results of this work suggest that there is a role for other actors. Clearly the mining firm itself is important. The quality of CSR is not just a function of external pushes, but also pushes from within the mining firm. For example, representatives from both Apex and Sinchi Wayra mentioned the commitment of their home offices and higher levels of management as important driving forces behind their CSR. This was in contrast, to Empresa Huanuni where government interviewees and some firm representatives

expressed scepticism about the motivation of Empresa Huanuni's management to improve its CSR <sup>72</sup>

Beyond the firm, financial institutions and the demands of marketing their goods on the international market were also indicated as driving forces by representatives of Apex and Sinchi Wayra. The role of financial institutions seemed especially large for Apex where firm representatives noted that Apex's multi-million dollar loans with their attached conditions incentivized various aspects of Apex's CSR.

The potential role of additional actors is also suggested by the limited capacity of communities and host governments seen in these case studies and by the limitations of firm intervention. Even if firms are willing and have the technical and financial means, the desirability of their intervention in various aspects of mining and community relations—like the need to increase the ability of communities to negotiate with mines, community awareness of rights and sustainable development, and developing the capacity of community and government to monitor environmental effects of mines—may be limited by potential conflicts of interest and the erosion of legitimacy of the very processes which need to be strengthened. As a solution, it has been suggested that for given issues companies forgo a direct relationship with communities and instead “lead from behind” by providing capacitation to government so it can more effectively involve itself in the relationship of communities with mines. Yet, while this may be helpful, there are potential pitfalls. As suggested by some Apex interviewees, where there is a history

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<sup>72</sup> In her study of the influences on Mining CSR Dashwood (2007) found internal company dynamics to be a decisive factor in a company's CSR.

of distrust of government, even the arms length involvement of the mining company may undermine legitimacy. In such cases, the involvement of actors external to the firm such as an NGO or foreign government may best serve to connect CSR to sustainable development.

On a final note there is a parallel between the contextual effects on CSR and the contextual effects on mining. Much of the argument against mining in developing countries maintains that the context of developing countries—poor governance, low levels of community capacity, labour surplus, conflict, the structure of international trade—means that mining is more likely to harm development rather than encourage it. Similarly, the ability of mining CSR to contribute to sustainable development is arguably dependent on context. CSR's connection to sustainable development is challenged by a lack of community and government capacity and the community focus on immediate benefits—pushes and challenges that are understandable or to be expected in a developing country. Under these circumstances, one might argue that it would be better for sustainable development that mining (even when armed with CSR) wait for elements such as higher governance capacity or the creation of income generating alternatives for the rural poor, before contacting communities and breaking ground. However, this is an unlikely scenario, not only because foreign mining companies will not cease efforts to gain access to mineral deposits, but because, developing-country governments and communities are unlikely to ignore the potential wealth below their feet. In such circumstances, the challenge for mining CSR, if it is going to contribute to sustainable development, is to harness various contextual actors to overcome and improve context rather than becoming its victim.

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