The Role of CSR in Development: A Case Study Involving the Mining Industry in South America

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List of Tables and Figures

List of Acronyms

ALAC	Asociacion Los Andes de Cajamarca
ASODEL	Asociacion para el Desarrollo Local
CARETUR	Camara Regional Turismo de Cajamarca
CSR	Corporate Social Responsibility
DFID	Department for International Development
FDA	Fundacion para el Desarrollo Agrario
FDI	Foreign Direct Investment
FONDESIR	Fondo de Desarrollo de Inti Raymi
GDP	Gross Domestic Product
IDRC	International Development Research Centre
IISD	International Institute for Sustainabel Development
IMF	International Monetary Fund
INE	Instituto Nacional de Estadistica
MNC	Multinational Corporation
NGO	Non Government Organization
SIF	Social Investment Fund
SME	Small and Medium-Sized Enterprises
TNC	Transnational Corporation
UDAPE	Unidad de Politicas Sociales y Economicas
UNCTAD	United Nations Conference on Trade and Development
UNCTC	United Nations Centre on Transnational Corporations
UNRISD	United Nations Research Institute for Social Development
WBCSD	World Business Council for Sustainable Development
WHO	World Health Organization

1 Introduction

1.1 Purpose of Research

The research which forms the basis of this thesis was inspired by my fascination with the private sector's response to the most recent wave of public pressure on corporations to address the negative social and environmental impacts of their operations. Throughout the 1990s, a number of high profile corporations such as Nike, Shell, and Monsanto were attacked by non-government organizations (NGOs) and activist organizations for their poor human rights, labour, and environmental records. In response, a number of companies have embraced the concept of 'corporate social responsibility' (CSR), leading them to introduce a variety of policies, practices, and codes of conduct aimed at reducing the negative impacts of their operations and improving their contribution to society by going beyond what has been traditionally expected of business.

This response has reignited an old debate about CSR, and has sparked an interesting new discussion of the concept. The old debate centred on whether or not companies ought to engage in activities outside of their own business, while the new debate centres on how much of an impact CSR programs can actually have on people and the environment. The normative question of whether or not companies should be engaging in CSR activities is interesting and important; however, the purpose of this research is not to question whether companies *should* be contributing to development through CSR, but rather whether they *can*.

The study of CSR is of central importance to the study of international development. Several officials from influential development institutions such as the World

Bank and the United Nations have recently touted CSR as a potential long-term solution for delivering development. Curiously, CSR is being promoted by these institutions despite the paucity of literature on the effects of CSR on development.[1] As one prominent author in this area has pointed out, "This [the promotion of CSR] marks a change from previously established views of corporations as the enemies, unconscious engines, or ungrateful beneficiaries of development. Consequently, the role of corporations, and CSR in particular, in international development requires more systematic analysis" (Bendall, 2005:363). To this end, the present research seeks to answer the following question:

> *Through the implementation of corporate social responsibility programs, can companies contribute to the sustainable development of the communities in which they operate?*

By adding to the small but growing literature on the role of CSR in development, this research will hopefully bring us one step closer to understanding whether or not CSR is in fact part of a long-term solution for delivering development.

1.2 Research Design

The concept of CSR has been adopted by a number of companies in a variety of industries. Moreover, CSR programs address a wide array of social and environmental issues, from human rights and working conditions to climate change and greenhouse gas emissions. Unfortunately, it was not possible for me to investigate the development impacts of all the various types of CSR programs implemented by companies from all different industries. Instead, a case study of Newmont Mining's CSR initiatives in Peru

[1] To date, much of the literature published on the role of CSR in development has been produced under UNRISD's Business Responsibility for Sustainable Development programme between 2000-2005. Research conducted by Weyzig (2004) offers additional insight into the role of CSR in development, although it is confined to an analysis of CSR's impact on *economic* development.

and Bolivia is used to illustrate and to respond to some of the key issues brought to the fore in the debate about CSR's role in development.

There are two types of case studies: 1) the 'intrinsic case study' in which the case itself is the focus of the research due to its uniqueness or peculiarity, and 2) the 'instrumental case study' in which the focus of the research is specific issues that the case serves to illustrate (Creswell, 1998). The case study of Newmont Mining serves the latter of these two purposes, that is, it is an instrumental case study designed to shed light on a number of CSR and development issues that are faced by a variety of companies and industries operating in developing countries. I will also consider how the case of Newmont Mining may act as a reference point for other companies wishing to contribute to sustainable development through their CSR policies and programs.

A case study focusing on the CSR programs of a mining company was chosen because mining has been the subject of serious criticisms regarding its impact on development, and because CSR programs are being used by a number of companies to respond to some of these criticisms. Further, the topic of this thesis is particularly relevant to the mining industry since most mineral extraction now takes place in developing countries. Finally, mining companies engage in a variety of CSR initiatives, including ones specifically designed to promote the development of the communities in which they operate. Newmont Mining's CSR initiatives in Peru and Bolivia were of particular interest as the company has been applauded for the contribution such initiatives have made to both economic and human development in the communities surrounding its mines (Loayza, Franco, Quezada, & Alvarado, 2001; Pasco-Font, Hurtado, Damonte, Fort, & Salas, 2001; Gutierrez & Jones, 2005).

Companies engaged in CSR often refer to their commitment to *sustainable* development. For example, Newmont Mining has stated that “The new mining implies social responsibilities. This means a commitment to the environmental protection and stimulation of sustainable development, where we operate” (Yanacocha, 2004). That being the case, in addition to looking at the impact that companies’ CSR programs have on development in general, this research addresses the issue of sustainability. Of course, there are many different interpretations of the term ‘sustainable development’. Schields and Solar (2000) note that sustainable development is often discussed in terms of four types of capital: natural capital (natural resources), human-made capital (physical, produced assets), human capital (the health and well-being of individuals), and social capital (the complex of social relations, norms and institutions). The concept of ‘strong sustainability’ is based on the idea that each type of capital be preserved independently; whereas the concept of ‘weak sustainability’ is based on the idea that some types of capital may be substituted for others, so long as the net amount of capital remains the same. (Schields & Solar, 2000; Wright, 2002). While human capital can often compensate for the loss of natural capital, Bridge (2004) argues that there are some forms of natural capital, such as biodiversity, that cannot be substituted.

For the purpose of this thesis, the concept of ‘weak sustainability’ has been adopted, given that mining entails the extraction of a finite resource and can therefore only contribute to sustainable development by converting stocks of irreplaceable natural capital into replaceable human-made capital. Mining itself is not a sustainable economic activity, but the revenue generated from mining can be invested in more sustainable economic activities that can support a community once mining is no longer profitable.

Thus when asking whether or not Newmont Mining's CSR programs can contribute to the sustainable development of a community, I am specifically concerned with whether the company's CSR programs will allow the community and its members to continue to prosper beyond the life of the mine.

Thus far most of the research on the role of CSR in development focuses on the contribution CSR can make to development at the macro level. But like most companies, Newmont Mining executes its CSR programs mainly in the regions where the company operates. Thus any impacts the company's CSR programs may have on development at the national level are likely incredibly diluted and difficult to detect. By analyzing the impacts at a more local level, it is much easier to determine the correlation between the company's CSR programs and changes (either positive or negative) in development. For this reason, the scope of this research is confined to the impacts that CSR programs may have on *local* sustainable development.

1.3 Methodology

Many aspects of local sustainable development cannot be quantified, and those which can, often only paint a partial picture of what is happening in a particular community. For example, traditional quantitative economic data such as growth rates and employment levels are often used to measure economic progress; however, such data fail to reveal the impact that these growth rates and changes in employment levels have on members of a particular community. One might speculate that increased employment levels would improve the quality of life in a region as more people would have jobs and could thus provide better for their families. However, an increase in employment levels may, in some instances, create social instability in a region if high employment rates begin to attract migrant labor to a to a closely-knit community. One way to better understand the real impact of rising employment levels is to speak with people in the area where employment levels have increased. Berg (2004) points out that “Qualitative techniques allow researchers to share in the understandings and perceptions of others and to explore how people structure and give meaning to their daily lives” (p.7). In essence, qualitative research can give data meaning and context.

A variety of qualitative research methods, including interviewing, observing, and document analysis, were employed to test my research hypothesis. Data was gathered from a variety of primary and secondary sources. Most significantly, between May and July 2006 semi-structured interviews were conducted with a number of individuals who participated in Newmont Mining’s CSR projects in Cajamarca, Peru and Oruro, Bolivia. Semi-structured interviews were also conducted with leaders of NGOs, company senior managers, and government representatives.[2] In order to obtain a good cross section of points of view, interviews were conducted with select NGO leaders who held differing political views and opinions about the company. Similarly, interviews were conducted with project participants who were enthusiastic about the projects and who had an overall positive view of the company, as well as with project participants who were somewhat frustrated with the company, the company’s projects, or both.

Additional primary data was gathered through observation and informal conversations with project participants during site visits. It should be noted that not all of Newmont’s CSR projects were visited, nor were interviews conducted with participants

[2] See Appendix I for a detailed list of the interviews conducted in Cajamarca, Peru, and Appendix II for a detailed list of the interviews conducted in Oruro, Bolivia.

from all projects. During the period of research, a number of projects were in the initial phase of implementation and the net impacts of these projects were still unclear. Therefore, interviews were conducted with participants from a range of projects that had either concluded or that were in their final stage of implementation.

Secondary information was obtained from census data, company reports, NGO publications, and studies published by local researchers and universities. Information provided by secondary sources served to triangulate the data gathered from interviews and site visits, as well as to augment the literature review.

Following the compilation and thorough analysis of both primary and secondary data, a number of conclusions were formed about whether companies' CSR programs can contribute to local sustainable development. These conclusions are discussed in detail in Chapter 5.

1.4 Thesis Structure

This first chapter has outlined the purpose of this research and the methods used to gather data. The remainder of this thesis is structured as follows.

Chapter 2 begins by describing the context in which CSR, as a concept and a practice, has emerged, and by providing a brief explanation of the term 'CSR' and the evolution of its meaning. Following is a review of the landscape of the debate about the role of CSR initiatives in development. In that review, I explain how proponents of CSR argue that CSR programs can contribute to development by helping maximize the spill-over effects of foreign direct investment (FDI) and by managing some of the negative environmental and social externalities created by the production and consumption of goods, such as pollution and the displacement of indigenous communities. The critics, who are themselves divided along ideological lines, argue that CSR is neither an appropriate development nor business strategy as it has a limited capacity to bring about development and asks too much from business.

Testing the arguments on both sides of the debate, the case study presented in Chapter 3 explores a number of Newmont Mining's CSR programs that the company has implemented in communities in Cajamarca, Peru and Oruro, Bolivia. An attempt to determine the impact that these programs have had on sustainable development in these communities is made through an analysis of data gathered from a combination of primary and secondary sources.

Chapter 4 draws upon the case study findings to speak to the various arguments introduced in Chapter 2. A discussion of the findings also brings to the fore some additional issues and concerns that have not been prominent in the relevant literature. General conclusions and the answer to the central research question are provided in the fifth and final chapter. Chapter 5 also offers recommendations to companies wishing to contribute to development through their CSR initiatives, and identifies directions for future research.

The conclusions reached in this thesis support my hypothesis that CSR programs, if implemented properly, can contribute to the sustainable development of communities in which companies operate. My research suggests that the degree to which CSR programs can contribute to local sustainable development depends heavily on the nature of the programs, how the programs are designed and implemented, as well as the composition of the beneficiary communities.

2 Literature Review

2.1 Introduction

The recent interest in the concept of corporate social responsibility emerged out of the public backlash (mainly in Western nations) against the new levels of power and freedom that transnational corporations acquired as a result of a series of neo-liberal economic policies that were implemented by governments around the world throughout the 1980s and 1990s. Citizens of Western nations became increasingly uncomfortable with the rising power of corporations as the media began to uncover and expose some of the negative social and environmental impacts that large Western-owned corporations were having in developing countries. A greater commitment to social responsibility on the part of corporations has been one solution put forth by some academics, government agencies, and development institutions to mitigate some of these negative impacts and help companies contribute more to socio-economic development in its broadest sense. This chapter begins by providing a brief history of the events leading up to the current debate about the role of CSR in development.

2.2 The Changing Role of the Private Sector in Development

Transnational corporations (TNCs) have been labeled both 'engines of growth' and 'agents of imperialism,' but no matter how one views them, they are now a powerful influence in the world economy:

> Global corporations deeply penetrate the political economy of both developing countries and super-powers. Their investments underpin the capital base of many emerging economies, and their donations are essential to ever-more-costly political campaigns (Zadek, 2001a: 4)

Of course, corporations have not always been such a dominating force in society. For example, America's first corporations had a limited life span and were designed to achieve specific public objectives such as road or canal construction. However, by the end of the 19th century, a number of legal decisions in the United States and the United Kingdom allowed the corporation to evolve from being primarily a provider of public goods to become more of a profit seeking entity (White, 2004; Steiner & Steiner, 2006). Perhaps the most significant decision to influence this shift came in 1886 in the case of Santa Clara County vs. Southern Pacific Railroad Company. It was during this case that the U.S. Supreme Court declared that corporations were "persons" and thus entitled to full constitutional protection (Bendell, 2004). This decision effectively limited the liability of company owners by making the corporation itself responsible for its debts and claims, thereby absolving managers from the responsibility for some of their actions on behalf of the corporation. As a result, corporations have been able to acquire a significant amount of power and exercise it with limited accountability (Bendell, 2004).

Although corporations did enjoy a few years of operation relatively free from regulation and government intervention, it was not long before the imbalance between expanded corporate legal rights and few corporate social obligations sparked efforts to reign in corporate power. By 1890, a consolidation of a number of large US corporations led to the anti-trust movement and the regulation of utilities. In 1914, further anti-trust laws were passed in the United States in order to prevent the formation of monopolies. Following the stock market crash in 1929, corporations fell under increased public scrutiny and governments responded by heavily regulating and nationalizing industries. National regulation of the private sector remained prevalent throughout the following five decades and was tightened during the 1960s, a decade marked by the consumer and environmental movements and an increased adoption of state-centered development policies by governments. On the international level, efforts were made within the United Nations (UN) to establish codes of conduct for the activity of transnational corporations (TNCs). Specifically, the United Nations Center on Transnational Corporations' (UNCTC) aimed at securing international arrangements that promoted the positive contributions of TNCs to national development goals, while controlling or eliminating their negative effects (UNCTAD, 2002).

Between the 1930s and the 1970s, business activity was highly regulated and the influence of Keynesian economic theory on economic policy in the United States and Great Britain led to greater government intervention in the countries' economies[3]. However, by the mid 1970s, as economic growth slowed and inflation increased around the world ('stagflation'), economists began to question the ability of national governments to bring about development. Inside the World Bank and the International Monetary Fund (IMF) – institutions that were initially founded to serve governments and

[3] According to British economist John Maynard Keynes, governments ought to increase spending and cut taxes during times of recession and decrease spending and increase taxes during economic upswings in order to stabilize the economy.

assist them in managing temporary balance of payments problems – came to see strong government interventions in economic planning as an ineffective way to stimulate economic growth (Lesser, 1991). By the early 1980s, with the rise to prominence of monetarism and the open-market economies of the so-called Chicago school, the ‘invisible hand of the market’[4] or ‘market forces’ was reintroduced as an alternative to government intervention. Mainstream economists belonging to this neo-classical or neo-liberal school began to promote the private sector as the “liberator of underdeveloped economies” (Blowfield, 2005:516). Supporters of neo-liberalism believed that foreign direct investment (FDI)[5] would foster growth and development through job creation, contribution of tax revenue, foreign exchange earnings[6], increased access to new markets, transfer or development of technology and administrative skills, and the provision of more, better, and cheaper goods and services to consumers. Thus, neo-liberals argued that in order to increase economic growth and foster development in their countries, governments ought to implement a series of market-oriented reforms such as privatization, deregulation, and trade liberalization to encourage foreign investment and international trade. As governments in developing countries were strongly encouraged by

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[4] The “invisible hand” is a term used by Adam Smith to describe the guiding force that leads the efficiency of the free market. According to Smith (1776), this guiding force is the propensity in human nature to pursue self-interest: “It is not the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest” (p.169).

[5] FDI is defined in the OECD Benchmark Definition of Foreign Direct Investment (3rd Edition) as follows: “Foreign direct investment reflects the objective of obtaining a lasting interest by a resident entity in one economy (‘‘direct investor’’) in an entity resident in an economy other than that of the investor (‘‘direct investment enterprise’’). The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence on the management of the enterprise. Direct investment involves both the initial transaction between the two entities and all subsequent capital transactions between them and among affiliated enterprises, both incorporated and unincorporated” (http://www.oecd.org/dataoecd/10/16/2090148.pdf). FDI should not be confused with Foreign Portfolio Investment (FPI) which includes the acquisition of stocks, bonds, deposits, and currencies.

[6] Foreign exchange earnings are the money a country earns by selling goods or services to other countries.

the World Bank and the IMF to implement these neo-liberal[7] policies, they shifted their attention away from industry regulation towards competition to attract FDI. These neo-liberal policies, formulated by economist John Williamson as the 'Washington Consensus',[8] effectively reduced the role of the state in development and increased the role, and arguably the power, of corporations. Scherer explains:

> Within an insufficiently regulated global economic space their [corporations] opportunities to avoid national politics, to influence and manipulate national as well as international policy or to impose pressure on democratically elected governments in order to pursue corporate interests have increased dramatically (in Wettstein, 2005:106).

It should first be noted that although many people argue that corporations have become increasingly powerful since the introduction of neo-liberal policies in the 1980s, this is not a universally accepted fact. For example, some academics point out that the claim that the power of corporations is growing is largely based on the widely cited, but flawed, statistic that fifty-one of the world's biggest economies in the world are corporations (Norberg, 2003; Tullberg, 2004; Wolf, 2004).[9] Norberg (2003) explains that this statistic is derived by comparing the gross domestic product (GDP) of states to the sales of corporations. Based on the fact that GDP only counts the value added to a product, and sales include the value that others have added to the product, he argues that these two figures are not comparable. Instead, he compares GDP with the returns on a company's value added to their goods (which he figures is roughly 25% of sales), and concludes that only 37 of the world's 100 biggest economies are corporations, and these

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[7] The term 'neo-liberal' is used to describe one who subscribes to market fundamentalism and promotes the revival of the laissez-faire policies that were first introduced in the nineteenth century.

[8] See Clift, J. (2003) Beyond the Washington Consensus. *Finance & Development, 40,3,*9*;* and Williamson, J. (2003). From Reform Agenda to Damaged Brand Name. *Finance & Development*, *40,3,* 10-13.

[9] As noted by Norberg, this popular statistic originates from David Korten's book *When Corporations Rule the World*.

appear at the bottom of the list. Norberg also argues that while globalization has indeed given corporations more freedom to trade and invest, it is precisely this freedom that gives them less, not more power, as they are subject to increased competition in the global market.

Norberg's points are taken into account; however, there remains ample evidence to suggest that corporations are now more powerful and influential than they were even fifteen years ago. For example, the United Nations Conference on Trade and Development's World Investment Report in 2000 noted that of the 1035 global alterations to laws on FDI between 1991 and 1999, 94% increased multinational corporations' (MNCs) influence by reducing the regulatory capacity of national governments (Goddard, 2005:433). It is also widely recognized that corporations have become increasingly influential in the national and international political arenas (Sayer, 2005, Wettstein, 2005, Bendell, 2004). Raymond Vernon notes that "since the end of World War II, governments have rarely adopted global agreements bearing on the transborder activities of business over the active objections of multinational enterprises" (in Wettstein, 2005:109). Similarly, Sklair has argued that corporations "work, quite deliberately and often rather covertly, as political actors, and often have direct access to those at the highest levels of formal political and administrative power with considerable success" (in Bendell, 2004:10). Corporations have also been accused of influencing discourse in society through their control of the media. According to McChesney (1999), "…the global media market has come to be dominated by the same eight transnational corporations, or TNCs, that rule US media: General Electric, AT&T/Liberty Media, Disney, Time Warner, Sony, News Corporation, Viacom and Seagram, plus Bertelsmann, the German-based conglomerate" (para.2). According to Chomsky and Herman, this limited ownership of the global media is one of the ways in which corporations garner public support for their own activities and interests (in Edwards, 1996). Corporations have also become increasingly powerful through the acquisition of a significant share of the global means of production. It is estimated that TNCs control 70 percent of global trade and hold 90 percent of the world's technology and product patents (Greer & Bruno, 1996). It is also estimated that 64,000 TNCs now control 870,000 foreign affiliates with a value added of $US3.4 trillion (Sumner, 2005: 271).

So, evidence does suggest that corporations are becoming increasingly powerful as measured by their influence on national and foreign policies as well as their control of productive assets, but what effect does this burgeoning corporate power have on international development? The following section will address this question by identifying the various positive and negative impacts that corporations and their expanding operations have had on the developing world.

2.3 The Impact of the Rising Power of TNCs on Developing Countries

In general, those who adhere to neo-liberal ideology view corporations as the 'engines of growth' and view growth as the key to poverty reduction. Consequently, as neo-liberalism became mainstream economic theory, a number of governments began offering corporations great incentives to invest in their countries. These incentives often included reduced regulation of corporate activity, lower tax rates, and greater freedom to move in and around the country. The effects that these incentives have had on developing countries have been positive in some parts of the world, and negative in others. But before looking at the impacts that these investment incentives and subsequent increase in corporate freedom and power have had on growth, poverty reduction, and development in general, it is first important to understand why some countries have been desperately trying to attract foreign investors.

Neo-liberals maintain that FDI offers countries a host of benefits including "entrepreneurship, technology, managerial skills and marketing know-how – assets that are in short supply in many countries and difficult for them to acquire, yet which are vital to helping them raise productivity and accelerate their growth[10] and development" (Moore, 2003: 155). One of the most promising aspects of FDI is its potential to create employment opportunities or 'income streams'. Estimating the number of people employed worldwide by TNCs is a difficult task due to the intricate supply chain of global production; however, the United Nations Conference on Trade and Development (UNCTAD) calculated the number to be between 17 and 26 million in 1999 (Oxfam, 2002). Scholte (2004) argues that TNCs generally pay workers higher wages and offer better training and benefits than local employers in developing countries. Martin Wolf (2004) cites a comprehensive study of 20,000 Indonesian manufacturing plants which found that the average wage in a foreign-owned plant was 50 percent higher than in locally owned plants. Although wages are drastically lower than the average wage in a developed country, Wolf points out that they are significantly higher than the standard wage offered by local employers.

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[10] It should be noted that although some studies have found a positive correlation between FDI and economic growth in host countries, there is no universal consensus on the relationship between FDI inflows and economic growth (see Hansen & Rand (2006) and Chowdhury & Mavrotas (2006)).

In addition to employment creation, neo-liberals maintain that FDI can provide countries with a source of capital. Although usually taxed at relatively low rates, in many cases the taxes paid by TNCs make up a large portion of the host government's tax revenues.[11] Tax revenues can be channeled towards government funded infrastructure projects, social programs, education, and healthcare. Neo-liberals also argue that revenue generated by TNCs contributes to a country's GDP, enabling host country governments to access loans and attract additional FDI.

Unfortunately, despite these promised benefits, empirical evidence suggests that the outcome of FDI is not always favorable for host countries. Peter Utting (2005a) explains:

> Increasing international trade, foreign direct investment (FDI), and other financial flows were seen to be benefiting TNCs and finance capital while, in many countries, labour and environmental conditions deteriorated, the number of people living in extreme poverty failed to decline, and inequality increased. (p.377)

Moreover, some argue that the neo-liberal policies of privatization, liberalization, and deregulation that have been implemented by governments in order to attract FDI have benefited large corporations much more than they have benefited host countries. Populist and Marxist critics claim that such policies retard development by ruining the environment, exploiting workers, and keeping wages down (Monbiot, 2001a; Monbiot, 2001b; Petras & Veltmeyer, 2001). According to Madeley (1999) as a result of these policies, TNCs now operate "in a round-the-world 24 hour market that pays no homage to national economic planning" (p.6). Similarly Sachs argues:

> …the emergence of the globe as an economic arena where capital, goods and services can move with little consideration for local and national

[11] For example, between 1993 and 2004 Minera Yanacocha paid over US$600 million in income tax to Peru's central government.

> communities had delivered the most serious blow to the idea of a polity which is built on reciprocal rights and duties among citizens…through transnationalization, capital escapes any links of loyalty to a particular society. (in Newell, 2005:546)

Though the rise in foreign direct investment resulting from privatization, liberalization, and deregulation has proved to be beneficial to development in some countries such as Singapore, Malaysia, and China, it has created development problems in others. For example, some argue that foreign businesses often destroy local competition and displace workers in competing domestic markets (Stiglitz, 2003; Madeley, 1999). Proponents of FDI counter argue that TNCs only destroy small domestic businesses if they are more efficient than domestic businesses. And where a more efficient business replaces a less efficient one, consumers should, ideally, benefit from lower prices, greater choice, and higher quality products. However, Stiglitz (2003) observes that such benefits can be short-lived if a firm drives out local competition and then uses its monopoly power to raise prices. He also argues that one of the more legitimate concerns regarding FDI has to do with the special concessions governments give to foreign companies in order to compete for their investments. He explains that in many cases, particularly in the extractive industries, these concessions are the result of corruption or the bribery of government officials, which blatantly undermines democracy. Moreover, he notes that while mining concessions can help generate income,

> investment [from a foreign company] in a mine – say in a remote region of a country – does little to assist the development transformation, beyond the resources that it generates. It can help create a dual economy, an economy in which there are pockets of wealth. But a dual economy is not a developed economy. (p.72)

These worries ought to be taken seriously, as reports of large corporations linked to sweatshop labour, environmental disasters, social injustices, and human rights violations have become all too common ever since a number of large TNCs have moved their operations to developing countries. For example, oil producers Shell and Unocal have been accused of being complicit in human rights violations in Nigeria and Myanmar, while garment manufacturers Nike and the Gap have been strongly criticized by corporate watchdogs for the poor working conditions in their factories in Southeast Asia and Central America.

One researcher reports:

> I was given a tour of one such factory, which makes Gap clothes for Britain and America. I found more than a thousand mostly young women working, battery style, under the glare of strip lighting, in temperatures that reach 40 degrees Centigrade. The only air-conditioning was upstairs, where the Taiwanese bosses were…The women have no choice about the hours they must work, including a notorious ‘long shift’: 36 hours without going home. I was assured that, if I wanted to place a last minute order, that was ‘no problem’ because ‘we just make the workers stay longer.’ (Pilger, 2003:18)

It is clear from the above examples that the new freedom and power granted to corporations has had deleterious effects in some developing countries, and that corporations are not necessarily making as substantial a contribution to development as originally anticipated by such development institutions as the World Bank which actively promote foreign direct investment. One industry that has fallen under increased scrutiny in this regard is the mining industry.

2.3.1 The contested role of mining in development

A part of the longstanding debate about the role of business in development focuses on the controversy regarding the efficacy of the mining industry in contributing to economic growth and sustainable development. Based on the success of mineral-rich industrialized countries like Canada, Australia, and the United States, mining development has long been promoted by mainstream economists as a way for developing countries to achieve sustained economic growth (Power, 2002; Davis & Tilton, 2005). However, Power (2002) argues that this "reasoning by historical analogy" is overly simplistic and should not be used as grounds for the promotion of mining in developing countries. Firstly, he points out that although mining did play a role in the economic development of Canada, Australia, and the United States, there were a number of other factors or "unique conditions" that favored economic growth in these countries **(**i.e. high levels of institutional capital, large internal national markets, scarce labour[12], and protected national markets.). Secondly, Power argues that the dynamics of the world economy are not the same now as they were during these industrialized countries' development. Decreased transportation costs and the emergence of large transnational mineral companies have resulted in the "disintegration" of the mineral industry and the local manufacturing industry. Minerals can now be shipped cost-effectively to developed countries for processing and finishing, thereby reducing opportunities for knowledge and technology transfer and investment in host countries' economies. Moreover, because many of the large mines in developing countries are now owned and operated by foreign multinationals, much of the wealth derived from mineral extraction is often repatriated rather than invested locally. Thus, a number of studies have found that instead of experiencing sustained economic growth, contemporary developing countries that are

[12] As Power (2002) points out, modern mining is a capital and energy intensive industry that uses very little labor. Thus, the industry will have a more significant impact on the creation of income streams in labour scarce countries than in labor abundant countries because it will provide a greater percentage of the population with employment and income.

largely dependent on mining have generally experienced worse economic performance (in terms of economic growth and poverty reduction) than resource-poor countries (Power, 2002; Stevens, 2003; Sachs & Warner, 2001; Bulte, Damania, & Deacon, 2005; Ross, 2001; Earthworks/Oxfam America, 2004).

At a more local level, data also suggest that, within a given country, mining communities tend to be worse off than communities that rely on other forms of economic activity for survival. In fact, it is widely acknowledged that local communities tend to suffer the greatest social, cultural, and environmental costs of mining, while the central government and other parts of the country reap the economic rewards (Hamann, 2003; Davis & Tilton, 2005; Miranda et al., 2003). In Bolivia, the mining regions of Potosi and Oruro remain the two poorest in the country (Aruquipa, 2005). Similarly, the poorest regions of Peru are those that have received the most investment in mining. Cajamarca, home to Yanacocha, the world's most profitable gold mine, is Peru's third poorest region, with 74.2% of its population living in poverty (Aramburu, 2006).[13] According to the Latinamerica Press (2005), "…in most cases the boom in mining investment in the 1990s was accompanied by a gradual increase in level of extreme poverty in regions where mining projects were developed" (p.2). Other oft-cited negative impacts of mining on local communities include increased levels of conflict, alcoholism and prostitution, and widespread environmental contamination (Miranda, et al., 2003). Of course, most people agree that in the presence of well-developed social, political, and economic institutions, governments can use mining rents to promote economic development (Davis & Tilton, 2005; Stevens, 2003; Pegg, 2006). However, given that most contemporary developing

[13] Peru is divided into 25 regions. These regions are divided into provinces, which are further subdivided into districts.

countries lack well-developed social, political, and economic institutions, and given that mining has thus failed to contribute to their development at the macro-economic level, one must ask whether it is indeed possible for mining to contribute to sustainable development at a more local level.

2.3.2 A Response to the Resource Curse

The growing number of studies indicating a correlation between mineral wealth and poor economic performance has cast doubts on the conventional economic view that mining plays an important role in a country's development process and has forced governments and other institutions to examine ways in which the wealth derived from mineral extraction can contribute more to economic development and poverty reduction.[14] Mounting empirical evidence supporting the existence of a 'natural resource curse' has also forced mining companies to look at how the mining industry could have a more positive impact on the countries and communities in which it operates.[15] While some insist that it is the government's responsibility to ensure that mining rents are invested wisely in assets and activities that contribute to economic development,[16] there is an increasingly popular view that companies themselves should be responsible for

[14] For example, in 2000 the World Bank undertook a comprehensive review of its activities in the extractive industries – the Extractive Industries Review – in order to determine how the extractive industries can better contribute to sustainable development and poverty reduction. In addition, in 2002 Prime Minister Tony Blair announced the launch of Extractive Industries Transparency Initiative that aims to increase the transparency in transactions between governments and companies within the extractive industries.

[15] Following the Rio Earth Summit in 1998, the World Business Council for Sustainable Development and nine of the world's largest mining companies commissioned the International Institute for Environment and Development (IIED) to research how the mining sector could increase its contribution to sustainable development at the global, national, and local level.

[16] For further reading on the appropriate and inappropriate use of mining rents see Davis & Tilton, 2005, and Stevens, 2003.

maximizing the positive and minimizing the negative impacts of mining on development (Hamann, 2003). The growing acceptance by mining companies that they have a responsibility for sustainable development is manifested by companies' more recent adoption of corporate social responsibility programs aimed at community development and responsible environmental management.[17] Yet the question remains, can CSR on its own make a substantial contribution to local sustainable development? To help answer this question, the case study presented in Chapter 3 looks at the successes and failures of Newmont Mining's CSR initiatives, initiatives that have been designed to help ensure the sustainable development of the communities in which the company operates.

2.4 What **is** *CSR?*

The concept of corporate social responsibility (CSR) is not new. Steiner & Steiner (2006) trace the origins of CSR back to the philanthropic work of wealthy business owners John D. Rockfeller and Andrew Carnegie, who gave away millions of dollars to social causes. Blowfield and Frynas (2005) argue that "the modern precursors of CSR can be traced back to nineteenth-century boycotts of foodstuffs produced with slave labour…" (p.500). However, both sets of authors agree that the more contemporary understanding of CSR was formed in the last half of the twentieth century. Steiner and Steiner argue that the concept of CSR was first introduced in 1954 when Howard R. Bowen published his book *Social Responsibilities of the Businessman*. Bowen argued that

[17] This case study focuses specifically on Newmont Mining's CSR programs in Latin America; however, examples of other community development projects implemented by mining companies in developing countries can be found in Hamann, 2003 and Eweje, 2006. It should also be noted that the mining industry's relatively recent adoption of CSR policies and programs has occurred against a backdrop of a much larger trend of companies from a wide variety of industries adopting CSR programs.

managers have an ethical duty to consider the broader social impacts of their decisions, and that those corporations failing to uphold the broad social contract should stop being seen as legitimate.[18] He also argued that it is in the enlightened self-interest of business to improve society as voluntary action could potentially avert the formation of negative public opinions and unwanted regulations (Steiner & Steiner, 2006:121). This latter argument is supported by the fact that early forms of corporate social responsibility (such as corporate philanthropy and the establishment of employee welfare programs) is one of the things that kept Americans from becoming hostile towards large corporations in the early 20th century (Micklethwait & Wooldridge, 2005).

While there is currently no universally accepted definition of CSR (Van Marrewijk, 2003; Carroll, 1999; Blowfield & Frynas, 2005; IISD et al., 2004a; UNCTAD, 1999), the term is generally used to refer to business's greater responsibility to society and the environment. For example, members of the business community define CSR as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large" (WBCSD, 1999:3), whereas the UK government describes CSR as "how business takes account of its economic, social and environmental impacts in the way it operates – maximizing the benefits and minimizing the downsides" (UK Department of Trade and Industry, 2004:3). Further, prominent author on the topic, Archie B. Carroll, defines CSR as "the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive" (Carroll, 1999: 286).

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[18] This argument is based on the theory of legitimacy that holds that corporations require legitimacy to maintain functional, long-term relationships with the communities in which they operate. For further discussion on the theory of legitimacy see Eweje, 2006.

One of the primary reasons why there is currently no universally accepted definition of CSR is that it is an evolving concept, which over the years has been used to describe an increasingly wider range of corporate activity (Zadek, 2001a; Gutierrez & Jones, 2005; Hamann, 2003). CSR, which used to be equated with corporate philanthropy, now includes everything from charitable contributions and social investment[19] to the direct integration of vulnerable populations into a corporation's regular business practice (Gutierrez & Jones, 2005). While some scholars argue that CSR-type programs and policies were originally adopted by companies in the mid-twentieth century to deflect criticisms of their social or environmental misconduct (Gutierrez & Jones, 2005; Micklethwait & Wooldridge, 2005; Zadek, 2001a**),** others argue that more and more companies are now viewing CSR as a way to reduce the negative social and environmental impacts of their business, and to maximize the positive impacts of their investments, particularly in developing countries (Blowfield, 2005; Utting, 2005b; Zadek, 2001a). Therefore, given the number of existing definitions of CSR and the wide range of activities that CSR has been used to describe, Blowfield & Frynas (2005:503) suggest that it is perhaps more useful to think of it as an umbrella term used to describe a variety of beliefs and practices which hold that:

> 1) Companies have a responsibility for their impact on society and the natural environment, sometimes beyond legal compliance and the liability of individuals;
>
> 2) Companies have a responsibility for the behaviour of others with whom they do business (e.g. within supply chains);
>
> 3) Companies need to manage their relationship with the wider society, whether for reasons of commercial viability or to add value to society, or both.

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[19] This term used to describe investments made by a company in order to reap a social return or acquire a "social license to operate". Examples of social investments include: cause-related marketing, public awareness campaigns, and development of public interest institutions that support community development.

Blowfield and Frynas best capture the essence of CSR - at least in the way the term is used by current mainstream CSR proponents. Thus, unless otherwise amended, for the purposes of this thesis the term CSR will refer to the beliefs and practices outlined by these authors in the three points above.

2.5 The Role of Corporate Social Responsibility in Development

As the public's expectations of TNCs continue to rise in light of the greater role these enterprises are playing in society, some companies are searching for ways to integrate CSR into their long-term business strategies in a way that is beneficial to both business and society. Although it has been argued that being socially responsible does not always benefit the financial bottom line, there are numerous examples of companies that have managed to remain profitable while adopting more socially and environmentally responsible business practices.[20] For this reason, proponents of CSR believe that in addition to or in the absence of government regulation, CSR may be an effective way for corporations to redress the negative impacts of FDI and to actively contribute to sustainable development.

Within the World Bank, the United Nations, and select government-run development agencies, CSR has come to be viewed as a potential mechanism for bringing about development (Frynas, 2005). According to the UK Department for International Development, "By following socially responsible practices, the growth generated by the

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[20] This point will be addressed further below; however, for a more thorough discussion, see Sharp-Paine, L. (2003). *Value Shift.* New York: McGraw-Hill.

private sector will be more inclusive, equitable and poverty reducing" (in Jenkins, 2005:525). Likewise, the UK Secretary of State for International Development argues:

> Foreign investors can contribute to economic growth through capital, technology transfer, access to specialised skills, and through their ability to integrate production across several countries. Those businesses that are committed to socially responsible practices can have an even greater impact. They can reinforce the poverty reduction strategies of the country in which they are operating, contribute to environmental sustainability and promote core labour standards and human rights. (In DFID, 2003:1)

The hypothesis that corporate social responsibility initiatives can make a positive contribution to development is not unfounded. For example, some corporations have set up foundations to support community development projects, while others have developed and implemented extensive HIV/AIDS prevention programs. Most recently, five companies have partnered with MIT to develop a US$100 laptop for children in developing countries. However, the narrow focus of the mainstream CSR agenda, and particularly its failure to address the structural determinants of underdevelopment, has led many scholars to question whether CSR alone can encourage development. The following section will outline the key arguments in the ongoing debate about whether companies' CSR initiatives can make a significant contribution to sustainable development.

2.6 The CSR Debate

The topic of CSR has attracted attention from a wide range of individuals who hold a variety of ideological perspectives. Proponents of CSR include members of international development agencies (e.g. World Bank, United Nations, DFID), some non-governmental organizations (e.g. World Business Council for Sustainable Development, Ethos Institute, and the African Institute of Corporate Citizenship), a few major corporations (e.g. Novo Nordisk, Tata Group, Nike, BP), and a small but growing group of academics (e.g. Zadek, Hamann, Sayer, Kuper). Opponents of CSR are found in similar circles, but are divided regarding their particular objections to the concept. As Blowfield and Frynas (2005) point out, critics of CSR falls into two separate camps: 1) those in the 'CSR is bad capitalism' camp and 2) those in the 'weak CSR is bad development' camp (p.505).

2.6.1 The Proponents of CSR

Those who believe that CSR programs can contribute to development generally point out the benefits of such programs both to developing countries and to corporations. While the primary objective of CSR is ostensibly to benefit society, one of the ways CSR advocates often convince corporations to engage in more socially responsible practices is by making a 'business case' for CSR, arguing that CSR can be mutually beneficial to society and a company's financial bottom line. There are four frequently cited benefits of CSR to companies.

Firstly, CSR proponents argue that CSR can help companies manage risk and improve their reputation and public image by strengthening the ties between companies and the communities in which they operate (Hopkins, 2004; Sayer, 2005). According to Goddard (2005), "Corporate activity that benefits the community can increase levels of social participation and generate positive attitudes towards the public and private sectors. This social cohesion is a key enabling condition for stable politics and profitable business" (p. 435). Companies may also implement CSR programs in an effort to gain the community's approval and support for their activities. This is crucial because although companies may have the legal right to operate, they may not have society's approval. This can be costly for a company, particularly if their operations are interrupted by, for example, mass protest or negative media attention. For this reason, companies often invest in community development projects or support local causes in order to acquire or maintain a 'social license to operate'[21]. This 'social license' is something NGOs often refer to when making their case for greater social responsibility on the part of corporations. For example, Amnesty International (1998) claims that:

> [t]he ability of companies to continue to operate, to provide goods and services, and to create financial wealth will ultimately depend on their being acceptable to the vigilant international community, which increasingly regards protection of human rights as a major condition of the corporate license to operate. (para. 5)

Secondly, CSR proponents argue that CSR can improve a company's financial performance due to the public's increasing propensity to make socially conscious investing decisions (Zadek, 2001a; Zadek, 2001b; Steiner & Steiner, 2006). Ethical investing has experienced a recent rise in popularity. According to DFID (2003), socially responsible investment in the UK is the fastest growing type of investment, amounting to £240 billion in 2001. A similar trend is occurring in the United States. According to Hopkins (2004), it is estimated that US$1 trillion in assets are now invested in socially and environmentally responsible portfolios in the U.S. At the same, Vogel (2005) points out that although there has been an increase in ethical investing, these types of investments still only make up a small portion of total investment worldwide. For example, a survey conducted in the UK found that only 3% of mainstream financial

[21] This term is used to refer to the informal consent companies must receive from greater society in order to pursue their business objectives.

analysts spontaneously mentioned social or environmental factors when listing what they considered when judging companies' financial performance and potential (Zadek, 2001a). Also, Vogel (2005) explains that although US$151 billion was invested in socially screened mutual funds in the United States in 2003, this represents only 2% of the total US$7.9 trillion invested in mutual funds in 2004. While further study is required to determine the degree to which CSR can attract investors, Steiner & Steiner (2006 conclude "it seems fair to say that corporations rated high in social responsibility are no less profitable than lower-rated firms and are probably doing a little better" (p.126). Steiner and Steiner's argument is supported by Orlitzky, Schmidt, & Rynes' (2004) meta-analysis of 52 studies on the relationship between corporate social performance and corporate financial performance which concluded that socially responsible companies tend to perform well financially due to improved managerial competency and improved corporate reputation.

Thirdly, writers such as Frynas (2005) and Vogel (2005) argue that CSR gives companies a competitive advantage, particularly when vying for contracts. For example, Frynas (2005) observes that in a number of oil producing countries, socially responsible oil companies have been favored by governments when awarding oil and gas concessions. Moreover, it has been noted that small and medium sized enterprises that have made a greater commitment to being socially and environmentally responsible are favored by international buyers up the supply chain. For example, footwear subcontractors in Brazil have been persuaded to join the Employers' Institute in Support to the Development of Children and Adolescents out of the threat of losing their contracts with large manufacturers (French & Wokutch, 2003).

Fourthly, CSR proponents contend that CSR can help companies attract and retain top talent (Willard, 2002; Frynas, 2005; Hopkins, 2004). The *Millenium Poll on Corporate Social Responsibility* found that 20-39% of opinion leaders would be inclined to reward/punish their own company for its degree of social responsibility, and Willard (2002) suggests that one way top talent could reward or punish their own company would be to stay in or leave their job. Due to the high costs associated with employee recruitment, Willard argues that socially responsible companies could save money because they would experience less staff turnover. Also, Frynas (2005) notes that CSR could potentially make staff feel more positive about the company they work for, particularly expatriates working for oil companies in developing countries who witness widespread poverty despite the presence of large wealth generating oil and gas operations.

While CSR apparently benefits some companies, most proponents of CSR are generally more interested in the benefits CSR brings to society and the environment. These benefits, which are outlined below, are also what interest development theorists and practitioners.

In the first place, proponents claim that CSR can help companies maximize the spill-over effects of FDI (DFID, 2003; Fox, Ward, & Howard, 2002). For example, Fox et al. (2002) claim that governments can better ensure that foreign investors contribute to development through job creation, knowledge and technology transfer, and the provision of infrastructure by adopting inward investment policies[22] linked to CSR-friendly practices. Examples of inward investment policies include requirements regarding

[22] These are policies that encourage companies to invest inside the country.

technology transfer, local economic linkages, local community consultation, or public-private partnerships that seek to align corporate investment with public sector investments.

Secondly, they argue that voluntary initiatives like CSR can help decrease governments' financial burden related to monitoring and regulatory enforcement. CSR is often seen as type of 'voluntary regulation' as it entails companies agreeing of their own accord to surpass what is legally required of them in terms of social and environmental regulations. Blowfield (2004) purports that "voluntary regulation can be effective in developing countries, not least that it promises to reduce the financial burden of enforcement from cash strapped governments, theoretically freeing up funds for development initiatives" (p. 63).

Thirdly, CSR proponents contend that CSR can benefit society by introducing higher levels of social and environmental performance than those required by local law. Some argue that where the rule of law is weak, "CSR can be a useful step on the way to better national legislation in countries that have failed to enforce their laws" (Blowfield & Frynas, 2005). Also, it is recognized that a country's legal charter often lags behind social norms and expectations, and in such cases, voluntary initiatives such as CSR can temporarily fill the gap. Sayer (2005) explains:

> Voluntary codes are an immediate way of reducing environmental harm and the suffering caused by the negative social impact of business. But they are also a method of designing and testing the benchmarks, feasible ideas, norms, and standards for more ethical business conduct which will, in future, inform the regulatory frameworks and mechanisms (p.265).

A fourth claim made by proponents of CSR is that because CSR programs are becoming more sophisticated, they are capable of making a greater contribution to development. CSR programs are moving away from strictly philanthropic initiatives (such as building a plaza or donating medical equipment to a local hospital) towards investments in projects focused on long-term sustainability (Frynas, 2005). For example, companies are now working more with local governments and non-government organizations to design community development projects that best serve the long-term interests of community members.[23] This is not to suggest that all forms of philanthropy should be abandoned. In some cases, philanthropic contributions are still an effective way for companies to make a valuable contribution to the community, particularly if companies make contributions to organizations that are implementing well-designed development projects. On the other hand, gifts and handouts given directly to the community are now viewed as a less effective way for companies to contribute to sustainable development, as the benefits of this type of philanthropy are generally not long-lived.

Lastly, CSR proponents claim that in some cases, for example where countries are governed by weak or predatory governments, corporations may be more capable of delivering development than governments. Kuper (2004) argues:

> …if on some occasions corporate leaders are better (morally) motivated than rulers of developed as well as developing states, then we cannot decide by fiat that states are the primary agents of development. In attributing global political responsibilities, we must instead begin with an empirical assessment of the capabilities, opportunities and motivations of diverse and powerful actors. (p.15)

To this end, UNCTAD (1999) remarks:

[23] The Business Partners for Development Program, managed by the Overseas Development Institute, provides a number of examples of these types of tri-sector partnerships between business, government, and NGOs aimed at fostering community development. For further information, see http://www.bpd-naturalresources.org/.

> In countries with weak competitive discipline of efficient markets or lacking "good governance" reflected in effective governmental institutions to represent the public interest, TNC social responsibility requires that the corporation pay special attention to the interests of underrepresented stakeholders that could be adversely affected by business operations. (p.7)

Although not all proponents of CSR advocate the concept for the same reason, the literature suggests that they at least share the following three assumptions: 1) the private sector has an important role to play in development and poverty reduction; 2) globalization and the rising power of corporations is inevitable; and 3) corporations are capable of reform. These three assumptions form the basis of Sayer's (2005) argument that corporations are with us for the long haul, and that we therefore ought to look for ways in which they can be part of the solution to development. "In the end," Sayers writes, "companies are programmable machines, and we the people, through our moral principles, expectations, demands, and laws, must write the programme" (p.267). These three basic assumptions are also what separate proponents from opponents of CSR.

2.6.2 The Critics of CSR

As stated earlier, CSR is criticized by two groups of people, those who believe it is bad capitalism and those who believe it is bad development. This section begins by exploring the key arguments made by the former group.

CSR is bad capitalism

The person most well-known for rejecting the concept of corporate social responsibility is perhaps neoclassical economist, Milton Friedman. In his widely cited essay, "The Social Responsibility of Business is to Increase its Profits," Friedman (1970) criticizes the claim that corporations should have a social conscience. He argues:

> …there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud (Friedman, 1970:91).

Friedman maintains that corporate executives cannot be expected to exercise social responsibility because doing so would require that they compromise shareholder earnings, make decisions that they are not qualified to make, interfere with government responsibilities, and impose costs on their stockholders, customers and employees. Many consider Friedman's argument to be outdated, but there are still a few Friedman followers who claim that CSR will decrease welfare, undermine the market economy, reduce economic freedom, and deflect business from its primary role of wealth creation (Henderson, 2001; Henderson, 2005; Kerr, 2004, Crook, 2005, Norberg, 2003).

Generally, opponents of CSR argue that the business of business is business and companies that simply compete and prosper do enough to make society better off. Echoing Adam Smith, Henderson (2005) explains:

> Economic progress does not depend on a commitment by businesses to bring it about, nor does it result from their good intentions or a sincere wish on their part to benefit people (or to promote 'sustainable development'). To repeat, it results from innovative profit oriented activity within the framework of a competitive market economy. (p.31)

Norberg (2003) agrees, arguing that if companies choose to focus on CSR rather than just increasing efficiency, corporations will become less productive, economic growth will wane, and society as a whole will have fewer resources to meet its needs. For this reason, some argue that CSR actually requires companies to behave *irresponsibly*. To some extent, CSR also requires managers to violate corporate law as it compromises corporate executives' fiduciary duty to their shareholders by asking them to give away shareholders' money to other stakeholders and charitable causes rather than to invest it profitably (Crook, 2005; Friedman, 1970; Heath & Norman, 2004). Heath and Norman argue that managers committed to strong CSR programs may fail to maximize profits and could thus risk losing their jobs if investors see an opportunity to make more money by scrapping CSR-related initiatives.

A second criticism of CSR made by those in this camp is that corporate social responsibility may reduce governments' motivation to fulfill their responsibilities to their citizens and potentially foster communities' dependence on a corporation. According to some critics, this dependency is cause for concern for two reasons: 1) corporations lack the democratic credentials to serve the public good (Friedman, 1970; Crook, 2005); and 2) market forces, such as competition, limit a corporate executive's ability to manage a corporation in the public interest (Korten, 1996; Doane, 2005).

Some critics of CSR argue that corporate executives are not qualified to make decisions about the community and the environment; therefore these decisions should be left to those who are qualified, namely elected government officials (Friedman, 1970; Buchholz & Rosenthal, 2004). Because governments are established to act in the interest of their countries' citizens, CSR critics argue that they are the only institutions that should be responsible for public spending, attending to the demands of social justice, and providing public goods. This argument is largely based on the notion of accountability, as politicians who fail to act in the interests of their constituents risk losing their parliamentary seat in the following election (Korten, 1996). Conversely, because CSR initiatives are voluntary, corporations cannot be penalized if they stop providing goods or services which fall outside the scope of their business. And, as Doane (2005) points out, corporate "investments in things like the environment or social causes become a luxury and are often placed on the sacrificial chopping block when the going gets rough" (para.9).

It should be noted, here, that proponents of CSR have acknowledged and addressed these criticisms with a number of counterarguments. CSR advocates maintain, firstly, that acts of corporate social responsibility can, in some cases, increase rather than decrease a corporation's profits (Vogel, 2005, Hamann & Kapelus, 2001). Hamann (2003) explains that poor community relations can cause costly delays in a business's operations. Moreover, Phillips (2002) argues that companies cannot afford to be socially *irresponsible* as high profile cases of environmental and social devastation, such as the case of environmental contamination caused by BHP's Ok Tedi mine in Papua New Guinea, can severely tarnish a company's reputation and make it difficult for companies to attract business partners and customers.

Secondly, while it is true that CSR might impose some costs on employees, customers and stockholders, so do other "justified" expenditures such as executive remuneration, corporate governance, human resource management, and marketing (Moon, 2005). For example, customers generally absorb the costs of advertising, and shareholders often forego a portion of corporate profits to pay managers' bonuses. The benefits of investing in non-production oriented activities like advertising, executive remuneration, and CSR, are often difficult to quantify. Nevertheless, managers invest in such activities in order to ensure the smooth running of the company and to increase its value in the long-term.

Thirdly, proponents note that CSR is only intended to complement the regulatory framework established by governments, rather than to relieve governments of their duty to serve the public interest. Blowfield (2004) contends, "For government and private development agencies faced with stagnant or declining funds, business offers a way of increasing resources and revenues, and CSR is one route to working with companies" (p.61). Further, Kuper (2004) argues that although CSR initiatives are voluntary, "…participation in voluntary initiatives will offer learning opportunities about compliance, the result being that corporations will have less reason to fear and resist the introduction of compulsory codes" (p.12). By the time regulation catches up to social norms, companies that have already invested in improving their social and environmental performance will not have to absorb as many extra costs when trying to adhere to new regulatory requirements.

Fourthly, the public is demanding that corporations be more socially and environmentally responsible, thus socially responsible corporations are simply responding to market demand. A public opinion poll conducted by Environics International in 2001 revealed that only 11% of North Americans surveyed believe that the role of large companies is simply to "focus on making profits in ways that obey all laws", while 39% said that they wanted companies to "set higher standards and build better society" and 49% wanted business to meet both objectives (Wheeler & McKague, 2002:2).

Fifthly, some scholars argue that large corporations themselves have rejected Friedman's view that the business of business is just business (Hamann & Kapelus, 2001). Attesting to greater acceptance of CSR among corporations is the collaboration of sixteen of the world's largest mining companies to establish an International Council on Mining and Metals committed to sustainable development (Hamann & Kapelus, 2004), and the 1400 plus companies that have signed on to the UN Global Compact.[24]

Finally, CSR proponents argue that the critics in the 'CSR is bad capitalism' camp mistakenly separate business from society (Hamann & Kapelus, 2001; Goodpaster & Matthews, 2003). Goodpaster & Matthews maintain:

> Neither private individuals nor private corporations that guide their conduct by ethical or social values beyond the demands of law should be constrained merely because they are not elected to do so. The demands of moral responsibility are independent of the demands of political legitimacy and are in fact presupposed by them. (p.148)

Goodpaster's and Matthews' argument is firmly rooted in social contract theory which states that there is an implicit contract between productive organizations and society (Moir, 2001; Amba-Rao, 1990). This theory is advanced by business ethicist Thomas Donaldson (1989), who writes:

> As we look at the moral foundations of business, we are to presume that rational individuals living in a state of 'nature' – in which everyone produces without the benefit of the direct cooperative efforts of others – attempt to sketch the terms of an agreement between themselves and the productive organizations upon which they are considering bestowing status as legal, fictional persons, and to which they are considering allowing access to both natural resources and the existing employment pool. (p.47)

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[24] Launched in 2000 by UN Secretary-General Kofi Annan, the UN Global Compact was designed to create a global public-private partnership in governance between the UN and multinational corporations. Signatories are expected to advance the Compact's ten principles in the areas of human rights, labour, the environment, and anti-corruption. Participation is entirely voluntary; however, signatories are expected to publish in their annual reports a description of how they are advancing the Compact's ten principles.

Based on this line of reasoning, CSR proponents argue that corporations and society are bound by a social contract in which businesses fulfill economic needs and social goals in exchange for the use of society's resources (Amba-Rao, 1990).

These points effectively counter some of the criticisms made by those in the 'CSR is bad capitalism' camp. However, there remains an entirely different set of concerns voiced by those in the 'CSR is bad development' camp.

CSR is bad development

Although they may agree that companies should be more socially responsible, critics in this camp are quick to point out the limitations of CSR. One significant shortcoming of CSR identified by these critics is that it ignores the structural dimensions of the business-poverty relationship. Lund-Thomson (2005) observes that CSR does not challenge the global-level, structural causes of conflicts between companies and stakeholders. Similarly, Blowfield (2005) remarks that if poverty is a result of political, social, or economic structure, rather than a matter of capacity, access, and opportunity, then CSR is unlikely to provide a solution. For example, critics question whether issues of land rights and resource distribution can be reduced to a corporation's improvement of their social and environmental performance in a region. This problem is perhaps best articulated by Kemp (2001) who states, "While the notion of CSR is not under question, its application and relevance are. It brings to mind Marie Antoinette's aphorism, suggesting that in our enthusiasm the West may be trying to distribute cake, when what is truly needed is bread" (p.33). Thus, Utting (2005a) argues that in order for CSR to make a significant contribution to development, "the CSR agenda needs to address the structural and policy determinants of underdevelopment and the relationship of TNCs to those determinants (p. 385).

According to these critics, a key weakness of CSR is that it calls for change, but only within the current capitalist framework. According to Blowfield (2005), "[CSR] treats capitalist assumptions and values (e.g. commoditized labour, the rights of capital) as universal norms even when these might run counter to the well-being or experience of workers and local communities" (p.522). Consequently, it has been argued that "CSR as a discipline lacks the means to consider its own orthodoxy" (Blowfield & Frynas, 2005:510). The more cynical critics further argue that CSR may in fact be used by companies to legitimize capitalist expansion. According to Kemp (2001), "It is pertinent to ask whether CSR and voluntary initiatives, which are largely Western led, comprise a diversion from the real issues of legislative reform and multilevel political and social development" (p.35). Some critics suggest that it is no coincidence that CSR is being promoted by the same institutions that advocate the Washington Consensus (Doane, 2005; Hopkins, 2004; Jenkins; 2005; Blowfield, 2005; Kemp, 2001). Doane (2005) writes, "Rather than shrink away from the battle, corporations emerged brandishing CSR as the friendly face of capitalism, helped, in part, by the very movement that highlighted the problem of corporate power in the first place" (para.3). Similarly, Jenkins (2005) maintains that "development agencies have come to see CSR as a way of reconciling support for the private enterprise and a market-based system with the central aim of reducing global poverty" (p.530). Buttressing Jenkin's argument, Antonio Vives of the Inter-American Development Bank has stated, "CSR, by its very nature, is development done by the private sector, and it perfectly compliments the development efforts of governments and multilateral institutions" (in Jenkins, 2005:525).

For many CSR critics, it is the very notion of "development done by the private sector" that is worrisome. Firstly, some CSR critics argue that the objectives of corporations and development organizations are often conflicting or incompatible (Frynas, 2005; Blowfield, 2005). Doane (2005) maintains that it is difficult for the market to deliver long-term social benefits because the short-term demands of the stock market provide disincentives for doing so. For example, if corporate executives are obligated to maximize shareholder profits, it is difficult for them to justify corporate expenditures on community development or the environment if these expenditures reduce profits. While most critics do not deny that *some* corporations have managed to simultaneously deliver long-term social benefits and short-term financial returns, others argue that these cases are the exception, rather than the norm (Fig, 2005). Moreover, it has been noted that CSR often only addresses the social and environmental issues that business is willing to accept as negotiable (Blowfield, 2005). For example, in 1997 and 1998 Shell engaged in a number of consultations and workshops with parties interested in the company's Camisea gas project. According to one representative from a UK-based charity group that attended the workshops. "Time was very limited, the process inadequate, and at no point was the company willing seriously to consider the view that it should not be there [in Camisea] at all." (in Rowell, 2002:36). As the case of Shell demonstrates, the issues that companies are willing to accept as negotiable are not necessarily the issues that development experts and organizations consider to be most important.

Related to the last point is the criticism that typical CSR initiatives ignore key development issues (Utting, 2005b). For example, a company's CSR policies are more likely to prohibit things like slavery and child labour, yet ignore the right to a living wage and freedom of association. Blowfield & Frynas (2005) explain that outlawing the former two practices does not cost a company too much money and could in fact help the company avoid consumer backlash. Raising employee wages and permitting unionization, however, could negatively affect the company's bottom line. In a similar vein, the mainstream CSR agenda has been criticized for failing to challenge companies in areas where their corporate citizenship is most tangible and effective – the payment of taxes and royalties (Jenkins, 2005; Utting, 2005b).

One could then argue that the CSR policies and programs are designed by TNCs, in order to benefit TNCs, rather than to meet larger social objectives. To this end, Blowfield and Frynas (2005) point out that "we need to consider how far the business case shapes not only the choice of issues or relevant constituents, but also the very discourse that delineates the boundaries of CSR" (p. 512). Utting (2003) agrees, noting that the CSR agenda must become more "south-centered" and claims that the current CSR agenda may be used more to vindicate the actions of corporate managers, northern consumers and some NGOs, than as a means to improve the conditions of workers and communities in the developing countries. He argues:

> The CSR agenda tends to be somewhat "northern driven" and focuses on a fairly narrow set of issues, sectors and companies. Various social and environmental issues or business activities of concern to workers and communities in developing countries may not get much attention… Aspects related to workers' empowerment, industrial relations and labour rights, and the conditions of workers in sub-contracted activities, receive far less attention. (Utting, 2003: Development impacts of CSR, para.1)

An additional concern regarding the predominantly northern-driven CSR agenda is that it could present a barrier to entry for small and medium-sized enterprises (SMEs) in developing countries. While CSR is promoted as a *voluntary* mechanism to improve the social and environmental practices of business, the IISD et al. (2004b) explains that it has become more of a "market entry requirement" for SMEs. As more and more large multinationals incorporate CSR into their supply chain management, there is fear that they will discriminate against SMEs that do not have the financial resources to adopt CSR practices. Blowfield & Frynas (2005) point out that in this way, CSR can act as a burden, rather than a benefit to developing countries:

> Ironically, a firm's commitment to CSR can actually lead to these marginalized groups being seen as a threat to the company's claim to responsible operation. Some major sporting goods companies, for instance, have reduced the amount of outsourcing to smaller producers in part because it is difficult to monitor those facilities. (p.508)

The fact that CSR could conceivably create more problems than solutions for developing countries leads to the following additional concern about CSR: corporations generally lack development expertise (Frynas, 2005; Christian Aid, 2004). Critics of CSR worry that development projects will fail if companies do not have the time or experience necessary to tailor projects to specific countries or regions, to involve the beneficiaries of CSR in the project design, or to integrate CSR initiatives into a larger development plan (Frynas, 2005). The case of Shell in Nigeria gives credence to this concern: one report found less than one-third of Shell's development projects in Nigeria to be fully functional (Frynas, 2005). Moreover, Bendell (2005) notes that initial corporate responses to campaigns against child labour in the sporting goods industry in Pakistan led to many children losing their jobs and seeking work in more hazardous or abusive industries (p.163). In response to this criticism, CSR proponents have argued that the establishment of tri-sector partnerships between business, NGOs, and government can help corporations make decisions regarding community development and environmental sustainability that they would be deemed unqualified to make on their own.

Other critics, while not necessarily critical of private sector-led development, remain skeptical about corporations' stated intentions to act responsibly in this regard. According to Frynas (2005), this skepticism is justified based on the mounting evidence of a gap between the stated intentions of business leaders and their actual behavior. As a result, non-government organizations such as Rights Action and Christian Aid claim that CSR is used to mask the sometimes devastating environmental and social impacts multinational companies can have on communities (Cuffe, 2005; Pendleton, 2004). By pointing to their token "development projects," corporations can divert attention away from some of the more deleterious activities they may be involved in, a practice commonly referred to as "greenwashing" (Beder, 2002a; Beder, 2002b; Pendleton, 2004; Kuper, 2004; Whellams & MacDonald, 2007). According to Fig (2005) "What passes for CSR is often greenwash, distracting the gullible into believing that business has a serious sustainability agenda" (p.617).

A final set of criticisms is related to the voluntary nature of CSR. Firstly, some CSR critics argue that companies adopt CSR policies and programs to block tougher national or international regulation of corporate activities (Lund-Thomsen, 2005; Christian Aid, 2004). Secondly, critics argued that in the absence of binding regulation, companies are free to determine the range and level of obligation they will fulfill (Newell, 2005). Because CSR is entirely voluntary, there is a worry that the worst corporate offenders will be left unrestrained and the victims of their actions will have little or no means of recourse (Pendleton, 2004). Jaded by multiple cases of companies failing to deliver on their commitments to CSR, Christian Aid is now calling for international regulation and national legislation that will make corporations legally responsible to care for communities and the environment.[25]

Proponents of CSR have taken these criticisms seriously. While they recognize that legislation can level the playing field for corporations, and reduce bribery, corruption, and the exploitation of labour, proponents point out that new legislation could in fact reduce CSR to the lowest common denominator. According to Henriques, "…if there were legislation around CSR, then companies will deliver what the law requires, but never more" (in Hopkins, 2004:7). On the other hand, while some CSR proponents agree with their critics that tougher regulation is desirable, they point out that it is not always feasible (UNRISD, 2000). Vogel (2005) explains that in such cases, voluntary initiatives can be effective:

> It would be better if China enforced its labor laws, but even if the government fails to act, Mattel can improve the conditions for some Chinese workers. It would be better if Vietnam had more stringent occupational safety and health standards, but in their absence, thanks to Nike, some workers are exposed to fewer hazards. It would be better if the Indian government provided schools for all the country's children, but at least Ikea and the Rugmark Foundation can give more Indian children access to education. It would be better if the United States imposed legally binding restrictions on emissions of greenhouse gases, but since it has been unwilling to do so, voluntary corporate programs are better than nothing. (p.163)

In response to the second criticism, one might concede that it is true that in the absence of regulation, companies are left to decide to what extent they will surpass what is legally

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[25] See Christian Aid's report: "Behind the mask. The real face of corporate social responsibility" http://www.christian-aid.org.uk/indepth/0401csr/index.htm).

required of them. However, proponents of CSR point to a few theoretical tools that can help companies solve these dilemmas. Based on social contract theory, Simon, Powers, & Gunneman (1972) introduce the concept of a moral minimum to help corporations gauge the degree of responsibility they have to society. The moral minimum states that all citizens, both individual and institutional, are to avoid inflicting harm on society.[26] In the same vein, Donaldson (1989) outlines minimal and maximal duties of corporations to society. Minimal duties include: 1) enhancing the welfare of consumers and employees; 2) respecting rights; and 3) minimizing harm to society and the environment, such as that caused by the depletion of natural resources. Maximal duties, those that are admirable but not required, would include initiatives such as supporting Third World development projects or contributing to environmental sustainability research. Much of the recent literature regarding the role of CSR in development calls for corporations to fulfill Donaldson's maximal duties by voluntarily going beyond the ethical, legal, and public expectations that society has of business (Weiser & Zadek, 2000; Vives, 2004; Fox, 2004; Maresca, 2000).

Alternatively, some proponents of CSR have adopted Edward Freeman's stakeholder theory to help them identify to whom, outside of shareholders, a corporation has a particular obligation. According to stakeholder theorist Thomas Jones, CSR is "the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union contract" (Jones, Wicks & Freeman, 2002: 21). Other 'stakeholders' include, but are not limited to, suppliers, customers, employees, financiers, and communities. To some extent, the stakeholder approach has been incorporated into most modern corporate CSR policies and practices in the form of a commitment to stakeholder engagement. Through a process of stakeholder engagement, managers can better determine who will be most affected by the company's operations and how the company might address the concerns of such groups or individuals.

2.7 Summary

The debate about CSR is both fervent and multifaceted. This chapter has attempted to delineate the various sides of the debate in order to help clarify the ways in which companies' CSR programs may or may not be able to contribute to sustainable development. A review of the literature suggests that a company's CSR programs have the potential to contribute to the local development of the communities in which the company operates. For example, companies' CSR programs have resulted in greater environmental protection and conservation, increased access to health care, better sanitation, and improved labour practices for many people in developing countries.[27] However it is unclear whether these improvements are sustainable beyond the life of the companies' operations.

The following chapter presents a case study of Newmont Mining's CSR programs that have been implemented in Cajamarca, Peru and Oruro, Bolivia. An analysis of

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[27] Some examples: As part of their commitment to CSR, Starbucks has taken steps to reduce waste from their operations, protect biodiversity through the production of shade grown coffee, and increase the financial stability of farmers in developing countries by purchasing coffee at premium prices. Mining giant, Anglo American, works to battle HIV/AIDS in communities in South Africa through the creation of education and awareness programs, condom distribution, anonymous HIV testing, and the provision of anti-retroviral therapy to all Anglo American employees in need of such treatment. Tata Group, India's largest industrial and technological conglomerate, spends 30% of its after-tax profits on social uplift programs focused on things such as adult literacy, the development of sustainable cooperatives, and the improvement of communities' access to water.

empirical research will be used to test the validity of my hypothesis that, although worthy of much criticism, companies' CSR programs can contribute to local sustainable development under certain conditions. To this end, the case study will hopefully bring us one step closer to understanding the role of CSR in development.

3 Case Study: Newmont Mining and CSR

3.1 Introduction

There are two reasons why the case of Newmont Mining was chosen to explore whether or not companies' CSR programs can contribute to local sustainable development. Firstly, the mining industry is one of the most highly criticized industries for its poor social and environmental performance and its failure to transfer the benefits of the business to the communities in which it operates. Newmont Mining is one of the few mining companies that have begun to address some of these concerns (at least in Peru and Bolivia). Secondly, the corporate foundations set up by Newmont have been applauded for contributing to both economic and human development in the towns surrounding the company's mines in Peru and Bolivia (Loayza, et al., 2001; Pasco-Font, et al., 2001; Gutierrez & Jones, 2005). However, while some research suggests that these foundations have contributed to the development of local communities, little consideration has been given to whether this socio-economic development will continue very long once the mines are closed. The timing of this research is particularly apt as Newmont's mine in Bolivia is nearing closure, and the company is in the process of addressing this issue.

3.2 Part A: Minera Yanacocha

South America's largest gold producer, Minera Yanacocha, operates high in the Peruvian Andes, 48 km north of the city of Cajamarca. The company is jointly owned by

U.S.-based Newmont Mining (51.35%), the Peruvian mining firm, Compania de Minas Buenaventura (43.65%), and the International Finance Corporation (5%). The mine site, which consists of six open pit mines, four leach pads and three gold recovery plants, began production in 1993 and is expected to continue through to 2015. Since operations began, the company has extracted over 20 million ounces of gold[28] and is forecast to sell 2.6 million consolidated ounces in 2006 (Newmont Mining, 2005).

The region of Cajamarca is home to 1,359,829 people, three quarters of whom dwell in rural areas.[29] Since the arrival of Minera Yanacocha, mining has become the greatest revenue generator for the region. However, agriculture has historically played a significant role in the regional economy and continues to be the number one source of employment in Cajamarca. Other important, but somewhat less established industries, include commerce, manufacturing, construction, and tourism.

Between 1993 and 2004 the company paid over US$600 million in income tax and US$238 million in royalties to Peru's central government. However, despite the millions of dollars in tax revenue and royalties generated from the mines, between 1993 and 2000 Cajamarca dropped from 21st to 23rd spot out of Peru's twenty-five regions in terms of human development[30] (Aramburu, 2006). The fact that one of the country's poorest regions is home to one of the world's most profitable gold mines has generated some tension and conflict between the company and local communities. Communities surrounding the mine have become increasingly concerned that they have not been adequately compensated for the negative impacts of Yanacocha's operations, particularly

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[28] Figure based on yearly data accrued to December 2005 (Yanacocha, 2004; Newmont Mining, 2005).

[29] According to the 2005 census (Aramburu, 2006).

[30] As calculated using the United Nation's Human Development Index (HDI), a composite index that measures human development based on levels of education, health, and income.

following a mercury spill in 2000 that has resulted in ongoing health problems for some residents of Choropampa[31]. Tension between the company and surrounding communities arose again in 2004 when Minera Yanacocha announced its plans to exploit mineral reserves on the mountain Cerro Quilish. Citizens of surrounding communities objected to the exploitation of Quilish, arguing that it would disrupt a source of fresh water for local farmers and the city of Cajamarca. Following days of protest and demonstration, the company requested that the Peruvian Ministry of Energy and Mines annul the company's exploration permit for Cerro Quilish. According to Ricardo Morel, Manager of Yanacocha's Community Relations and Social Development department, Yanacocha learned an important lesson from the conflict over Quilish: the company needs to listen more to its neighboring communities.

According to a number of people interviewed within and outside the company, Quilish represented a turning point in the way Minera Yanacocha viewed its social responsibilities. The company realized that although it may have been operating *legally*, it was not operating *legitimately* in the eyes of the community members. This legitimacy is what many refer to as a company's "social license to operate" (Zinkin, 2004; Gunningham, Kagan, & Thornton, 2004). According to Livio Paliza, Manager of Social Development at Minera Yanacocha, "CSR includes a commitment to support development, but for most people at Yanacocha, the purpose of CSR is to help the company acquire a social license to operate". Whether it is simply 'the right thing to do' or something done because there is a 'business need', Yanacocha has now committed itself to helping communities benefit more from the success of the mines. This is not to

[31] On June 2, 2000, a truck transporting mercury from the Yanacocha mine spilled 151kg of mercury along the road near the towns of San Juan, Choropampa, and Magdalena.

say that Yanacocha was not involved in a variety of community assistance and social development programs prior to 2004 (see Pasco-Font, et al., 2001). However, over the past two years, the company's social development initiatives have moved away from being a series of *ad hoc* responses to daily grievances and demands, and toward more carefully planned projects focused on sustainable development.

Two separate arms of Minera Yanacocha carry out its CSR activities related to community development: its Community Relations & Social Development department and its corporate foundation, La Asociacion Los Andes de Cajamarca (ALAC). The Community Relations and Social Development department's projects are concentrated primarily in the communities closest to the mines, while ALAC finances projects in all of Cajamarca's twelve districts.

3.2.1 Community Relations & Social Development Projects

The Community Relations and Social Development department has identified 69 communities - home to 7018 families - that are either directly or indirectly affected by the mines' operations (Yanacocha, 2004). These communities, which are located in the districts of Cajamarca, Los Banos del Inca, La Encanada, Tumbaden, and Bambamarca, have been the primary targets of the department's CSR initiatives. The department's community development projects can be divided into four broad categories: infrastructure development, health, education, and rural development. Table 1 summarizes the types of projects the department implemented in each of the four categories in 2004[32]:

[32] Information retrieved from company report "Yanacocha: Social and Environmental Responsibility" (Yanacocha, 2004). While the projects listed are those that were executed in 2004, it should be noted that similar projects were also executed in 2002, 2003, and 2005.

Table 1 Summary of Minera Yanacocha's Social Development Initiatives (2004)

Category	Project Description
Infrastructure Development	• Installation of potable water systems in 11 communities • Installation of sanitary latrines for 485 families • Installation of a sewer system in the community of Chanta Alta • Construction of 27 classrooms in 14 schools • Construction of two wagon bridges • Repair and maintenance of 59 km of key access roads • Construction of two churches • Construction of two sports fields • Provision of electric energy supply service to over 800 families
Health	• Lectures on sanitation and health • Workshops for midwives and health maintenance providers • Medical treatment of 5,100 patients • Supply of materials and equipment to local medical centers
Education	• Transportation for teachers to and from school • Teacher training • Provision of school supplies and teaching material • Construction of school furniture • Implementation of improved kitchens in schools
Rural development	Forestry • 170 hectares of pine trees planted for the production of firewood and timber
	Animal husbandry[33] • Cultivation of a greater quantity and quality of forage[34] • Training and qualification of cattle promoters • Provision of technical assistance to milk producers • Provision of credit to cattle dealers so they can purchase more animals and equipment for their businesses • Improvement of the genetic quality of animals through artificial insemination and the introduction of new breeds of cattle
	Agriculture • Improvement of irrigation systems and canals

In addition to the projects listed above, the department has developed the Original

[33] These projects are executed by FONCREAGRO, a non-profit organization created by Minera Yanacocha and Nestle as part of the companies corporate social responsibility programs. All projects are partially financed by one or both of the companies.

[34] FONCREAGRO has cultivated a number of diverse plots of land that are used to demonstrate to farmers how to obtain a more productive harvest from their land.

Landowners Program to help ensure the sustainable livelihoods of the families who sold their land to the company. Although Minera Yanacocha originally paid families the market price for their land, many of the landowners later felt that they had not been adequately compensated for their land and have since returned to the company demanding more compensation. The company began dealing with individual complaints from former landowner's on an *ad hoc* basis, but eventually realized that a more formal social development plan was needed to ensure the equal treatment of all former landowners. Thus the company launched the Original Landowners Program in 2001 to improve the quality of life of the original landowners and their families by providing them with temporary employment at the mine, improving their occupational skills, supporting their higher education, providing them with basic health and sanitary services, improving their housing conditions, and providing support to their families in the event of an emergency (such as death or a natural disaster).

3.2.2 ALAC Projects

With seed money provided by Minera Yanacocha, Asociacion Los Andes de Cajamarca was born on March 24, 2004. This corporate foundation was created by the company to contribute to sustainable development in the province of Cajamarca by financing development projects that work to generate institutional capacity and employment, and that capitalize on the strengths and competitive advantages of Cajamarca. The three primary objectives of ALAC are: 1) to enhance the capacities of local businesses; 2) to increase human capital through education; and 3) to build social capital by strengthening the institutional and organizational capacity of government and civil society groups. Thus far ALAC's efforts have been dedicated primarily to meeting its first objective. This has been accomplished by working with NGOs and other executing agencies on long-term development projects that aim to strengthen local businesses and increase their competitiveness by helping them raise production levels and access new markets.

ALAC allocates funds to two types of local development projects: 1) projects that have proven to be successful elsewhere and that can be replicated in Peru; and 2) original projects proposed by local NGOs, businesses, and development organizations. The former are financed directly by ALAC and its partners, while the latter are partially financed by ALAC, and partially financed by the executing agencies. Each year ALAC allocates approximately 1,000,000 *nuevo soles* (US$ 325,000) to fund two to four projects proposed by local executing agencies. Project proposals are evaluated based on project viability, community demand for the project, potential impact (in terms of employment and income generation), alignment with local and regional development plans, and self-sustainability.

Between 2004 and 2006 ALAC awarded partial funding to six local executing agencies and directly financed four other projects. In addition, it has been responsible for monitoring and evaluating four development projects that were initially created by Minera Yanacocha. A summary of all of the projects is provided in Table 2.

Table 2 Summary of ALAC's Projects

Project Title	Project Description/Objective	# Participants	Executing Agency	Project Duration
SMEs Competitiveness, Consolidating the development of Northeastern Tourism Circuit	Help businesses along the Northeastern Tourism Circuit design and develop new sustainable tourism products and services; improve the promotion and management of the Northeastern Tourism Circuit	200 businesses	Camara Regional de Turismo de Cajamarca (CARETUR)	4 years
Strengthening the Production Capacities of Cereal Cultivation in Cajamarca	Increase crop yields of starchy corn, wheat, and barley producers; promote linkages among producers in the cereal production chain; improve agricultural labour quality among project participants	1350 families	Fundacion para el Desarrollo Agrario (FDA)	3 years
Program for the Formation of Young Entrepreneurs in Cajamarca	Increase employment possibilities for young people by teaching students what it takes to be successful personally and in business in a free-market economy.	11,470 students	Junior Achievement Worldwide	3 years
Competitive Development of Local Suppliers in Cajamarca[35]	Establish commercial linkages between local suppliers and large local buyers; increase productivity and product quality of local suppliers	150 businesses	Swisscontact, Recursos S.A.C., Camara de Comercio y Produccion de Cajamarca, Aid to Artisans	3 years
Modernization of Milk Production in the Cajamarca Valley	Increase dairy production in Cajarmarca by introducing new technologies and feeding systems to small dairy farmers.	400 farmers	Propiaga, S.A.C.	5 years
The Center of Innovative Jewelry Technology - CITE Koriwasi	Center created to generate and strengthen local skills in design, production, and trading of gold and silver	251 students	Mincetur	3 years

[35] This program is an extension of the three-year SME Linkages Program that was originally launched by Yanacocha's Community Relations and Social Development Department in 2003.

	jewelry; objective is to create an alternative income generating activity in Cajamarca that will survive beyond the life of the mine.			
Housing improvement and MISEs (micro and small sized enterprises) development within the construction sector.	To improve the quality of life for people in low to mid income brackets by providing credit and technical assistance for housing construction and improvements.	5389 families & businesses	CHF International	4 years
Strengthening Community Businesses	Help strengthen local businesses by improving their management systems	200 businesses	Recursos S.A.	1 year
Competitive Development of Chirimoya Production	Strengthen the organizational capacity and business of 120 chirimoya producers by improving product quality and developing commercial linkages	120 farmers	Aspaderuc	2 years
Prevalence Control of Fasciola Hepatica (the liver fluke)	Reduce the prevalence of fasciola hepatica on dairy farms in Cajamarca	1500 farmers	Foncreagro	3 years
Guinea Pig Production Techniques as an Economically Feasible Alternative	Increase production and productivity of guinea pig breeding through the installation of guinea pig breeding modules, training in guinea pig husbandry, construction of a processing plan, and formation of breeder's association.	150 farmers	Foncreagro	3 years
Productive Development of Spiny Holdback (Tara) as a Model Organic and Agroindustrial Eco-Business Venture	Create jobs and sustainable income through the establishment of 100 hectares of spiny holdback "tara" plantations, and the development of commercial and agroindustrial linkages.	130 farmers	Adefor	3 years
Promotion of Aromatic Herb Cultivation	Increase the profitability of aromatic herb cultivation through organic production, product variation, and the production of value added products such as dried herbs	100 farmers	Cuencas Institute	2 years

	and essential oils.			
Competitive Production of Native Potatoes	Aid rural families producing native potatoes improve their business management capacities and produce competitive products.	150 farmers	Aders	2 years

3.2.3 Project Impacts

The purpose of this case study is to look for evidence whether Minera Yanacocha's CSR activities are, or are not, likely to contribute to the sustainable development of the communities in which the company operates. The impacts of the company's projects are analyzed on two levels: 1) the projects' contributions to local development (using health, education, income, and quality of life as indicators of development)[36] and 2) the anticipated *sustainability* of such contributions. The following findings are based on data gathered from:

- Semi-structured interviews, site visits, and informal conversations with project participants
- Semi-structured interviews with government officials company managers, and leaders of NGOs
- Census data
- Corporate reports
- Studies conducted by local researchers in Peru[37]

Note that many of the projects funded by ALAC had not been completed by the time the field study was conducted, and thus it is difficult to assess their full development impact. However, interviews and informal conversations with project participants provided

[36] Such indicators are used to measure local development as they are commonly used by international development institutions, such as the World Bank and the United Nations, to measure development at the country level.
[37] See Appendix I for a detailed list of interviews conducted in Cajamarca.

enough information to determine whether such projects were likely to improve the participants' income levels and overall standard of living.

Findings

Although Cajamarca remains one of the poorest regions in Peru, a comparison of data from the last two censuses suggests that the people of Cajamarca are better off now than they were in 1993. Figure 1 draws a comparison of social indicators for the region of Cajamarca between 1993 and 2005.

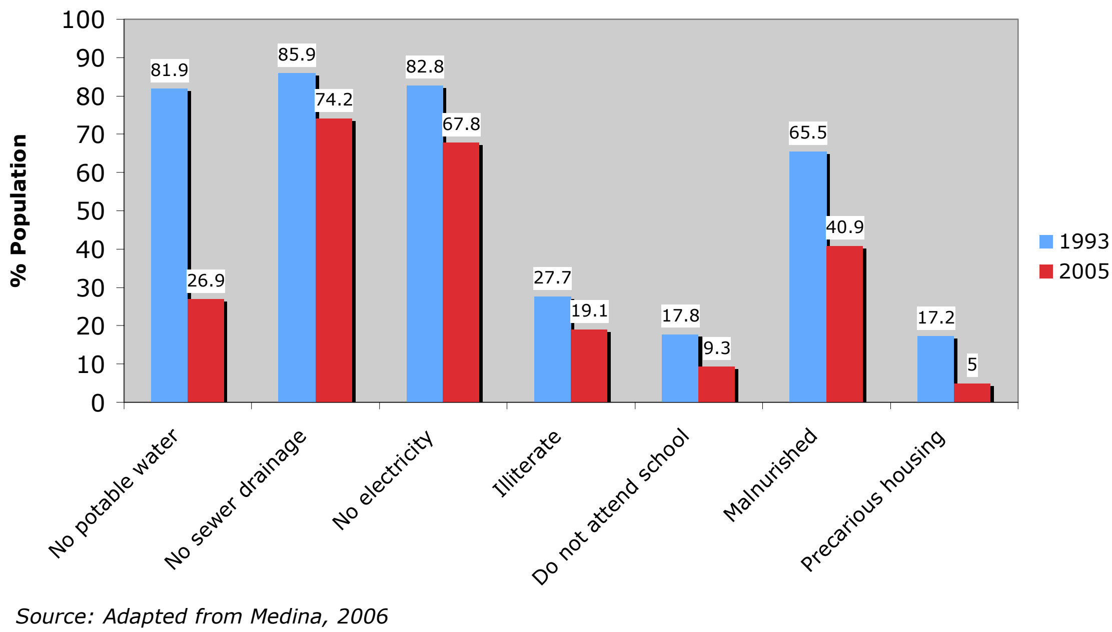

Figure 1 Comparison of Social Indicators for Cajamarca between 1993-2005

While one cannot conclude that one hundred percent of the improvement in each area is directly a result of Minera Yanacocha's social development projects, one must at least consider that these projects may have had some positive impact. We will now move to examine the impacts that these projects have had on local sustainable development using each of the indicators outlined above.

i. Health

When Yanacocha began its operations, only 15% of the communities surrounding the mine had access to potable water. Yanacocha's potable water installation program has resulted in 85% of these communities having access to potable water (W. Campos, Personal Communication, May 4, 2006), thereby contributing to the overall increase in access to potable water in Cajamarca. Further, the company has installed a number of sanitation facilities and sewer systems, benefiting hundreds of local families. This increase in access to potable water and sanitation will likely play an integral role in improving the health of project beneficiaries. According to the Director-General of the World Health Organization (WHO):

> Water and Sanitation is one of the primary drivers of public health. I often refer to it as 'health 101', which means that once we can secure access to clean water and to adequate sanitation facilities for all people, irrespective of the difference in their living conditions, a huge battle against all kinds of diseases will be won. (Dr Lee Jong-Woo in Green, 2006:66)

The improvement of water and sanitation has perhaps had an even greater positive impact on health in Cajamarca than Minera Yanacocha's healthcare-focused projects. Few individuals interviewed cited health or health services when asked if anything had improved in Cajamarca since the arrival of Minera Yanacocha. When asked how Minera Yanacocha might improve its CSR practices and social development programs, Dr. Fredy Regalado, of non-government organization PRISMA, said that the company's projects, particularly healthcare projects, are too reactive. He explained that the people of

Cajamarca suffer from a number of illnesses that are easily preventable with better sanitation and hygiene practices. But rather than funding health education campaigns and programs, Minera Yanacocha often helps build and supply health centres that focus on treating illnesses rather than helping prevent them. For example, Minera Yanacocha recently helped fund the construction a very large and well-equipped hospital in the town of La Encanada, a project that many have come to view as a "white elephant" because the number of beds in the hospital far exceeds the community's needs.

ii. Education

In terms of education, it appears that Minera Yanacocha's education-related projects, such as the provision of transportation for over 400 teachers to and from school, have had a direct positive impact on the communities in Cajamarca as illiteracy and school absentee rates have declined between 1993 and 2005. According to one Minera Yanacocha manager, the teachers who are now provided with bus transportation to and from school used to have to walk six to ten kilometers to their respective schools. They would often arrive to class late and tired, and were thus unable to give the students the attention they needed. They would also only teach Monday, Tuesday, and Wednesday. Now the teachers arrive on time, with more energy, and teach five days a week.

ALAC's Program for the Formation of Young Entrepreneurs in Cajamarca has also received positive feedback from participating teachers and students. This program has yet to influence school absentee rates as the program was only initiated in 2005; however, informal conversations with project participants suggest that the program could help reduce absentee rates in the future. During interviews conducted by executing agency Junior Achievement, a number of rural school students said that the program has taught them the advantages of staying in school.[38]

iii. Income

There is evidence to suggest that Yanacocha's CSR initiatives have also helped improve the economic situation of some families in Cajamarca. According to Aid to Artisans, one of the executing agencies for the SME Linkages program, participating artisans experienced, on average, a thirty percent increase in monthly income as a result of the project (S. Manrique, personal communication, May 22, 2006). Interviews conducted with participants from Yanacocha's animal husbandry program, KORIWASI, and the SME Linkages program also suggest that the company's social development projects have had a positive economic impact. When asked if the project they participated in had benefited them in any way, a number of respondents said that the project had helped increase their business's profits and/or their personal income. One dairy farmer who participated in a number of Yanacocha's animal husbandry projects said that his cows' milk production had increased significantly as a result of the projects, thereby increasing his business's revenue and his family's monthly income. One participant from KORIWASI expected to double his income upon graduating from the centre and starting his own jewelry business. Another KORIWASI participant said that, although she is still recovering the costs of training at the centre, she expects that in two years her jewelry business will allow her to live quite comfortably. Similarly, although the Guinea Pig

[38] During a site visit to one of the program's participating schools, the Director of Junior Achievement conducted a number of short interviews with project participants to get their feedback on the program. Although I did not personally interview the participants, I was present during these interviews and recorded interviewees' responses.

Production and Aromatic Herb Cultivation projects are still in the implementation phase, participants interviewed were optimistic that they would earn higher incomes upon project completion. In addition to benefiting project participants, higher incomes have also helped improve the lives of participants' families and employees. For example, some project participants were able to raise their workers' wages, while others were able to send their children to better schools, thereby expanding the projects' contributions to socio-economic development in the region.

iv. *Quality of Life*

In addition to the direct benefits to health, education, and income, it appears that Yanacocha's projects have improved the standard of living for many families living in Cajamarca. Yanacocha's electrification project has brought electricity to over 1,300 houses (Yanacocha, 2004), contributing to the overall increase in access to electricity in the region. The quality of housing has also improved for many families in Cajamarca as a result of the company's Housing Improvement project. In conjunction with a local branch of CHF International, Minera Yanacocha has provided loans to over a thousand families to make improvements to their homes, thereby contributing to the reduction of precarious housing in the region.

Despite an apparent increase in the standard of living, there are indications that the overall quality of life has not necessarily improved in Cajamarca. When asked if anything had worsened since the arrival of Minera Yanacocha, the majority of project participants and NGOs interviewed said that levels of crime and violence had increased. The majority of project participants also said that there has been more environmental contamination since the arrival of Minera Yanacocha. However, it should be noted that many respondents clarified that they believed the company's mining operations to be only one factor of many contributing to rising crime and environmental contamination. For example, a number of project participants said that the increase in crime is not necessarily the "fault" of Minera Yanacocha, but rather a result of the city getting bigger.

v. Sustainability

Based on the data presented above, Minera Yanacocha's CSR activities appear to have made some notable contributions to development in Cajamarca. However, there have been some criticisms directed at the potentially unsustainable benefits of some of Minera Yanacocha's projects. When asked whether or not they believed Yanacocha's social development projects (including ALAC's) have contributed or would contribute to the sustainable development of the communities, a member of the non-government organization GRUFIDES, said that the company's projects have been too piecemeal and too isolated to contribute to local sustainable development and that the projects needed to be more aligned with the government's regional development plan. Other NGOs expressed concerns about the communities' dependence on the company. When asked what they thought about Minera Yanacocha's CSR projects, half of the local NGOs interviewed said that the company's projects were too paternalistic and engendered dependency. Informal conversations with participants of Minera Yanacocha's animal husbandry projects seemed to validate these concerns as one group of participants said that if they wanted a new medical centre or school built in their community they would ask for funding from Minera Yanacocha rather than from the local government because the government was too bureaucratic and generally ignored the community's demands.

Identifying paternalism and dependency as a barrier to sustainability, the Coordinator of Grupo Norte[39], Dante Vera, suggested that companies should work more with government and NGOs on project development and execution. The majority of Yanacocha managers interviewed echoed this view and said that in order to promote *sustainable* development in the region, the company's projects needed to focus more on capacity-building rather than on merely giving handouts. The company has contracted ASODEL, a local NGO, to help communities identify their development priorities and create community development plans. The company will then refer to these development plans when a community solicits their financial support. If the community's demands are aligned with its development plan, the company will consider partly funding the project. However, the company will also require that the community and the local government co-finance the project in order to help mitigate the worry of dependency.

Visits to the project sites and conversations with some of the projects' executing agencies also raised doubts regarding the sustainable impact of certain projects, as it was discovered that some projects are not financially self-sustaining or are not easily replicated by local people. For example, the Formation of Young Entrepreneurs in Cajamarca requires the ongoing support of executing agency Junior Achievement for curriculum design and teaching materials. Because Junior Achievement is a non-profit organization primarily funded by corporate philanthropy, the benefits of this program will only continue to be felt in Cajamarca if local businesses are willing to keep funding it.

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[39] Grupo Norte is a network of mining companies operating in northern Peru. Participating companies include Yanacocha, Buenaventura, Mineria La Sanja, Mineria Colquirumi, Coymolache, Goldfields, and BISA.

Similarly, Minera Yanacocha's Community Relations and Social Development department pays for the daily transportation of over 400 teachers from urban centers to rural schools. Unless the government takes over this responsibility, this program will cease to exist when the company leaves Cajamarca.

The long-term sustainability of other projects such as Aromatic Herb Cultivation and Guinea Pig Production is also questionable as both projects involve the introduction of new income-generating activities to the region. Some project participants have expressed frustration with learning new skills and adopting new practices. The replication and sustainability of these projects will largely depend on the current participants' satisfaction with the projects' results upon completion.

3.3 Part B: Minera Inti Raymi

Minera Inti Raymi is a joint venture between Newmont Mining, which owns 88% of the venture, and Bolivian Zealand Mines, which owns the remaining 12%. The company operates two open-pit gold mines, Kori Kollo and Kori Chaca, which are located in a sparsely populated region in the Bolivian department of Oruro, 3,710 meters above sea level and 200 kilometers southeast of the city of La Paz. There are three communities – La Joya, Villa Chuquina, and Iroco – located in the direct vicinity of the mines (within 5 km of the operations), and approximately twenty-two communities located in the surrounding area. These communities, which are home to approximately 1100 families, live largely off of subsistence agriculture and livestock production, with the exception of La Joya, which is home to an artisan-mining cooperative that provides an additional source of income for some of the community's residents.

Since operations began in 1984, the company has made a substantial contribution to the Bolivian economy. Inti Raymi has invested over US$240 million in its mining projects and has produced goods totaling eight percent of Bolivia's exports (Newmont Mining, 2006; Miranda, n.d.). The company also pays its 700 local employees and contractors over US$8 million per year in salaries and benefits and spends over US$18 million per year on local goods and services (Gutierrez & Jones, 2005). However, revenues and incomes generated from the mine have not translated into development in the department of Oruro. Bolivia's mining regions in the departments of Potosi and Oruro remain some of the poorest in the country. Although the department accounts for 30 percent of the country's mineral production, and the local government has received over US$45 million in royalty payments between 1985 and 2005 from Inti Raymi, Oruro ranks fourth poorest among the country's nine departments (INE-UDAPE, 2002).[40] According to data from the last two censuses, the incidence of poverty in Oruro has dropped only marginally from 70.2% in 1992 to 67.8% in 2001. This represents a stark contrast to the trend in Bolivia as whole, where the incidence of poverty dropped from 70.9% in 1992 to 58.6% in 2001 (INE-UDAPE, 2002).

Widespread poverty in the area has not gone unnoticed by the company. Inti Raymi has been recognized for its long history of corporate philanthropy and investment in social development (Gutierrez, & Jones, 2005; Loayza et al., 2001). The founder and former president of Inti Raymi, Mario Mercado Vaca Guzman, was highly sensitive to the need for social development as Inti Raymi was founded in 1982 amidst the emergence of an economic crisis. To help address the high levels of poverty and underdevelopment

[40] Poverty defined as not being able to satisfy their basic needs.

in the communities surrounding the Kori Kollo mine, Mario Mercado created the Inti Raymi Foundation in 1991. The primary objectives of the Foundation were to ease some of the communities' resistance to the mine and to leave something behind for the local people when the mine closed. The second objective would be accomplished in large part by helping local farmers and cattle ranchers improve their productivity so these activities could serve as a viable form of livelihood when Kori Kollo closed.[41]

Unlike ALAC, the Inti Raymi Foundation both finances and directly implements all of its projects. Between 1991 and 2002, the Foundation managed an annual budget of approximately US$1.3 million to be spent on sustainable development projects in the twenty-five communities in the mine's direct and indirect areas of influence[42]. The Foundation finances up to 70% of any given project to a maximum of US$15,000 and requires that the municipal and regional governments, beneficiary communities, and local NGOs finance the remaining 30%.[43]

3.3.1 Inti Raymi's CSR Projects

The Foundation's work can be divided into four distinct temporal phases. Between 1991 and 1994 the Foundation began working on improving the region's agricultural productivity in order to increase local farmers' incomes and thus improve their standard of living. In its initial stages, the Foundation worked with farmers to

[41] Kori Kollo was originally scheduled to close in 2003, but was reopened in 2004 due to high gold prices. At the same time, the company extended the life of the Foundation so it could continue to support the surrounding communities over the past three years.
[42] Areas of influence refers to the geographical regions that have experienced or could experience social and environmental changes as a result of Inti Raymi's operations.
[43] Co-financing from project participants (beneficiary communities) may be in the form of cash, labour, or resources.

address problems they were having a result of animal inbreeding, parasites, and soil erosion. During the same time period, the Foundation focused on assisting communities to meet their basic needs through health and education programs and infrastructure development. Along with co-financing from the state's Social Investment Fund (FIS), the Foundation built primary and secondary schools in the communities of Villa Chuquina and La Joya and began providing children from both communities with breakfast, uniforms, and school supplies.[44] Inti Raymi also created a scholarship program for students who attend school regularly and excel in their studies. In addition to the regular curriculum, the Foundation also began paying teachers extra to instruct classes in mechanics, welding, and computers. In terms of health initiatives, the Foundation and FIS funded the construction of a modern medical centre in Villa Chuquina, providing residents of the 25 surrounding communities with medical and dental attention, childbirth facilities, an isolation ward, and a laboratory for the detection of tuberculosis.

Between 1995 and 1998 the Foundation's projects were mainly directed at training and capacity-building. The Foundation established the Livestock Promotion Center (CEPROGAN) where it offered farmers courses on the diagnosis and treatment of sick animals. It also established a knitting workshop comprised of women from Villa Chuquina and La Joya. The Foundation trained the women free of charge and paid them a

[44] Inti Raymi continues to fund the school breakfast program and continues to support children's education through a separate scholarship program.

monthly salary of 350 bolivianos (US$44) to knit shawls that could be sold in local markets[45].

Between 1998 and 2004 the Foundation invested more in infrastructure for livestock and initiated a micro-credit program to help farmers expand their businesses. The Foundation also completed an electrification project in the community of Qollpahuma, bringing electricity to eighty families.

Since 2004, projects have been geared towards generating higher incomes for rural families by helping them improve their livestock and farming practices. Recent projects include the installation of wells, the construction of *vigiñas* (watering holes) and stables, and the genetic improvement of farm animals through cross breeding and the introduction of artificial insemination.

In addition to the projects managed by the Inti Raymi Foundation, there are a number of social development projects that have been implemented by the company's Community Relations department to respond to the social development needs of the communities surrounding Inti Raymi's newest project, Kori Chaca. Such projects have been financed by the company's development fund (FONDESIR) and include the construction and renovation of town plazas, the construction and improvement of irrigation systems, and the cultivation of alfalfa for forage. In Iroco, the town nearest to Kori Chaca, the company also built a Community Services Center comprised of a health and dental office, sewing and baking workshops, and a computer-training center. Baking

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[45] This program was recently terminated, as efforts were not being made to sell the shawls in local markets as originally intended. Instead, the company was paying the women a monthly salary to knit shawls that ended up accumulating in the Foundation's office. The Foundation is currently considering re-starting the program, but rather than pay the women a salary, it will help the women establish, manage, and market their own micro-enterprises so they can continue to earn a living producing and selling shawls once the company leaves the area.

and sewing classes are held regularly for community members who wish to learn new skills and establish their own micro businesses. The company also provides the children from Iroco with daily transportation to and from their schools in Oruro.

On the more philanthropic end of CSR activities, Inti Raymi also supports a number of local institutions with cash donations and in-kind gifts. For example, in 2005 the company donated US$1,610 worth of musical instruments to schools in Villa Chuquina and La Joya and US$353 worth of bookshelves to furnish the administrative offices in local communities. The company also donated US$50,000 to Oruro's professional soccer team, making Inti Raymi the team's official sponsor. In addition, the company has offered its employees and local community members training in mechanics, automotive electricity, and the operation of heavy machinery, with the intention of equipping people with new skills so that they can find employment when the mine closes.

3.3.2 Project Impacts

Inti Raymi's CSR activities will be analyzed on the same two levels as Minera Yanacocha's CSR activities were analyzed above: 1) the projects' contributions to local development (using health, education, income, and quality of life as indicators of development), and 2) the anticipated *sustainability* of such contributions. The following findings are based on data gathered from:

- Semi-structured interviews with project participants, local government authorities, company managers, and members of NGO[46]
- Observations from visits to project sites
- Research conducted by the IDRC and the World Bank (Loayza et al., 2001)
- Census data and corporate reports

[46] See Appendix II for a complete list of interviewees.

Findings

The same set of indicators will be used to consider the impacts of Inti Raymi's projects on local sustainable development as were used above to assess the impacts of Minera Yanacocha's projects.

i. *Quality of Life*

Inti Raymi's social development projects have been applauded by a number of researchers and international institutions for improving the quality of life of those living in the communities surrounding the mines. According to a report by the Overseas Development Institute (2003), "Although projects in the extractive industries can have serious environmental impacts and be socially disruptive as well, Inti Raymi has improved lives throughout the local and regional economy…" (p.5). Further, Loayza et al., (2001) concluded "The presence of the company and the Inti Raymi Foundation in these communities enabled the development of alternative economic activities and the improvement of health and education services" (p.77). However, because the Foundation did not conduct baseline studies prior to project implementation, there is little quantitative data available to substantiate these claims. Nevertheless, some conclusions can be drawn from qualitative research conducted in the region. For example, a study conducted by Gutierrez & Jones (2005) found that as a result of the Inti Raymi Foundation's investments in social development, the living conditions in local communities have improved, as more than 200 families in the region now have access to water, electricity, and latrines. Interviews conducted as part of this thesis supports Gutierez's and Jones' findings. When asked if anything had improved in their community since the arrival of Inti Raymi, a number of people interviewed said that there was a noticeable improvement in the quality of life. According to one individual from San Antonio Cruzani, the construction of wells has greatly benefited his community during the dry season, as people no longer have to travel as far to get water.

ii. Health

There appears to be a direct correlation between the implementation of Inti Raymi's projects and improved health and healthcare in the communities surrounding the mines. In terms of health, Dr. Alberto Romero, Manager of Inti Raymi's health projects, has noted that the average birth weight – an important predictor of health[47] – of children born in Villa Chuquina has increased and now exceeds the national average by 500g (A. Romero, personal communication, July 3, 2006). In terms of healthcare, research conducted by Loayza et al., (2001) found that childbirth coverage in the communities surrounding Inti Raymi's mines increased substantially from 33.3% in 1995 to 57.4% in 1998. Such improvements are likely a result of the services offered by Inti Raymi's medical centre in Villa Chuquina as there have not been any other health care initiatives implemented by other organizations in the area.[48] Interviews conducted in the area also suggest improvements in health and healthcare in the local communities. When asked if there had been any improvements in the community since the arrival of Inti Raymi, a number of interviewees identified an improvement in healthcare. Moreover, when asked if the Foundation's projects had benefited them in any way, one quarter of respondents

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[47] According to a report by the World Health Organization (2004) "Low birth- weight is closely associated with foetal and neonatal mortality and morbidity, inhibited growth and cognitive development, and chronic diseases later in life" (p.2).

[48] While low birth weight is often the result of long-term maternal malnutrition and ill health, low birth weight has also been attributed to poor pregnancy healthcare (World Health Organization, 2004).

said that the health of community members had improved as a result of increased access to health services and clean water.

Although there appears to be an improvement in health and healthcare in the communities, as indicated by community members, it is interesting to note that a number of those interviewed mentioned a concern regarding health risks associated with water and environmental contamination. This perception of risk merits further investigation as two local researchers recently published a report that cites evidence of environmental contamination from the Kori Kollo mine.[49] However, it should be noted that thus far there is no evidence to suggest that the mine has posed a real threat to human health in the region.

iii. Education

The direct impact of the Foundation's projects on education remains unclear. While the percentage of Oruro's rural population that has received secondary and post-secondary education increased slightly between 1992 and 2001 (see Table 3), it is difficult to say how much the Foundation's activities have directly influenced rising education levels in the region. When asked if there had been any improvements in the community since the arrival of Inti Raymi, a number of the individuals interviewed as part of this case study said that there have definitely been more options for study. At the same time, research conducted by Loayza et al., (2001) concluded that although Inti Raymi's construction of schools and donation of educational materials have contributed to "improved learning conditions" they have not improved dropout rates caused by

[49] "Salinización y metales pesados" by Juan Carlos Montoya y Richard Mendieta, 2006.

migration (p.78). Thus due to the limited availability of data for the area and the insufficient number of baseline studies conducted by the Foundation, the impact of Inti Raymi's projects on education remains somewhat unclear. The Foundation has identified this as a concern and is currently conducting a study on the impacts of its student scholarship program.

Table 3 Education Levels in Rural areas of Oruro (% of population)

	1992	2001
None	27.71	18.47
Primary	59.07	59.11
Secondary	9.02	16.87
Superior*	3.46	4.84
Other	0.74	0.71

*Includes technical institutes and universities (normal, military, or police)

Source: Adapted from INE, 2006

iv. Income

The direct economic impact of the Foundation's work is also difficult to ascertain, as there are a number of factors that have contributed to changes in the communities' income levels. Average income levels in the towns of La Joya and Villa Chuquina have increased by 400 percent since the arrival of Inti Raymi (Loayza et al., 2001), but this is more likely attributable to the increased incomes earned by residents employed by the mine than anything else. A number of community members interviewed by Loayza et al. (2001) said that although they valued the Foundation's support, they did not expect its projects to significantly change their lives, whereas a job at the mine would result in significant change. At the same time, field research conducted as part of this thesis suggests that the projects have had at least some positive economic impact on participants.

Interviews conducted with local communities members who participated in a variety of Inti Raymi's economic development projects (agriculture and livestock improvement projects, the micro-credit program, the artisan cooperative, and capacity-building workshops), suggest that such projects have increased participants' household income and quality of life, above and beyond the benefits reaped from employment at the mine. The majority of the individuals interviewed stated that they had experienced an increase in income as a result of the projects. For example, one individual from the community of Quimsachata mentioned that Inti Raymi's agriculture and land recuperation projects have increased the quantity of fodder available to feed his sheep, which has in turn increased the weight of the animals (at 6 months) from an average of 5-7 kilograms to 10 kilograms. His family now earns a higher income because they can charge more in the market for heavier animals. The construction of a stable (as part of one of Inti Raymi's projects) has also proved beneficial, as he is no longer losing so many lambs to the cold. Another individual said that Inti Raymi's artificial insemination project has helped her father double his income as it has improved the genetic quality, and thus selling price, of his sheep. When asked what an increase in income has meant for them or their families, a number of individuals replied that it has allowed them to buy more food for their families and send their children to better schools.

v. Sustainability

Thus far, Inti Raymi's CSR initiatives appear to have had an overall positive impact on the communities surrounding the company's mines, as there has been a noticeable improvement in the quality of healthcare offered within the communities and an overall improvement in the quality of life. Moreover, it appears that Inti Raymi's capacity-building programs have helped a number of families earn higher incomes. However, there is some concern regarding whether or not Inti Raymi's projects can contribute to the *sustainable* development of the communities. When asked about the strengths and weaknesses of the company's CSR program, all three Inti Raymi managers replied that the company's social development projects are often too paternalistic and did not contribute enough to sustainable development. They said that the company needed to focus more on capacity-building to avoid the creation of dependency and ensure the communities' self-sustainability. All three managers admitted that they were particularly worried about the sustainability of the community of Villa Chuquina beyond the life of the mine because much of its current population immigrated to Villa Chuquina to seek work at the mine. According to Humberto Rada Gomez, the General Manager of Inti Raymi, although the Foundation's projects are developing economic activities that will help communities prosper beyond the life of the mine, without the mine, the economic situation of Villa Chuquina, La Joya, and Iroco will undoubtedly suffer. According to Ibo Blazicevic, Supervisor of Inti Raymi's Community and External Relations department, the company anticipates high levels of emigration from Villa Chuquina upon the closure of the mine, but has committed to working on sustainable farming projects with community members who plan on staying.

These worries about sustainability are shared by NGOs operating in the department of Oruro. According to two individuals interviewed from CEPA and Fobomade, Inti Raymi's social development projects are too small and piecemeal to contribute to sustainable development in the region. Further, Emilio Madrid Lara of

CEPA said that he believed Inti Raymi's projects would have a very minimal impact on even *local* sustainable development because the benefits of the projects will be short-lived. For example, he contended that the quality of water in the dugouts created by Inti Raymi will deteriorate after time and the dugouts will eventually dry up.

Interestingly, despite concerns expressed by company managers and local NGOs, the majority of project participants interviewed said that they thought Inti Raymi's projects had contributed or will contribute to the sustainable development of their community. For example, an individual from San Antonio Cruzani said that the benefits of the projects were long-lasting and that the community can build on the projects in the future, while an individual from El Choro said that the projects have increased the income of people in the countryside, thus helping prevent emigration to the city.

There appears to be conflicting feedback concerning the sustainability of Inti Raymi's projects; however, this may be explained by the variety of projects Inti Raymi has executed. For instance, when providing feedback on the sustainability of Inti Raymi's projects, some interviewees may have been thinking more about infrastructure improvement projects, while others may have been thinking more about capacity-building projects. Ultimately, some of Inti Raymi's projects may offer more sustainable benefits than others. For example, projects that have provided participants with new skills and knowledge that they can use to increase the productivity of their own businesses appear to offer more sustainable benefits than projects that rely on the continued financial support of Inti Raymi, such as the health services provided by the company's medical centre in Villa Chuquina. According to company managers, the medical centre will remain open following mine closure as the company plans on transferring the administration and financial responsibility of the centre over to the municipality of Toledo upon mine closure. The communities will continue to reap the benefits of having a medical centre in their community; however, because the remaining medical staff's salaries will be reduced once the centre is transferred from private to public hands, company managers expect that the medical treatment in the communities will decrease somewhat in quality.

3.4 Summary

The data on both Yanacocha's and Inti Raymi's development projects is sufficiently revealing that a basic assessment of the potential for CSR programs to contribute to local sustainable development is now possible, at least in its broadest terms. The following chapter provides an in-depth discussion of what types of projects are most effective and what conditions are required for companies' CSR programs to successfully contribute to local sustainable development.

4 Discussion & Analysis

4.1 Introduction

The case study presented here of Newmont Mining's CSR programs in Peru and Bolivia sheds light on a number of questions regarding the role of CSR in development. Political, social, and economic situations vary from country to country and different industries must deal with slightly different sets of social and environmental challenges; however, a number of issues raised in the case of Newmont Mining are relevant to many other companies engaged in CSR, particularly those working in developing countries. Information and findings from the case study can thus be used to address some of the arguments made by the proponents and opponents of CSR, as well as to draw some general conclusions about whether or not CSR programs can contribute to local sustainable development.

The case study presented in Chapter 3 revealed that there is potential for companies' CSR programs to contribute to local development, most specifically in terms of improvements to health, education, income levels, and quality of life of targeted communities. The information provided in the case study suggests that improvements to education, income levels, and the standard of living in certain communities in Cajamarca are at least partly attributed to Minera Yanacocha's CSR initiatives in the region. Likewise, improvements to health, income levels, and the quality of life in certain communities in Oruro appear to be at least partly attributed to Inti Raymi's CSR initiatives. However, the case study raised some concern regarding the sustainability of some of these improvements. In both Cajamarca and Oruro, the *sustainable* development of local communities appears to be threatened by both companies' overly paternalistic approach to development, as well as by a lack of participation by community members, local NGOs (and other development experts), and government agencies, in project design, development, and execution. Given their potential to weaken the positive impact that companies' CSR programs can have on sustainable development, the issues of paternalism and lack of participation will be discussed more thoroughly below as we return to some of the key arguments made by those in favor of, and those against, the use of CSR to promote development.

4.2 Revisiting CSR advocates' arguments

Chapter 2 outlined a number of arguments made by CSR proponents who support the hypothesis that CSR programs can contribute to development. Among these arguments is the claim that CSR can help companies maximize the positive spillover effects of foreign direct investment. The case of Newmont Mining provides some support for this claim. There is certainly evidence in the case study to suggest that the companies' CSR practices have helped it increase job creation. As part of their commitment to social responsibility, both Inti Raymi's and Minera Yanacocha's hiring policies include a commitment to hire local people before hiring people from other countries or other parts of the country. As a result, half of Minera Yanacocha's workforce is from the region of Cajamarca, and three quarters of Inti Raymi's workforce is from the department of Oruro. The policy of hiring of local people over foreigners not only maximizes job creation in the region, but also creates more opportunities for knowledge transfer, which helps the local population improve its capacity to develop and manage similar operations on their own in the future and decreases the region's reliance on foreign companies for industry development.

As part of Minera Yanacocha's commitment to CSR, the company has also searched for ways to establish new local economic linkages in order to stimulate the local economy. The company has achieved this to some extent through capacity-building programs that assist local small and medium-sized businesses improve their productivity and product quality enough to meet Minera Yanacocha's supplier standards. All three companies interviewed who participated in the SME Linkages Program said that the program helped them increase their business's productivity and product quality enough to become one of Yanacocha's suppliers. As suppliers to Yanacocha, the companies have not only increased their revenue, but are now in a better position to market themselves to other large buyers in the region, having demonstrated their ability to fulfill large orders and to meet international manufacturing and product standards.

Newmont Mining's CSR programs have also provided local communities with new and improved infrastructure. In addition to building medical centers, wells, roads, plazas, and electrification systems in local communities, Inti Raymi has donated the company's airport and runway to the city of Oruro. As part of the company's commitment to corporate social responsibility, Inti Raymi also plans on transferring the mine's entire infrastructure, including housing, over to the department of Oruro following the mine's closure. Thus far there are plans to convert the mine's infrastructure into one of the following: an industrial park, a university specializing in indigenous studies, tourist accommodation, or a military base. According to company managers, a decision will be made by the regional government based on which option will likely generate the most employment and long-term economic development in the region.

A second argument made by proponents of CSR is that there is potential for CSR initiatives to contribute to sustainable development because companies are moving beyond traditional philanthropic initiatives (such as providing schools with computers) and beginning to invest more in social projects aimed at ensuring the long-term sustainability of communities and the environment. The case study provides some support for two components of this argument: 1) it gives an example of one company that is indeed moving beyond philanthropy; and 2) it illustrates a case in which moving beyond philanthropy increases the potential for a company to contribute to sustainable development through its CSR initiatives.

The case study certainly supports the claim that companies are shifting away from philanthropy towards more development-focused CSR initiatives. Minera Yanacocha recently shifted the way it approaches CSR, now making fewer charitable donations and instead investing more in training and education projects that help local communities develop businesses and economic activities that will allow them to prosper beyond the life of the mine. One example of this shift is the creation of ALAC, Minera Yanacocha's corporate foundation, which works to develop the economic sectors of Cajamarca through capacity-building projects that improve the skills, knowledge, and business acumen of local farmers, artisans, and business owners. Further attesting to this shift, Minera Yanacocha's 2003 Social Responsibility report states:

> Although Yanacocha has a donation program and policy which has distributed nearly 115 thousand dollars to dozens of organizations and social institutions in 2003, this program is governed by the principles of philanthropy and does not necessarily incorporate a clear sustainable

> development philosophy, nor does it commit substantial funds. The general philosophy of our policy in this regard is to reduce donations in order to place a greater emphasis on social support and development (Yanacocha, 2003:38).

It is clear that a shift in the company's general approach to CSR has occurred. However it is less clear whether this shift, on its own, will increase the company's contribution to sustainable development.

The information provided in the case study supports the argument that certain kinds of philanthropic contributions, such as gifts and handouts, are not the most effective way to contribute to sustainable development. Based on the experiences of a number of the people interviewed, it seems that straight philanthropy often leads to dependency. For example, according to James Moore, the Operations Manager for Inti Raymi, members of the communities surrounding the company's mines think that the company should take care of them. Moore faults the company for this because Inti Raymi often throws money at the communities to ease tension between the company and community members. This is worrisome because a community's dependence on a particular company could threaten its sustainable development: community members may become accustomed to receiving handouts and hence fail to develop economic activities and ties that will support the community when the company leaves. Moreover, if a company offers handouts to a community on an ongoing basis, the local government may not feel the need to allocate public resources to the community. When the mine closes, the community could then find itself abandoned by both the company and the local government. The existing literature and the case study point to the same conclusion: in order to prevent communities from becoming dependent on companies*, companies should engage in capacity-building projects that help communities help themselves*, instead of engaging in straight philanthropy. However, simply engaging in capacity-building projects does not appear to be enough either. Capacity-building projects, when directly implemented by a company, can also create dependency and reduce a local government's motivation to uphold its duties to its citizens, particularly in countries that lack robust democratic institutions and systems to ensure government accountability. The case study suggests that *the level of community and government involvement in project design, development, and implementation, are critical factors* in ensuring that capacity-building projects achieve local sustainable development.

My research suggests that by working more closely with local NGOs, community leaders, and local governments, on project design and execution, companies can play a less paternalistic role in community development, and communities and governments can take greater ownership of development projects (Hamann, 2003). It has also been Inti Raymi's experience that as owners of a project, communities and governments often have a more vested interest in ensuring the project's success and sustainability. The company has also found that when community members are involved in the design and implementation of a project, they are better able to replicate the project on their own than when someone else has designed the entire project on their behalf.

Having only recently begun working with community members, NGOs, and local governments on project design and implementation, Minera Yanacocha is still widely criticized for creating dependency in the communities with which it works. On the other hand, the only people interviewed in Bolivia who expressed a concern about dependency created by Inti Raymi were Inti Raymi managers. Inti Raymi's policy of involving community members and government in the execution of its social development projects has apparently played a role in preventing community dependence on the company. Nevertheless, Inti Raymi managers felt that the company continued to engender dependency through some of its charitable contributions. According to Ibo Blazicevic, a manager at Inti Raymi, the company tries to design all of its projects in such a way that they contribute to sustainable development, but it is not always possible to achieve this. He said that charity is often still used as a way to appease disgruntled communities and avert company-community conflicts that threaten to disrupt the mine's operations. For example, the company recently donated US$50,000 in cash and gifts-in-kind to the community of Toledo in order to avert a blockade of the mine's operations. A problem with this type of "CSR"[50] is that money is frequently channeled towards projects that offer the community immediate, but often short-term, benefits, rather than towards projects that foster sustainable development. Projects that generate sustainable benefits, such as capacity-building projects, often take an extended period of time to produce tangible results. Companies desperate to pacify a community quickly in order to avoid disruption to their operations thus often favor projects that offer immediate benefits, even if the benefits are not sustainable. As an example, in 2003 Minera Yanacocha gave forty bags of fertilizer to local farming communities in response to the communities' complaints that the mine had killed fish in a nearby stream. Although the fertilizer benefited the communities in the short-term and bought the company a temporary social license to operate, it did not solve the problem of the dying fish, nor did it provide a

[50] Companies often list these types of contributions in their CSR reports as examples of their commitment to the community. Making charitable contributions to co-opt or appease communities hardly exemplifies socially responsible behavior. However, given that the purpose of this thesis is to look at the impacts of companies' CSR initiatives on development, and not to debate the motivation behind such initiatives, whether Inti Raymi's contribution to the community of Toledo should fall under the umbrella of CSR will not be debated here.

sustainable solution for farmers plagued by poor soil conditions. As a result, the communities will likely return to demand more of the company once the benefits from the fertilizer begin to wane.

By continuously placating a community's grievances with handouts, a company not only risks engendering dependency, but also risks developing a tenuous community-company relationship based on mutual extortion. Community leaders soon learn that if they want goods or services delivered to their communities they simply have to threaten the company, and the company learns that if it wants the support of the surrounding communities, it can simply buy them off with a few thousand dollars. Minera Yanacocha is hoping that the community development plans created by local NGO, ASODEL, will at least help ensure that any charity distributed as part of a risk-mitigation strategy will better contribute to sustainable development by responding to communities' long-term needs.[51]

In sum, proponents of CSR are correct in suggesting that there is more potential for CSR programs to contribute to sustainable development, now that companies are moving away from old-fashioned philanthropy and towards investing more thoughtfully in social development projects. However, it should be added that in order to prevent dependency and increase the likelihood of fostering sustainable development, companies must invite government agencies, local NGOs, and community members on board to participate in the design, development, and implementation of such projects. This is a recommendation that was made by a number of Minera Yanacocha's managers, as well as development experts, such as Dante Vera, who are working with the company to help

[51] It should be noted that ASODEL created the community development plans based on development priorities identified by community members.

create sustainable development in Northern Peru. Of course, working with these different groups of people introduces an added degree of complexity to the company's already challenging task of contributing to sustainable development through CSR. This complexity is an issue to which we will return in the final chapter.

The case study presented in Chapter 3 suggests that there is potential for carefully managed CSR activities to contribute to local sustainable development. However, it also suggests that there are obstacles and limits to the contributions CSR programs can make to development.

4.3 Contemplating the Criticisms

The above discussion about the potential for CSR programs to create dependency alluded to a separate, but related argument made by CSR critics – namely that CSR may reduce governments' motivation to fulfill their responsibilities to their citizens. That is, not only citizens, but also governments, may come to depend on the company for support. While this was not a concern expressed by anyone interviewed in Cajamarca or Oruro, investigations into the funding of certain projects in Oruro indicate that this might be a plausible criticism. For example, the medical centre in Villa Chuquina was constructed with a combination of funds from Inti Raymi and the State's Social Investment Fund. However, since the centre opened, Inti Raymi has been responsible for the administration of and payment for all services offered. The company has been trying to enter an agreement with the Department of Health that would require the government to pay for basic health services offered to children and pregnant women, as required under Bolivian law no. 2426.[52] The government has thus far refused to pay for these services in Villa Chuquina, arguing that the company has plenty of money and therefore ought to pay for them. This scenario supports CSR critics' claim that CSR can encourage governments to shirk their responsibilities to their citizens. In this case, the government's reliance on the company to pay for public services could prove to be problematic for end users. For example, if the company decides to leave and the government has not budgeted adequately to assume the financial responsibility, services may cease to be provided. There is evidently a fine line between being a "socially responsible company" and being a "pseudo government", and if that line is crossed, companies risk sending the message to a cash-strapped government that its services are no longer needed. However, like the aforementioned dependency problem, this problem can be avoided if companies play a less paternalistic role in social projects and solicit greater participation from government from the very start. As suggested by Hamann (2003), companies ought to "lead from behind" by acknowledging the legitimacy of the state and providing it with the resources it requires in order to play an active managerial role.

The mistake Inti Raymi has made in providing pseudo-governmental services leads to a second criticism of CSR that was outlined in the literature review in Chapter 2: corporations generally lack development expertise. It is true that neither Minera Yanacocha nor Inti Raymi has significant development expertise – most of their employees are trained in business and engineering. It is also true that both Minera Yanacocha and Inti Raymi have funded a few projects that have done little to promote sustainable development; the construction and improvement of plazas and soccer fields

[52] In 2002, the Bolivian government introduced the Universal Maternal and Child Health Insurance program to provides basic health services to pregnant women and to children under five. Health centres are reimbursed by the State on an annual basis for services provided under this program.

are good examples of such projects. However, one could argue that worries about companies' lack of development expertise are beside the point, given the large number of development organizations and development experts willing to help companies design and execute their social development projects. In the case of Inti Raymi, the company has hired a number of development experts to work in-house to manage and execute the projects funded by the company's foundation. Taking a slightly different approach, Minera Yanacocha has established a corporate foundation to fund projects that are executed in the region by local and international development organizations. The company has hired a former director of CARE[53] Peru to manage the foundation and to ensure that funds are channeled towards projects that are most likely to contribute to the sustainable development of Cajamarca. Both models seem promising as ways to help companies navigate unfamiliar territory and avert some development disasters; however, it is worth pointing out that each model has its own set of advantages and disadvantages. When a company both funds and executes projects, either on its own or through a corporate foundation, it runs a greater risk of creating dependency. However, this model might be a better way for a company to acquire or maintain its social license to operate, since this model encourages community members to directly associate the company with the projects. Conversely, when a company uses the model employed by Minera Yanacocha, project participants do not readily connect the company with the project, thereby reducing the community's dependence on the company; however, contrary to the

[53] CARE is an international humanitarian organization that works in communities to help fight poverty. CARE's programs focus on a range of development issues that include: natural resource management, education, emergency relief, health, HIV/AIDS, economic development, water and sanitation, and nutrition.

company's interest, such an outcome provides little benefit to the company's public image.

The topic of corporate image leads to a third concern about CSR. In a perfect world, CSR programs would be used by all companies to increase the positive impacts and reduce the negative impacts of their operations on people and the environment. Nevertheless, it cannot be ignored that CSR is often 'sold' to business as a risk management tool and as a way for companies to improve their image. The latter 'benefit' of CSR, of course, has sparked fervent criticism. As outlined in Chapter 2, some CSR critics claim that companies often use CSR programs to mask the devastating environmental and social impacts that their operations have on communities. The case study presented in Chapter 3 offers an example of such misuse or abuse of the term 'CSR'. According to Raphael Escobar of ITDG, a development organization in Cajamarca, Minera Yanacocha often informs communities about a project it is going to implement, without providing them with reasons for the project. For example, the company will advise a community that it is going to build a canal so that community members will have access to more water, but they do not divulge that the *real* reason why the company is building a canal is because the mine's operations dried up the community's original water source. By failing to provide the true reason behind the project, the company can dupe community members into believing that it is an exemplary corporate citizen concerned about the wellbeing of its neighbors, while at the same time continuing to engage in environmentally destructive activities. This account seems to support Fig's criticism that "What passes for CSR is often greenwash, distracting the gullible into believing that business has a serious sustainability agenda” (Fig, 2005:617). This practice is not only unseemly, but it also fails to promote sustainable development.

It should be noted that the above account is not necessarily indicative of a general tendency on the part of Minera Yanacocha to use its CSR programs as a greenwashing tactic. In fact, the case study presented in Chapter 3 – especially the data emerging from the interviews conducted with project participants and company managers – suggests that most of the company’s CSR initiatives meet the dual objective of helping the company earn a social license to operate while contributing to sustainable development. Such win-win CSR initiatives do not warrant criticism, as image improvement is often a natural by-product of a job well done. However, critics are right to condemn projects that are clearly nothing more than risk management activities disguised as acts of corporate social responsibility, as such projects often work more to ensure the sustainability of the corporation rather than the sustainability of the environment and surrounding communities.

Related to the discussion about risk management is the criticism that corporations use CSR to legitimize illegitimate capitalist expansion and to garner support for a market-based economic system, a system which may not in fact benefit those who are the ostensible targets and beneficiaries of CSR programs. A review of the CSR initiatives carried out by Minera Yanacocha and Inti Raymi goes some distance towards substantiating this argument. Both companies’ development projects focus heavily on building the capacities of local businesses and encourage development through economic growth. Even projects that do not directly focus on business development sometimes seem to promote the capitalist system and its values. For example, although the Program for the Formation of Young Entrepreneurs in Cajamarca is considered an educational development project, the aim of the program is to equip students with the necessary skills to succeed as a businessperson in a free-market economy. As an added benefit to Minera Yanacocha, this program's curriculum helps the company justify its operations by sending an implicit message to students that free-market capitalism and business is good for the country's development. So, the critics may have a point, but one must ask if the legitimization of capitalist expansion is necessarily a bad thing. In places like Cajamarca and Oruro that were already operating within the capitalist system when Minera Yanacocha and Inti Raymi arrived, one can hardly criticize the companies for helping businesses operate more efficiently. It would seem that the only way CSR could be damaging, at a local level, in this regard is if the promotion of the free-market economy were to make communities worse off. Thus this criticism is perhaps more of an attack on a particular ideology than a criticism of CSR itself.

As mentioned in Chapter 2, the CSR movement has also been criticized for failing to challenge companies in areas where their contribution to society could be most tangible and effective, namely in the payment of taxes and royalties. Indeed, one could argue that one of the best ways for companies to contribute to a country's development would be to give more money to the institutions in charge of development, viz. government agencies, as it would provide the company with more time and the government with more resources to do their respective jobs. However, whether due to corruption, inexperience, or political infighting, governments cannot or do not always make efficient use of tax revenue and royalty payments.

My case study illustrates this latter point quite clearly. Between 1993 and 2004, Minera Yanacocha paid over US$600 million in income tax to Peru's central government. Peruvian law requires that fifty percent of the income tax generated by mining operations be transferred, via royalty payments, to the regional and municipal governments where the mining operations are located. Such being the case, the regional and municipal governments of Cajamarca were entitled to US$300 million in royalty payments between 1993 and 2004. However, the International Financial Corporation (IFC, 2005) has pointed out "One of the greatest problems facing the company has been local governments' difficulty in converting record revenues from mining activities into tangible standard of living improvements for local residents…"(p.1). Until recently, Peruvian law mandated that all royalty payments be used solely for infrastructure development. In order to access the royalties they are entitled to, regional and municipal governments are required to submit project proposals to the central government. Royalties are only transferred to regional and municipal governments whose project proposals meet the National System of Public Investment's guidelines. Due to a combination of a lack of experience, lack of capacity, and lack of human resources, a number of project proposals submitted by the regional and municipal governments of Cajamarca have failed to meet these guidelines. As a result, each year, for the past three years, the department of Cajamarca has only spent a portion of the royalties to which it was entitled. For example, in 2004, the department spent roughly 85% of its royalty payments,[54] leaving approximately US$7 million unused (Boza Dibos, 2006). In this instance, it would seem that any increase in taxes paid by the company would have little

[54] It should be noted that the royalties referred to here represent the total royalties received from a number of different industries including mining, petroleum, forestry, gas, hydro, and fishing.

added impact on the development of Cajamarca, as the government is apparently not even capable of spending all of the money it is currently allocated. This is not to suggest that Minera Yanacocha's corporate tax rate is either fair or sufficient; that is a decision that ought to be left to the Peruvian government and the voters who elected it. What it does suggest is that increasing the amount of royalties and taxes paid to a country's government may or may not, depending on the national, regional, or municipal governments' competency and interests, contribute to a country's development.

In practice, it would be difficult for most managers to justify to company shareholders any voluntarily increase in the payment of taxes. However, companies committed to CSR could help ensure that the taxes they do pay to the government is spent efficiently by equipping inexperienced governments with budgeting and project management skills through, for example, company sponsored workshops. Minera Yanacocha has recently partnered with the IFC in a pilot project to help the regional and municipal governments of Cajamarca improve their abilities to design, propose, and manage infrastructure projects so they can access their royalty payments from the central government. If successful, this initiative could act as model CSR project for other companies wishing to ensure that the benefits of their operations trickle down to local communities.

A final criticism of CSR addressed by the case study is that CSR programs are unlikely to produce long-term social benefits because companies' actions are ultimately governed by the short-term demands of the stock market. Companies engaged in CSR often refer to their commitment to the "triple bottom line," in other words, their commitment to fulfill their social, environmental, and financial responsibilities.[55] However, CSR critics argue that, given managers' fiduciary duty to company shareholders, companies' voluntary social and environmental responsibilities will inevitably be abandoned if profit margins show signs of diminishing. Surprisingly, the case study offered in Chapter 3 suggests that this does not always occur in practice: in particular, at least one company did not abandon its commitment to CSR during market downturns. According to Ibo Blazicevic, Inti Raymi continued to implement its social development programs when the market price of gold dropped steadily between 1996 and 2001 from US$386 per ounce to a low of US$225 per ounce.[56] This seems to constitute at least some evidence that companies do not necessarily abandon their commitment to CSR when profit margins begin to narrow.

Information gathered in interviews conducted with managers from Inti Raymi and Minera Yanacocha further supports the idea that companies can continue to address their social and environmental responsibilities during less profitable times. The price of gold has soared over the past two years, making it relatively easy for Minera Yanacocha and Inti Raymi to meet all of their social and environmental responsibilities while satisfying their shareholders. When asked what would happen to the companies' development projects if the price of gold dropped, managers from both Minera Yanacocha and Inti Raymi affirmed that the projects would continue to receive the companies' financial support because social development had been integrated into the companies' business strategies. However, Ricardo Morel of Minera Yanacocha acknowledged that less money

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[55] Although referred to regularly in the literature on CSR, the idea of a company trying to measure or quantify its social and environmental performance the same way it quantifies and measures its financial performance has generated some criticism. For a critique of "the triple bottom line" paradigm, see "Getting to the Bottom of 'Triple Bottom Line'" (Norman & MacDonald, 2004).
[56] Date retrieved from Economic History Resources: http://eh.net/hmit/goldprice/

could be channeled towards social development if profit margins decreased. For this reason, the company is currently seeking more partners to co-finance its social development projects so the projects would not be abandoned in the event that Minera Yanacocha could not continue contributing as much. In the case of Inti Raymi, Humberto Rada explained that there would be less money available for social development projects if gold prices dropped, as under the company's profit sharing program communities are allocated 1% of the mine's revenue rather than a fixed sum of money. Thus it appears that although companies' financial responsibilities are indeed their priority, there are ways that companies can fulfill their social and environmental responsibilities even during less profitable times. At the same time, it must be recognized that companies must at least be earning some profit to invest in CSR, as companies whose expenses continuously exceed their revenues will ultimately go out of business. For this reason, CSR critics are correct to point out that the long-term benefits of CSR are, to a certain degree, dependent upon the financial success of the company. Such being the case, there is a limit to which companies' CSR programs can contribute to sustainable development, as companies cannot spend all of their money on activities that do not generate profit without endangering their own existence.

4.4 Additional Concerns

My case study points to an additional criticism of CSR that is not prominent in the literature. NGOs in both Cajamarca and Oruro expressed reservations about the possibility for the mining companies' CSR programs to contribute to sustainable development, because they say the programs are too fragmented and isolated. This argument seems to be supported by research conducted by Loayza et al., (2001) who found that although Inti Raymi's Livestock Promotion Center (CEPROGAN) has benefited local peasants, "it has not managed to raise income levels sufficiently to avoid the systematic abandonment of the region" (p.78).

Looking at the percentage of Oruro's or Cajamarca's total population that has participated in or benefited from the companies' CSR initiatives, it does seem that the companies' projects have had a relatively small direct impact in the regions as a whole. For example, only about 35,000 of the 1,259,829 people living in the department of Cajamarca reside in communities that receive support from Minera Yanacocha's Community Relations & Social Development department, and only an additional 21,000 families have benefited from ALAC's projects. In total, Minera Yanacocha's CSR initiatives have only had a direct impact on roughly 10% of Cajamarca's total population[57]. Inti Raymi's CSR projects have reached an even a smaller percentage of Oruro's population, only directly benefiting approximately 1100 families in a department with over 391,860 residents. However, one must consider that these figures only represent the number of people who have experienced the *direct* benefits of the companies' CSR initiatives and that there are undoubtedly a number of people who have indirectly benefited from these initiatives. For example, for every local company that improved its productivity or increased its revenues as a result of the capacity-building projects, there are likely customers that now receive better quality goods and/or employees who now earn higher wages. Furthermore, when looking at communities that have been the direct targets of the companies' CSR initiatives, it appears that each

[57] Percentage calculated based on the assumption that there are an average of 5 people per family as it has been found that women in Cajamarca have an average of 3.5 children (Aramburu, 2006).

company has made a much more significant impact. For example, both Inti Raymi's and Minera Yanacocha's CSR initiatives appear to have increased the standard of living in the communities surrounding the mines. As a result of the companies' CSR projects, many of these communities now have electricity, sanitation systems, potable water, and access to better health and education services. Moreover, many of the local farmers have been able to increase their monthly incomes as a result of the companies' agriculture and livestock projects. It appears, then, that while companies' CSR programs may be limited in reach, they can make a fairly notable impact on the development of a localized region. How sustainable the development will be is a separate issue.

The case study presented in this thesis raised some doubts about the long-term sustainability of certain CSR initiatives. The benefits of the companies' education and health projects appear to be the least sustainable, as in many cases the company is the sole provider of funds. When the companies leave, it is likely that the quality of care in the health centres and the quality of education in the schools will decrease as the companies currently pay for much of the equipment and supplies, and even for some of the staff's salaries.

Capacity-building projects are likely to have a much more long-term impact on development in the communities as the projects are designed to equip participants with the skills and knowledge necessary to develop alternative economic activities that will enable communities to prosper beyond the life of the mine. These projects generally capitalize on the region's competitive advantages and build upon well-established industries. This way, project participants are not required to make drastic changes to their way of life and are more likely to embrace the new ideas introduced to them. Moreover, because the majority of the development impacts result from newly acquired skills or knowledge, rather than donated goods or services, project participants will continue to benefit from the projects long after the projects end and should be able to replicate the projects on their own in other parts of the community.

A final concern about sustainability relates to the characteristics of the community itself. It appears that CSR programs can do little to ensure the long-term sustainability of certain communities, specifically those that rely on the company's operations as their primary source of livelihood. In the case of Villa Chuquina, the majority of community members moved to the area to seek employment at the mine. As a result, the community is largely made up of a transient population of miners that will likely leave the community in search of work elsewhere when the mine closes. Thus, despite the infrastructure improvements and additional services provided by Inti Raymi to improve the standard of living in Villa Chuquina, the community will likely turn into a ghost town when the company leaves, regardless of how good the company's CSR programs are.

The above discussion suggests that the degree to which a company's CSR programs can contribute to local sustainable development is subject to a variety of factors, some of which are out of the company's control. The final chapter will briefly summarize these factors and recommend ways in which companies interested in contributing to sustainable development can have the greatest impact.

5 Conclusions and Directions for Future Research

The analysis provided in the previous chapter supports the contention that companies' CSR programs can contribute to the sustainable development of the communities in which they operate. However, the analysis provided also suggests that the degree to which CSR initiatives can contribute to sustainable development depends largely on the way the initiatives are designed and how they respond to local circumstances. This chapter outlines three main conclusions that can be drawn from my case study and related research and offers a few suggestions regarding ways companies can increase the contribution their CSR programs make to local sustainable development. The chapter will conclude by identifying some topics for future research that could offer practical solutions to some of the challenges companies face when trying to contribute to sustainable development through CSR initiatives.

5.1 Conclusions

1) Philanthropic contributions made directly to communities tend to contribute less to sustainable development than investments in social development projects that improve the capacity of community members to help themselves. Although money and gifts-in-kind may temporarily improve the lives of recipients, they often only satisfy the community's short-term, rather than long-term, needs. Moreover, they tend to foster dependency, which threatens the community's long-term self-sustainability. Such handouts may also lead to a relationship based on reciprocal extortion in which the company is forced to meet demands for cash or gifts-in-kind in order to maintain the stability of its operations.

Companies wishing to contribute to local sustainable development should look for ways to invest their money in capacity-building projects, preferably ones that are aligned with local development plans and that do not require the company's financial support in perpetuity. This strategy not only helps prevent dependency, but it also helps ensure that projects will be sustainable, even during difficult financial times when companies are forced to reduce spending on CSR in order to fulfill their fiduciary duties to their shareholders.

2) The potential for CSR programs to contribute to the sustainable development of a community can be limited by the composition of the community itself.

Companies that establish temporary operations in an area often attract migrant labour, thereby creating artificial communities that survive primarily on salaries paid by the company. While the company's CSR initiatives may improve the living conditions for community members during their stay, such initiatives may not be able to contribute to the community's long-term prosperity, particularly if the majority of community members plan to emigrate once the company leaves. As noted by Newbold (2003) following her research on the social consequences of mining in Chile, "As long as there is a feeling that this is an area to work but not to live there will be no real long lasting community spirit, and without the spirit the successful transition from mining to new enterprises is not assured" (p.89). This is not to suggest that in such cases companies should not engage in CSR. As seen in the case of Cajamarca, increased levels of crime, violence, and environmental contamination often follow rapid population expansion. The arrival of a number of new people to an area can also change the host community's dynamics. If a company's operations are responsible for a rapid influx of migrant workers, it should do what it can to mitigate any negative impacts the population increase may have on the livelihoods of original community members. *Companies ought to pay close attention to the composition of the communities they operate in, and design their CSR programs accordingly*. In cases where communities are comprised of a combination of permanent residents and migratory workers, companies may want to direct their CSR efforts at ensuring the sustainable livelihoods of those who consider the community home.

3) The level of participation or involvement of local community members, NGOs, and government in the design, development, and execution of CSR programs greatly influences whether or not such programs will have a long-term development impact.

In many cases, NGOs, community members, and governments have valuable development expertise that they can offer to companies in the project design phase so that projects are more likely to meet the community's development needs. Moreover, the literature suggests that a greater degree of participation from these groups will increase the possibility of achieving sustainable development as such participation reduces communities' dependence on the company and prevents governments from shirking their responsibilities to their citizens. Unfortunately, implementing this suggestion is much easier in theory than in practice, due to the conflicting ideological perspectives and agendas promoted by these diverse stakeholders. For example, ideological differences seem to hamper efforts to create lasting company-NGO partnerships, as NGOs and companies often have different ideas about the way development work should be done. Some NGOs take a much more bottom-up approach to development, placing substantive value on community participation, while companies tend to take a more top-down, or paternalistic approach to development. Some of the NGOs interviewed in Cajamarca said they found it difficult to work with Minera Yanacocha because the company had a tendency to dominate the decision making process. Moreover, they claimed that because Minera Yanacocha's priority as a company is to do business and make a profit, company managers are often divorced from the interests of the communities.

The creation of company-government partnerships in development projects appears just as challenging as partnerships between companies and NGOs. When a company' operations are viewed negatively in the eyes of the public – as is often the case with large mining companies – government officials are reluctant to work closely with the company out of fear of losing the support of their constituents (M. Guierra, personal communication, June 19, 2006). Companies are often equally reluctant to work with government, due to fear of bureaucratic delays. For example, managers interviewed at both Minera Yanacocha and Inti Raymi articulated a need for the companies to collaborate more with local governments in order to prevent dependency. At the same time, some company managers expressed frustration at dealing with government policies and processes and said that it was often more efficient to work directly with the communities. Moreover, some managers said that they did not trust government to manage project funds, as government representatives often develop projects that satisfy their personal interests rather than the interests of the communities. For example, in

Cajamarca and Oruro it is not unusual to find a small town with a beautifully constructed plaza surrounded by derelict houses and schoolrooms. Plazas are apparently a popular "development project" among local politicians as they act as a visible and long-lasting reminder of contributions made by a specific government, particularly when the plaza is adorned by a statue of a government official or leader. Unfortunately such projects do little to contribute to the sustainable development of these towns.

As the case study presented in Chapter 3 demonstrates, the obstacles preventing companies from working more closely with government and NGOs are not insurmountable; indeed, Minera Yanacocha is currently working with a number of local development organizations and government authorities to implement its CSR initiatives. Nevertheless, it is evident that working with these different groups of people can present an important challenge for companies wishing to increase the contribution that their CSR initiatives make to sustainable development.

5.2 Areas for Future Research

It is clear from the above discussion regarding the potential development benefits of greater collaboration among business, government agencies, and civil society groups, that further research into the ways such collaboration could be made easier would be valuable. An additional, related topic that deserves further attention is the way companies might be able to help governments make better use of corporate taxes and royalty payments. The suggestion that corporations get involved in public affairs of this nature is troubling since corporations are unelected and therefore unaccountable for government decisions and actions. However, corporations may be able to assist governments in accessing and spending corporate tax dollars more efficiently without necessarily influencing *how* the money is spent. As mentioned in the previous chapter, Minera Yanacocha is currently working with the International Financial Corporation (IFC) to assist the regional and municipal governments of Cajamarca to develop feasible infrastructure projects that can be funded by the company's royalty payments. This type of CSR initiative could potentially be one of the best ways for companies to contribute to local sustainable development, as it capitalizes on the strengths of business – such as expertise in project management and budgeting – and provides local governments with the skills they need to do their job more effectively. With a government that is better equipped to respond to development challenges on its own, companies would not be required to become development experts and could spend more time focusing on business. Of course this type of CSR initiative would only be viable in countries that have relatively stable governments that are interested in working to improve the lives of their citizens. Companies would have to explore alternatives if operating in countries with weak or failed States.

5.3 A Final Note

One of the limitations of this research is that it focuses largely on CSR issues related to one small set of industries, namely extractive industries. Companies in other industries such as manufacturing, agriculture, and pharmaceuticals face different challenges as well as different opportunities to contribute to local sustainable development. Similarly, companies working in different parts of the world are faced with unique political, economic, and social conditions that influence how much impact their

CSR initiatives can have on development. It would be instructive to compile the experiences of companies from a variety of industries operating in a range of countries in order to justify more general conclusions about the potential role of CSR in development. In the meantime, the present research provides some preliminary evidence to suggest that companies' CSR initiatives need not be carried out in vain, and if designed and implemented carefully, can have a positive impact on local sustainable development. Also, despite being focused on the mining industry in Peru and Bolivia, this research does offer some guidance for companies operating in other industries and in other locations that wish to contribute to sustainable development.

Firstly, the case study of Newmont Mining provides some direction for corporations, regardless of the industry, as to how they might best channel their philanthropic contributions in order to make the most lasting contribution to development. Companies from all industries can draw on Newmont Mining's experiences funding development projects in Peru and Bolivia to help them determine what types of organizations and projects would make the most efficient and effective use of their donations. As the case study of Newmont Mining suggests, companies can make a greater contribution to local sustainable development by funding capacity building projects than they can by donating gifts in kind or by funding projects that require their ongoing financial support.

Secondly, the conclusions drawn from this research may prove useful to companies from a range of industries whose operations come in close contact with communities. Oil and gas, agriculture, aquaculture, tourism, and forestry companies that are committed to being socially responsible, may draw on Newmont Mining's lessons learned in Peru and Bolivia to develop CSR policies and programs that will better contribute to the sustainable development of the communities in which they operate, whether in developed or in developing countries. Like Newmont Mining, companies engaged in activities that have the potential to disrupt the livelihoods, culture, or dynamics of local communities, may struggle to respond to the demands of community members and activists in a way that will not engender dependency on the part of the communities. The case study of Newmont Mining offers some insight into how companies in these industries may design win-win CSR programs that will help them legitimize their operations in the eyes of the community while simultaneously contributing to local sustainable development. For example, Newmont Mining has been able to retain their social license to operate in both Peru and Bolivia by working closely with community members to develop economic activities that will support the communities beyond the life of the mine. The case study may also help companies identify situations where some of their CSR efforts may not be that effective in promoting sustainable development. For example, companies operating in export processing zones (EPZs) may not be able to promote sustainable development in the communities in which they operate as some of these communities are created around the work rather than a sense of shared values, history, and community spirit.

Because this research was conducted in Peru and Bolivia, the case study of Newmont Mining is particularly relevant to companies operating in developing countries. However, companies operating in the developed world may also stand to learn from Newmont Mining's experience in South America. Companies working in developed countries like Canada are often legally required to do more than companies working in developing countries in terms of protecting the environment, and consulting with local communities. Nevertheless, even in developed countries, a gap can still exist between what is legally required of a company and what is considered socially acceptable. For example, in 2005 Nova Scotia's Minister of Environment and Labour approved Pioneer Coal Ltd.'s proposal to extract 1.6 million tons of coal at the Prince Mine Site in the Point Aconi Resource Block in Cape Breton. Although Pioneer Coal obtained the legal right to proceed with the project, the company still faced opposition from area residents and local activist group, Citizens Against Strip Mining. In a case like this, companies may have to go above and beyond what is legally required of them in order to acquire and maintain a social license to operate. The case of Newmont Mining suggests that in such circumstances, a company might seek the expertise and knowledge of community members and local NGOs to better understand how the company's operations could affect the local communities, and to ensure that any potential adverse impacts are mitigated appropriately.

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Appendix I: Interviews, Peru

Project Participants		
# Interviewed	**Type of Interview**	**Projects interviewees participated in**
4	Semi-structured	CITE Koriwasi
3	Semi-structured	Junior Achievement (Teachers)*
6	Semi-structured	SME Linkages Program (3 artisans, 3 business owners)
4	Informal discussion during site visit	FONCREAGRO – Animal Husbandry
3	1 semi-structured; 2 informal discussion during site visit	Guinea Pig Production
3	Informal discussion during site visit	Promotion of Aromatic Herb Cultivation
1	Informal discussion during site visit	Competitive Development of Chirimoya Production

Government		
Name	**Level of Government**	**Position**
Oscar Aguirre*	Regional	Manager, Social Development
Mikki Plaza*	Regional	Manager, Economic Development

NGOs			
Name	**Organization**	**Area of Expertise**	**Relationship with Minera Yanacocha**
Dr. Fredy Regalado	PRISMA	Health	Neutral
Raphael Escobar	ITDG	Infrastructure & Basic Services; Innovation and use of Technology	Negative
Fernando Guerrero Figueroa	ASODEL	Environment; Citizen Participation; Economic Development	Positive
Ana Cecilia Angulo	CEDEPAS	Natural Resource Management; Irrigation; Local Governance	Neutral
Mirtha Vasquez	GRUFIDES	Conservation and Environment; Governance and Democracy	Negative
Carlos Roncal Noriega	INCAP	Sustainable Agriculture; Management of Ecosystems; Participative Democracy	Negative

Managers, Minera Yanacocha	
Name	**Position**
Jose Martinez	Supervisor, Evaluation & Studies
Livio Paliza	Manager, Social Development
Francisco Raunelli	Director, FONCREAGRO
Carlos Scerpella	Manager, Institutional Relations & Communications
Felipe Ramirez	Manager Institutional Relations, External Matters, & Communications
Ricardo Morel	Manager External Matters & Communications

Additional Interviews	
Name	**Affiliation**
Dante Vera	Facilitator/Coordinator of Grupo Norte

* Information from interviews was stolen

Appendix II: Interviews, Bolivia

Project Participants			
# Interviewed	Community of residence	Projects interviewees participated in	Area of influence
1	El Choro	• Cultivation of alfalfa • Irrigation system • Construction of a plaza	Indirect
3	La Joya	• Electrification • Installation of wells • Construction of dugouts • Construction of animal stables • Construction of *sangas de infiltracion* • Construction of a plaza • Knitting workshop	Direct
2	San Antonio Cruzani	• Cultivation of alfalfa • Installation of wells • Construction of dugouts • Micro-credit program • Training programs	Indirect
1	Quimsachata	• Construction of dugouts • Construction of stables • Construction of *sangas de infiltraction* • Capacity-building (animal husbandry)	Indirect
1	Villa Chuquina	• Genetic improvement of farm animals	Direct
4	Iroco	• Construction of a plaza • Baking/sewing workshops • Installation of a water pump • Transportation for school children	Direct

Local Government		
Name	Community	Position
Group Interview	La Joya	Local authorities including mayors, Secretary Generals, and former judicial officers
Lic. Abenor Alfaro Castillo –	Oruro	Director of the Communication Department of the Regional Government of Oruro

NGOs	
Name	Organization
Elizabeth Lopez	FOBOMADE
Emilio Madrid Lara	Centro de Ecologia y Pueblos Andinos - CEPA

Managers, Inti Raymi	
Name	Position
Humberto Rada Gomez	General Manager
James Moore	Operations Manager
Ibo Blazicevic	Supervisor of Community and External Relations