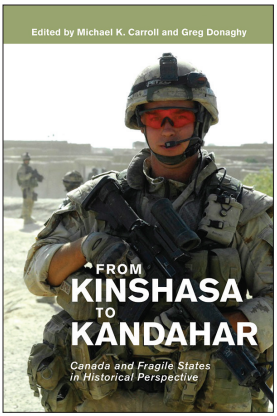

FROM KINSHASA TO KANDAHAR: Canada and Fragile States in Historical Perspective

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CHAPTER 10

CORPORATE SOCIAL RESPONSIBILITY IN FRAGILE AND STABLE STATES: Dilemmas and Opportunities in South Sudan and Ghana

Hevina S. Dashwood

Introduction

This chapter asks whether corporate social responsibility (CSR) can be a means for fostering socio-economic development through a comparison of Ghana (a stable state) and South Sudan (a fragile state), two resource-rich countries in Africa. To address this question, developments in global thinking on the role of the private sector in international development, together with the challenges of CSR implementation in the Global South, will be examined within the broad context of Canadian government policy toward the activities of Canadian extractive companies operating abroad.

The notion that private actors can provide services and development assistance through CSR initiatives runs up against the common perception of multinational companies engaged in resource extraction as being the *causes* of the violent conflicts and human rights abuses associated with resource-rich fragile and failed states. The strong association between

resource abundance, major companies engaged in oil, gas, and mineral extraction, and state fragility, derives from the role of natural resources in providing both a motive and financial support for armed conflict.[1] Ian Smillie, for example, has extensively documented the role of the diamond trade in fuelling violent conflict in countries such as Sierra Leone and Angola.[2] Despite these challenging realities, major donor states and international development organizations, such as the World Bank, are increasingly emphasizing the role of the private sector in fostering economic growth and development in the developing world. The growing attention paid to CSR initiatives reflects an understanding that, regardless of the negative role ascribed to major companies engaged in extraction in developing countries, there is potential for the private sector to play a positive role in promoting sustainable socio-economic progress. In both fragile and stable states such as South Sudan and Ghana, major extractive companies have found that in order to gain long-term success they must engage with local communities and attempt to meet their development needs.

While there is considerable debate as to what CSR does or should entail, it can be defined as the obligations companies have toward society in the environmental, social, and economic realms.[3] CSR needs to be understood as an *obligation*, as opposed to the "discretionary" activities often associated with CSR through companies' charitable or philanthropic activities. These obligations need not be legally required, but they exist because corporations' economic activities affect the social and ecological systems in which they are embedded.[4]

Various components of the institutional context, such as the type of government, government capacity, the regulatory regime surrounding extraction, interdepartmental coordination, and social customs, among other factors, all play a very important role in shaping the types of CSR activities undertaken by private sector actors.[5] Weak government capacity and lack of funding in the developing country context, for example, puts pressure on companies to provide schools, clinics, and basic infrastructure—"public goods" typically provided by governments in advanced industrialized economies. Questions abound about the appropriateness of CSR initiatives that take on government functions, as in the long term these initiatives risk absolving local and central governments of responsibility for the provision of social services.[6] Local communities, however,

often expect this of companies operating nearby, in part to fill the gap left by government, and in part to capture some of the benefits of extraction, even if such benefits may not be sustainable over the long term.

Among developing countries in Africa, what is possible or expected in terms of CSR will vary depending on where the country sits on the fragile-state-to-stable-country continuum. By comparing CSR in Ghana, one of the most politically stable and democratic countries in Africa, and South Sudan, one of the continent's most fragile and unstable states with widespread poverty, violent conflict, and extremely weak or non-existent state institutions, the impact of institutional context on CSR's potential becomes readily apparent. For example, in Ghana CSR activities have increasingly turned to sustainable livelihood projects that support broader socio-economic development goals. In fragile states such as South Sudan, the vulnerability of the fixed assets of extractive companies to attack necessarily places a premium on ensuring security in a manner consistent with international human rights norms.

In keeping with global developments, the Canadian government has placed considerable emphasis on the role the private sector can play in developing countries and has developed a supportive framework for CSR through its "Building the Canadian Advantage" strategy, revised in November 2014.[7] Ghana has long been a "country of focus" under Canada's official development assistance (ODA) program, and South Sudan was added to the list of countries of focus in June 2014.[8] Canada has invested considerable diplomatic and humanitarian capital in South Sudan over the years, most recently through the Stabilization and Reconstruction Taskforce (START) program housed in the Department of Foreign Affairs, Trade and Development.[9] This newly independent country is rich not only in oil and gas but also in mineral reserves such as gold, and is of significant interest to Canadian companies engaged in oil and gas or mineral extraction (although this interest has not yet translated into actual investments). Similarly, there is a strong Canadian investment presence in Ghana's mineral sector (primarily gold), and significant interest in Ghana's offshore oil-and-gas fields, which came into commercial production in 2011. Both Ghana and South Sudan, key recipients of Canadian ODA, are important to Canada's foreign political and economic interests.

There is a role, and indeed an obligation, for the private sector to promote conditions conducive to socio-economic development and respect

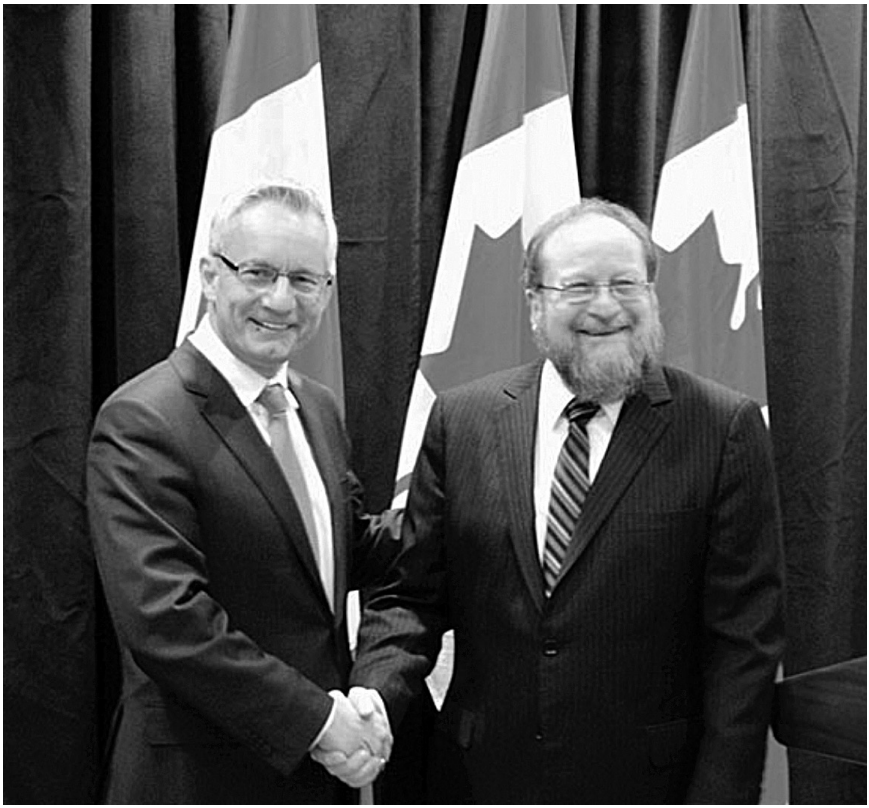

Figure 1: Ed Fast, Minister of International Trade, announcing the appointment of Jeffrey Davidson as Canada's CSR Counsellor for the extractive sector at the annual convention of the Prospectors and Developers Association of Canada in March 2015. (Credit: DFATD)

for human rights in host countries. The challenges, however, are complex and cannot be resolved through CSR alone. Even in a "star" country such as Ghana, the potential benefits of resource extraction do not seem to materialize at the local community level where extraction takes place.[10] In South Sudan, *effective* natural resource governance is of vital importance to the stabilization, reconstruction, and eventual sustainable development of that country. Yet these very attributes are least likely to be found in fragile states. Therein lies one of the paradoxes of relying on CSR as a means to promote development—in fragile states, resource exploitation can exacerbate conflict and inflict harm on local communities. Even where the

relatively more robust institutional framework of Ghana would lead one to expect more promising outcomes, the perception of local communities is that few, if any, of the benefits of mining have reached them. To be effective, therefore, CSR initiatives must be supportive of state capacity building and in sync with broader national development objectives, an insight that drives the mandate of the Canadian International Resources and Development Institute (CIRDI), funded by the Department of Foreign Affairs, Trade and Development.[11]

The Evolution of Canadian Government Policy on CSR

The Canadian economy has a major stake in the global extractive sector and Canadian extractive companies have growing investments in Africa's oil-and-gas and mineral sectors. Furthermore, Canada is a repository of significant legal, technical, and financial expertise for the global mining industry. Although CSR, by definition, entails self-regulation on the part of the private sector, it is appropriate briefly to account for the Canadian government's role and examine how it intersects with the Canadian extractive sector and CSR. The Canadian government has a longstanding record of favouring "voluntary" approaches to corporate responsibility, as opposed to a regulatory role. The preference for voluntary approaches to CSR respecting the performance of Canadian extractive companies abroad is maintained in the government's revised CSR strategy, released in November 2014.[12] Canadian mining activities around the world have expanded significantly since the early 1990s. As the number and value of Canadian investments in foreign countries increased, critics directed growing attention to the activities of Canadian oil-and-gas and mining companies abroad. In 1999, the activities of Talisman Energy Incorporated, an oil-and-gas company based in Calgary, Alberta, became the source of considerable embarrassment for Prime Minister Jean Chrétien's Liberal government and its foreign minister, Lloyd Axworthy, when reports surfaced alleging that the company was implicated in human rights abuses in Sudan. The government commissioned a report by lawyer John Harker, who alleged that Talisman had been complicit but not a direct participant in those violations.[13] Despite intense national NGO and global

pressure on the Canadian government to force Talisman to divest from Sudan, and after difficult internal debates that Axworthy lost, the government decided not to act against Talisman.[14] That company's decision to divest from Sudan in 2002 was ultimately precipitated by pressure from the American government and institutional investors.[15]

The reluctance of the Canadian government to act against Talisman led to greater efforts on the part of civil society to bring Canadian mining companies to account. In 1999, for example, the NGO Mining Watch Canada was founded with a mandate to monitor the activities of Canadian mining companies in Canada and abroad. As NGOs such as Mining Watch Canada and the Halifax Initiative took advantage of new information technologies to widely disseminate information about the bad practices of Canadian mining companies, the Canadian government came under growing pressure to regulate the activities of Canadian extractive companies operating abroad. The significant increase in Canadian investment in developing countries' extractive sectors was concomitant with media reports of environmental devastation and human rights abuses involving Canadian companies.

A particularly significant development was the tabling, in June 2005, by the Parliamentary Standing Committee on Foreign Affairs and International Trade (SCFAIT) of a report on *Mining in Developing Countries and CSR*. The report was the culmination of several years of hearings before the SCFAIT Subcommittee on Human Rights and International Development on the activities of Canadian companies in developing countries. The report noted that mining activities in some countries had adverse effects on local communities and the environment in a context where regulatory capacity was weak or not enforced. The report singled out as a case study the activities of Canadian mining company TVI Pacific in the Philippines, accusing it of abusing the indigenous and human rights of local inhabitants. It noted that smaller companies like TVI Pacific often lacked the resources, knowledge, or incentives to address issues arising from the social, cultural, political, or environmental contexts in which they operated, and expressed concern at the lack of Canadian laws to regulate the activities of Canadian mining companies. The parliamentary committee called for legislation to hold companies accountable for their activities overseas.[16]

In its response to the SCFAIT report, the Liberal government, headed by former businessman and finance minister Paul Martin, agreed to a number of the recommendations but shied away from enacting legislation that would entail the extraterritorial application of Canadian law in foreign jurisdictions.[17] Instead, the government launched a major series of roundtable consultations with industry associations, NGOs, Indigenous peoples, and academic experts, as well as company and government representatives, to discuss the issues raised in the report. The national roundtables on Corporate Social Responsibility and the Canadian Extractive Sector in Developing Countries entailed public consultations in four major cities across Canada throughout 2006.

Although the roundtable process was deemed successful in bringing together various stakeholders, the outcome has been disappointing. NGOs, in particular, were upset because the government continued to resist enacting legislation that would regulate the activities of Canadian companies abroad. Instead, in March 2009, Prime Minister Stephen Harper's Conservative government, which explicitly promoted private sector and free market solutions, announced its strategy for promoting CSR in the Canadian extractive sector. Called "Building the Canadian Advantage," the government set out various initiatives to promote CSR in the extractive sector, including the alignment of Canadian policy with emerging global norms and initiatives concerning the activities of international business abroad.[18] The revised CSR strategy released in November 2014 adopts a similar approach, expanding the list of global initiatives to which Canadian mining companies are expected to adhere. Notwithstanding continued efforts by NGOs and other interested parties to push the government into regulating the activities of Canadian extractive companies abroad, there is no expectation that the government will move away from supporting "voluntary" initiatives.[19] In light of the importance of these initiatives to the global and Canadian extractive sectors, the following section elaborates on their development.

The Emergence of CSR as a Norm Informing Business Practice

The rapid expansion of investment by multinational companies in the Global South over the past two decades has drawn attention to the environmental, labour, and human rights practices of foreign investors. The proliferation of global "voluntary" standards reflects the difficulty of regulating foreign companies in a globalized economy, the weak regulatory regimes in developing countries, and the growing societal expectations about standards of appropriate behaviour (norms) on the part of global companies. In some sectors, such as mining, private business has been a key force behind the development of standards in order to address reputational concerns stemming from widely publicized environmental disasters, human rights abuses, and NGO activism.[20]

Over the past fifteen years, the evolution of global CSR norms—defined as collective understandings of appropriate behaviour—has led to the development of a number of global standards that address specific activities of direct relevance to the extractive sector. Some, such as the Global Reporting Initiative (GRI), are considered "voluntary" because companies may choose to adopt them. However, such voluntary standards are often required by industry associations as a condition of membership, as is the case with the International Council on Mining and Metals, whose members are required to report against the environmental, social, and economic indicators of the GRI. Others, such as the International Finance Corporation's (IFC) Environmental and Social Performance Standards, are quasi-voluntary in the sense that private companies may or may not adopt them, but they are required of companies that seek IFC funding for projects in developing countries. Given the capital-intensive nature of investment in the extractive sector, the need for funding from a consortium of private banks and public institutions such as the IFC means that the performance standards are effectively a regulatory requirement. It should be further noted that many of the "voluntary" initiatives the Canadian government now supports, such as the Voluntary Principles on Security and Human Rights and the Extractive Industries Transparency Initiative (EITI), are not strictly speaking voluntary, because they combine governmental with NGO and industry oversight.[21]

The Extractive Industries Transparency Initiative was launched in 2002 by British Labour Prime Minister Tony Blair to promote greater transparency and accountability in the payment of governments and reporting by extractive companies of taxes and royalties. As is the case with the Voluntary Principles, the EITI has a board of directors composed of representatives from governments, NGOs, and companies.

A significant recent state-led initiative is the development of the United Nations Framework for Business and Human Rights, under the leadership of John Gerard Ruggie.[22] A prominent international relations scholar, Ruggie served as Special Advisor to the UN Secretary General during the lengthy consultation process, drafting the framework and its subsequent operationalization guidelines.[23] Ruggie's UN framework document, *Protect, Respect and Remedy: A Framework for Business and Human Rights*,[24] calls on international business to respect global human rights norms while placing responsibility on states for protecting human rights. To fulfill their social obligation to respect human rights, companies are expected to exercise due diligence by taking steps to become aware of, prevent, and address adverse human rights impacts.[25] The Guiding Principles, as they are now commonly referred to, also require firms to consider (1) the specific country context in which they operate, (2) the human rights activities of companies within that context (for example, in their capacity as producers, service providers, employers, and neighbours), and (3) whether they may contribute to abuse through the relationships connected to their activities (such as supply chains or state agencies).[26] As part of their responsibility to exercise due diligence, companies are expected to adopt human rights policies, conduct human rights impact assessments, develop an internal company culture of commitment to human rights, and track and report on performance.[27]

An important multi-stakeholder initiative in keeping with the UN's Guiding Principles is the Organisation for Economic Co-operation and Development's (OECD) "Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas." The guidance provides recommendations to assist companies that source minerals or metals from conflict-affected and high-risk areas to help them respect human rights and avoid contributing to armed conflict. These two global initiatives aim to help extractive companies avoid precisely the

situation Talisman found itself in almost two decades ago, and are supported under the government's revised CSR strategy.

Taken together, the range of CSR standards through industry self-regulation, collaborative global governance arrangements, and state-led initiatives constitute a global normative framework for acceptable business practice. It is within the context of this emerging global normative framework that all Canadian actors—the government, extractive companies, and NGOs—operate. They seek to compensate for the "governance gaps" that arise from the activities of global companies, which are especially acute in fragile states, and inform the CSR practices of individual extractive companies.

State Fragility, the Resource Curse, and the Private Sector

Effective governance in resource-rich countries is widely recognized as essential to the realization of the potential of resource wealth and to counter the effects of the "resource curse." The "resource curse," or "paradox of plenty," refers to the association between heavy state and economic dependence on the extractive sector for revenues and foreign exchange earnings, and the resulting political instability and outright conflict, high levels of corruption, and the neglect of other sectors of the economy. The resource curse literature is extensive, and dates back to the early 1990s, as systematically accumulated empirical evidence suggested that developing countries endowed with natural resources tend to turn in poorer economic performances than their resource-poor counterparts,[28] to experience limited democratic progress,[29] and to be more likely to suffer violent conflict or war.[30]

There is a strong association in the literature on fragile states between the possession of abundant natural resources and the proclivity for violent conflict.[31] Paul Collier and Anke Hoeffler, who have written extensively on poverty, economic development, and the resource curse, found in their research that in countries where natural resources accounted for 26 percent or more of GDP, there is a 23 percent probability of civil conflict, compared to a 0.5 percent probability in countries with limited resources.[32] Access

to valuable diamonds has been shown to have fuelled and prolonged violent conflict in Sierra Leone and Liberia.[33] In Nigeria, often considered the classic example of the resource curse in Africa, the abundance of oil and gas has distorted political and economic incentive structures away from providing for the public good in favour of personal wealth accumulation and other forms of corruption.[34]

Within this broad reality, however, there is important variation. Not all fragile states in Africa possess an abundance of natural resources, and not all resource-rich African countries are failed or fragile states. Botswana and Ghana, for example, have to date been able to govern their mineral resources within the context of stable economic and politically democratic structures. Developing country governments are keen to attract foreign direct investment to develop their economies' extractive sectors. The allure of royalties and tax revenue holds the promise that governments can invest their resource wealth to promote broad-based economic development. Global extractive companies are in a position to transfer skills and technology, foster greater innovation, provide more affordable financing, and deliver high-quality products and services. Resource-rich fragile states, it is argued, stand to benefit from foreign investment that otherwise might not take place in view of the high-risk investment environments that such countries represent.[35] In resource-rich developing countries, given the extensive capital and technical requirements of the industry, the private sector is composed primarily of foreign extractive multinationals. Locally based entrepreneurs lack the capital and expertise to engage in exploration and extraction activities on a large scale. The liberalization of developing countries' extractive sectors and the resulting privatization of state-owned companies means that oil-and-gas and mineral wealth is exploited by foreign companies.

The prominent role played by major extractive companies in the economies of resource-rich developing countries helps to explain the emphasis placed on CSR as a mechanism for the promotion of socio-economic development. The potential role of CSR can be understood as a reflection of the increasing emphasis placed by donor states on the important role of the private sector in promoting economic growth together with development, as reflected in the "Busan Declaration" of the OECD member states.[36] It is now widely recognized that effective state institutions are necessary in order for the private sector to play a positive role. As noted by the House

of Commons Standing Committee on Foreign Affairs and International Development (SCFAID) 2012 report, "without strong public institutions, economic growth will either be inhibited and/or proceed in a way that does not benefit most members of a society."[37] CSR as practised by private investors is increasingly looked to as a means to compensate for state fragility and the absence of appropriate institutional supports and policies.

However, two challenges emerge when analyzing the growing emphasis on the private sector and CSR in the context of state fragility and resource-rich African countries. First, the ability of private sector actors to contribute to development and natural resource governance appears to be linked to the quality of domestic institutions;[38] and second, reliance on the major extractive companies to provide public goods can be a conceptual stretch in the face of well-documented instances of the human rights harms and proclivity for violent conflict associated with their presence.[39] Where the institutional framework surrounding extraction is weak or non-existent, the likelihood that extractive companies can play a constructive role is diminished, but not always. Research has shown that extractive companies can serve as the "functional equivalent of the state"[40] as long as there are incentives for profit-oriented companies to act in a manner that is not merely asset-depleting. As will be seen below, South Sudan exhibits many traits of both the *resource curse* and state fragility, though that does not preclude socially responsible behaviour on the part of multinationals engaged in extraction.

Conceptualizing CSR in the Developing Country Context

Most understandings of CSR recognize that organizations have a greater responsibility to society beyond generating economic returns. As recently as ten years ago, much of the writing on CSR was based on research in the context of advanced industrialized economies. As noted above, CSR in the context of developed countries is informed by markedly different institutional contexts as compared to developing countries. Stakeholder theory in the business literature now acknowledges that firms have obligations toward a range of stakeholders, including employees, the environment,

local communities, suppliers, and governments, which, while not always legally mandated, move beyond the realm of discretionary voluntarism.[41] CSR therefore takes on different forms, and in developing countries requires a greater degree of responsibility toward the communities affected by extractive activities and to the larger society.[42]

Much of the extractive activity in Africa takes place in rural communities. These are often heavily populated—unlike in Canada—and have historically been neglected by central governments in terms of the provision of social services, yet bear most of the negative impacts of extraction. To meet expectations of local communities, major companies' CSR generally includes the provision of employment in places where jobs are extremely scarce, the provision of social services such as roads, electricity, sanitation, schools, and clinics, the promotion of sustainable livelihood initiatives in support of socio-economic development, and the preservation of the environment for people whose livelihoods depend on the land and water. In the case of extraction, a company's commitment to CSR may be assessed against the extent to which it pays attention to local economic development challenges and thereby moves beyond the mere business of asset-stripping to value addition through forward and backward linkages and economic growth.[43] The emerging literature on CSR in the developing country context demonstrates that local communities expect companies to contribute to sustainable socio-economic growth and progress. In Africa, CSR relates to the role and responsibility of oil-and-gas and mining companies in the socio-economic development and security of the continent and its people.[44]

While companies can and should be expected to contribute more effectively to socio-economic development, there are limits to what CSR can accomplish.[45] Mining companies alone cannot promote sustainable development, and they cannot and should not take on the role of government. The extent to which companies can enhance social and economic value in the countries where they operate depends on the enabling or disabling dynamics resulting from a range of interactions with actors outside the boundaries of the company.[46] These challenges aside, companies are expected to add economic, social, and ecological value to the communities in which they operate.[47]

Challenges of CSR Implementation in Stable and Fragile Contexts

As the above discussion suggests, practicing CSR in the African context means addressing and compensating for weak institutional contexts, as well as proactively contributing to sustainable socio-economic development in situations of extreme poverty. The range of activities will vary depending on whether one is looking at fragile/conflict states, post-conflict states, or stable states.[48] Strategies appropriate for a stable country such as Ghana would be different from those required in a conflict-prone, fragile state setting such as South Sudan. However, even institutionally more robust countries such as Ghana face serious difficulties in addressing the challenges posed by resource extraction. By the same token, although the situation in South Sudan would appear especially inauspicious for CSR, that does not rule out the potential for CSR to make a positive difference. The discussion now turns to Canada's engagement with Ghana and South Sudan, and the potential impact of CSR initiatives in these countries.

Canada in Ghana and South Sudan

Canada has long been engaged with Sudan. It has provided humanitarian assistance, diplomatic backing for negotiations to resolve the North–South conflict, and material support for the African Union (AU) mission in Darfur, as well as the UN mission in South Sudan. The Canadian government has expended substantial diplomatic capital in South Sudan, in contrast to Canada's involvement in Ghana, which has largely been confined to development assistance and private sector investment in the extractive sector. There are about a dozen Canadian companies, ranging from junior mining firms (e.g., Asanko Gold) to major multinationals (key among these are Golden Star Resources and Kinross), operating in Ghana. The West African country has been relatively stable since transitioning to multi-party democracy in 1992 and has enjoyed impressive average annual GDP growth of 10 percent over the past five years.[49] Following the departure of Talisman from Sudan in 2002 after allegations of complicity in severe human rights abuses, Canada's corporate presence in Sudan has

disappeared, for the most part. Indeed, Indian and Chinese companies are the dominant players in Sudan—and, now, South Sudan—and, notwithstanding Canadian private sector interest, there are no Canadian companies operating in South Sudan at the time of writing.[50] Given Talisman's withdrawal and the Canadian government's lead with respect to relations with South Sudan, the potential role of CSR through the Canadian private sector is largely hypothetical. Nevertheless, it is instructive to consider what, if any, incentives there might hypothetically be for Canadian companies to adhere to CSR in a fragile country such as South Sudan.

Ghana: The Evolution of CSR

Until the early 1980s, the practice of CSR in Ghana was a moot point, because the mining sector was almost entirely state-owned. Prolonged political instability and a deteriorating economy resulted in Ghana coming under intense pressure by the International Monetary Fund and World Bank to introduce market-based reforms. In 1983, Ghana's Provisional National Defence Council launched an economic recovery programme of structural adjustment that led in 1986 to the reform of Ghana's mining law, the liberalization of the mining sector, and the opening of the moribund, state-owned extractive sector to foreign direct investment. The 1990s witnessed the rapid expansion of surface mining, as foreign-owned multinational corporations obtained generous concessions from the Ghanaian government. This led to the establishment of seven surface mining companies in the mineral-rich Wassa West district in western Ghana alone. Although the purpose of this section is not to analyze the performance of individual Canadian mining companies operating in Ghana, illustrative examples of Canadian companies will be used to highlight points made in the discussion. (For a more detailed discussion of Canadian corporate performance, readers are encouraged to consult reports prepared by Mining Watch Canada, as well as the sources cited in the next paragraph.)

Rapid expansion of surface mining in areas where the primary economic activity is farming often leads to conflict over land use, and in Ghana it resulted in human rights abuses and environmental degradation.[51] The human rights abuses that were identified in the report of the

Figure 2: The granting of large mining concessions to foreign companies in Western Ghana displaced farmers and attracted artisanal miners (known as 'Galamsey'/illegal miners in Ghana), who engage in dangerous and environmentally damaging practices to earn a living. (Credit: Hevina Dashwood)

Commission on Human Rights and Administrative Justice include involuntary displacement and the loss of livelihoods through the elimination of farmlands, inadequate compensation for relocated farmers, destruction of sacred and cultural sites, police and mine security brutality in the mining communities, air and water pollution, and health problems related to water and airborne diseases.[52] Canada's Golden Star Resources (GSR), for example, experienced poor community relations in the early 2000s, in part because of a negative mining legacy inherited from the past,

but also because of allegations of poor environmental performance and human rights abuses related to the reliance on state security personnel adjacent to the mine.[53]

By the late 1990s, international NGOs, together with Ghanaian NGOs such as the Third World Network and the Wassa Association of Communities Affected by Mining, had begun to exert pressure on the major mining companies and their home country governments to improve their practices. Institutional help from the Environmental Protection Agency, established in 1994 to protect Ghana's natural environment, and legal protections under the 1992 Constitution, which enshrines human and economic rights in Ghana, have proven to be weak when it comes to defending communities affected by mining. Given the traditional tendency of the central government to neglect rural areas, local communities typically turn to the major mining companies for redress and the provision of social services.

The range of CSR initiatives has evolved since they were first introduced in the late 1990s and early 2000s, when mining companies began to take small steps to address community concerns. There has been considerable learning on the part of the mining industry concerning what CSR initiatives are most appropriate. Initially, CSR projects included the construction of boreholes to provide clean water when rivers and streams became polluted, the provision of funding for school supplies, the delivery of preventive medical services for employees and their families, the construction of schools and clinics, and scholarships for children of employees. These efforts, while laudatory, tended to take place with minimal consultation with local communities, and some initiatives, such as alternative livelihood programs, were inappropriate to local needs.[54]

Mining companies keen to foster good relations with local communities learned from their mistakes, and from the mid-2000s to the early 2010s, they began to engage more systematically with local communities. Rather than just providing public goods, they consulted more and sought to work with community leaders to better learn about their needs and priorities. Major and mid-tier mining companies, such as GSR, established community relations departments and put in place structures for regular consultation with local communities and for airing grievances. Moreover, mining companies started to partner with development-oriented NGOs in order to develop more appropriate and viable sustainable livelihood

programs. GSR, for example, established an oil palm plantation initiative for the benefit of resettled farmers, in a context where there is a strong market for oil palm fruits.[55]

These developments can be understood as part of a larger reality for mining companies operating in developing countries—the need to obtain a "social license to operate."[56] A major challenge for companies engaged in mining and oil-and-gas extraction is that the benefits of mining do not reach grassroots communities, where endemic unemployment and chronic poverty lead to resentment and conflict. The reasons for this are varied, complex, and not fully the responsibility of extractive companies. However, when communities suffer the negative effects of extraction, including pollution, ill health, and displacement, without realizing any of the benefits, their anger and resentment is directed at the highly visible companies in their midst.

Beginning in the early 2010s, businesses began to move away from a heavy focus on the traditional "bricks and mortar" approach to CSR. The major mining companies have been engaged in CSR activities long enough that many of the communities where they operate have reached a saturation point when it comes to the construction of new schools, clinics, and community centres. Increasingly, major companies are focusing their CSR efforts on human capital development through business skills training, assistance with locally appropriate trades, and greater efforts to maximize local procurement. Since mining companies are not set up as development organizations, they have increasingly turned to multi-stakeholder partnerships with development-oriented NGOs and local governments to build this capacity. This emerging approach to CSR recognizes that companies are not the only agents of development, that supplanting government authority and responsibility for the provision of public goods needs to be avoided, and that initiatives need to be sustainable and capable of surviving beyond the life of the mine. Rio Tinto Alcan, for example, worked with World University Service Canada (WUSC) to improve the quality and governance of education in schools near its operations.[57] One important benefit of multi-stakeholder partnerships is that they have the potential to expand benefits to a larger population beyond the immediate catchment area of the mines.[58] Mining companies typically restrict their CSR initiatives to the communities in the vicinity of their mine operations. While this approach makes sense in terms of maintaining their

"social license to operate," the approach is limiting from a developmental perspective. For CSR initiatives to be lasting, they have to extend beyond the immediate confines of a mining company's catchment area.

If they are well designed, multi-stakeholder partnerships have the potential to reach a broader area and to join local initiatives with regional and national development priorities and planning. For example, while controversial in Canada, CIDA funding of three "cross-sectoral" partnerships with Canadian extractive companies made it possible for participating NGOs to expand the reach of their activities.[59] If CSR is to be relied upon as one part of the drive for sustainable socio-economic development, then expanding its scope is an important means to overcome CSR's limitations from a developmental perspective.[60] Such activities are possible in relatively stable countries but are very difficult to achieve in fragile and violence-prone states like South Sudan.

South Sudan

Hany Besada, who has extensive expertise on the role of the private sector in fragile states, has noted that even in situations of complete social, economic, and political collapse as a result of brutal civil wars, these conditions need not militate against prospects for recovery. Citing Susan Woodward, Besada argues that a breakdown of the old institutional order after civil war can provide the potential for a fresh start.[61] At one level, this has taken place in South Sudan, which emerged from the North–South civil war as an independent country on 9 July 2011. Independence from the repression and brutalization of the government in Khartoum does entail an important break for South Sudan and represents the realization of a longstanding goal of the Sudanese People's Liberation Army under the leadership of the late John Garang.

After four years, however, it has become clear that not enough of the old order was cast aside. Longstanding ethnic and personal allegiances have impeded the building of consensus around a viable political order, resulting in President Salva Kiir's ousting of Vice-President Riek Machar in 2013 and the outbreak of civil war. From the outset, the inherited economic structure, including an overwhelming dependence on oil for

government revenues (98 percent) and export earnings and no means to get the oil to market except via a pipeline running through Sudan, has proven to be highly destabilizing. As Uwafiokun Idemudia has documented in the case of Nigeria, the government cannot extract or exploit oil on its own, so there is a complete dependence on multinational corporations (MNCs) for oil extraction.[62] In South Sudan, these oil multinationals are preponderantly Indian and Chinese. Already there is evidence of significant plundering of government revenues, estimated to be in the order of $4 billion.[63] In early 2014, the major oilfields of Bentiu were overrun by rebels and several hundred civilians were killed in a mosque, causing oil production to come to a halt and demonstrating the continuing role of extraction as both cause and effect of conflict.

In short, South Sudan exhibits many of the worst traits of the resource curse. One criticism of the 2005 Comprehensive Peace Agreement that brought an end to the conflict between Sudan and South Sudan is that it was silent on how properly to confront the severe structural imbalances in South Sudan's economy. The failure to address this has meant there was insufficient groundwork laid to ensure adequate oversight knowledge within government departments and agencies, or to ensure sufficient capacity in the negotiation of oil contracts. It meant, too, that the government was unable to overcome administrative weaknesses in decision making, undermining the country's ability to develop a cohesive, integrated approach to natural resource management.[64] Furthermore, the instability has hindered renewed efforts of the South Sudanese government to promote an orderly regulatory regime around exploration activities in the country's rich mineral sector, long neglected because of the civil war.

With oil production reduced to a fraction of its 2013 levels, what role, then, is there for CSR? Although Canada currently does not have an investment presence in South Sudan, it is instructive to consider under what conditions CSR might contribute to positive outcomes for local communities. Research by Tanja Börzel, Jana Hönke, and Christian Thauer convincingly demonstrates that, even in situations of civil war, given the right incentives, individual companies will provide public goods through CSR.[65] Extractive companies, wherever they operate, require a "social license to operate." Even in relatively stable countries such as Ghana, local communities can seriously disrupt company activities through protests, demonstrations, road blocks, and the destruction of infrastructure.[66] The

costs incurred by companies through sabotage, destruction of equipment, and, in extreme cases, forced site closure provide strong incentives for extractive companies to fill the governance gaps.[67] Since investment must take place where the minerals or oil and gas are located, extractive companies cannot simply pick up and leave when community relations are poor, which motivates them to promote good community relations through CSR.[68] In fragile states characterized by instability and violent conflict, companies must attend to the need to secure their employees and fixed assets, which requires the cooperation of local communities. Under these conditions, the incentive structure is in place for profit-making firms to serve as the "functional equivalent of the state."[69]

This is true regardless of the home country where the extractive companies are headquartered. In his recent book *The New Kings of Crude*, Luke Patey demonstrates that the targeting of oilfields as part of military strategy created incentives for Indian and Chinese companies to adopt CSR.[70] While the general perception in the West is that Chinese and Indian MNCs are irresponsible, Patey's account reveals that the China National Petroleum Corporation had to change its ways after the 2008 kidnapping and murder of five of its employees. Where previously it had been aloof, the company realized it had to actively seek out community engagement.[71]

In the case of the equally inauspicious setting of the Democratic Republic of the Congo (DRC), Hönke and Börzel found that major mining companies in Katanga province were among the first to apply and further develop the Voluntary Principles on Security and Human Rights.[72] The Voluntary Principles require that companies train both private and public security providers to ensure that human rights abuses are avoided in the delivery of security. These findings are significant because they suggest that, even in the face of widespread and widely reported evidence of extractive companies' association with increased insecurity and human rights abuses, there are nevertheless "instances of localized success in areas of severe failure."[73]

The fact that extractive companies need to engage with local communities does not automatically translate into effective CSR strategies. As Hönke and Börzel demonstrate in their research on CSR initiatives in the DRC, it is possible for companies to work effectively with local communities to provide services where the government cannot or will not.[74] Only under specific conditions, however, will CSR be effective in terms of

having a positive impact on local communities. For example, Anvil Mining's effort to train state security personnel in keeping with the Voluntary Principles failed because state authorities considered that activity to be the prerogative of the state.[75] On the other hand, Anvil was able to institute a highly effective training program for its in-house private security provider, whose success was a function of the company's well-established internal policies, monitoring, and sanctioning systems.[76]

What this brief vignette suggests is that individual extractive companies can and do undertake CSR initiatives, even in the most inauspicious settings. Civil war does not necessarily preclude CSR adoption, while the relatively ideal conditions in a country such as Ghana do not guarantee that companies will behave responsibly. As important as institutional context is, internal dynamics within individual companies are also an important predictor of effective CSR.[77]

Conclusion

This short exploration of the scope of CSR practices in resource-rich fragile and stable states suggests several positive conclusions about CSR's potential in addressing state fragility. Private sector support for CSR initiatives represents an important departure for extractive industries usually associated in the fragile state context with human rights abuses and violent conflict. Given the critical role of major extractive companies in the development of a country's natural resources, the private sector has a critical role to play in both fragile and stable state settings.[78]

It is clear, too, that institutional context (developed/developing; fragile/stable) exerts an important influence on the likelihood that CSR will be practised, on the type of CSR initiatives undertaken, and on the likelihood of their success. Even in areas of extreme state fragility with minimal, if any, governmental oversight, profit-seeking companies are motivated to provide public goods normally delivered by the state. The focus of their CSR, however, tends to be on local communities, because good community relations provide a degree of insurance against costly and sometimes violent disruptions to their operations. The more fragile and violent-prone the setting, the more localized the CSR initiatives.

To be effective and sustainable, community-level CSR projects need to be integrated with national development priorities and support state capacity building at the local and national levels, so as not to undermine the government's role in the delivery of social services and infrastructure. CSR initiatives that partner with NGOs are most appropriate because profit-oriented companies typically lack the competency to design initiatives conducive to development. As seen in the DRC, companies must also have internal systems and monitoring mechanisms in place to ensure the effectiveness of their CSR work. States characterized by extreme fragility, such as South Sudan, are not the most auspicious settings for effective CSR, but the fixed nature of their investments means that oil-and-gas companies have an incentive to promote strong community relations. This has been demonstrated to be the case for Indian and Chinese companies, even though such companies typically have a very poor record in terms of labour and other human rights, and environmental protection.

An important caveat is that community-level CSR initiatives, however well intended, can exacerbate pre-existing tensions within communities, or create new conflicts. Since extractive companies tend to focus their CSR on their immediate catchment areas, their initiatives can increase conflict with nearby communities not in the immediate vicinity of their operations and can thereby heighten the insecurity of already vulnerable populations.[79] Ultimately, the strengthening of the global normative framework as it pertains to global companies is a necessary complement to effective CSR on the part of individual companies.

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