Drivers of Corporate Social Responsibility in the Mining Industry

By

Andrew Ngawenja Mzembe*

Julia Meaton

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*Corresponding Author

The University of Huddersfield

The Business School

Department of Strategy and Marketing

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Abstract

While there has been a growing body of research focused on CSR practices in developing economies, few studies have examined the factors shaping the CSR agenda in these countries. Using qualitative data obtained through semi-structured interviews with management and stakeholders, this paper examines the drivers of the CSR agenda pursued by Paladin (Africa), a subsidiary of an Australian multinational mining company (MNC) operating in the mining industry in Malawi. The findings suggest that the CSR agenda in the mining industry in Malawi is strongly influenced by the externally generated pressures (drivers) such as civil society organisation activism and community expectations, although it is clear that other drivers such as public and private regulations and pressure from financial markets play a more supportive role in pressurising Paladin to adopt the CSR agenda.

Keywords Corporate Social Responsibility (CSR); Developing Country; Drivers; Malawi; Mining; Multinational Companies

Introduction

A review of recent academic literature indicates a dearth of academic research on factors that are shaping the CSR agenda in developing countries (Amaeshi et.al, 2006; Visser, 2008). The lack of academic studies on the drivers of CSR in the mining industry in Sub-Saharan Africa is even more obvious. Most CSR studies conducted in this region have focussed on specific and prevalent CSR issues and practices that are emerging rather than the issues driving the agenda (Hamann 2004; Idemudia, 2007; Ite, 2004).

This paper therefore reports on the nature of the CSR agenda pursued by a company in the context of a developing country by examining the factors shaping the CSR agenda of Paladin, an Australian Multinational Company in the mining industry in Malawi.
**CSR Drivers: A Theoretical Perspective**

Despite decades of theoretical development in the area of CSR drivers, few empirical studies on the motivations behind firms’ responses to societal issues have been conducted (Aguilera et al., 2007:837; Rodriguez et al., 2006:740). The scant literature about the drivers of CSR is polarised between the internally generated drivers and the externally driven CSR motivations (Lynch-Wood et al., 2009; Muller and Kolk, 2010). However, literature suggests that there is a bias towards externally generated pressures (Aguilera et al., 2007; Lynch-Wood et al., 2009; Mezner and Nigh, 1995). This is not surprising given that a large majority of such pressures are generated by stakeholders who are crucial for firm’s survival (Lynch-Wood et al., 2009).

Internal drivers can be viewed principally as morally laden forces embedded within the firm’s structures and systems which motivate the firm to increasingly position itself as ethically aware (Heugens et al., 2008). Such pressures broadly emerge from internal constituents such as management and employees who may have strong ethical personal values whilst pursuing their self-interests. Prothero (1990) and Menon and Menon (1997), in their respective studies, support this argument, and reported that although firms pursued environmental agendas in an attempt to influence powerful stakeholders, their environmental agenda was in part a direct response to internally generated pressures such as commitment to social welfare and innovations.

On the other hand, Muller and Kolk (2010) define ‘external drivers’ as pressures generated from the firm’s external environment that may have strong influence over the firm’s responses to societal issues. These drivers are grounded in the instrumental perspective, and are responded to in the best and long-term interests of the shareholders. These drivers are closely associated with external stakeholder expectations’ and institutional (contextual)
demands for ethical behaviour (Ditlev-Simonsen and Midttun, 2011; Freeman, 1984; Suchman, 1995; Weaver et al., 1999; Welford et al., 2007).

However, the degree to which these externally generated pressures influence different firms’ behaviour tends to vary across firms and industries. Bowen (2000) argued that the visibility of the company with regard to CSR issues and the size of the company are all important in determining corporate engagement. Certainly, firms that operate in an industry that is perceived to have high social and environmental risks are more likely to have a higher visibility to their stakeholders than those that have low risks. Similarly, big firms are more likely to have high visibility to stakeholders than small firms operating in the same industry (Hendry, 2006). By virtue of their high visibility, such industries and firms tend to have a higher likelihood of attracting strong stakeholder activism than those that are small and considered to have low social and environmental risks (Lynch-Wood et al., 2009).

**Methodology**

We employed a qualitative research method – inductive in nature and adopted a case study as the strategy of inquiry. By adopting a case study, we were provided with an opportunity to investigate to identify the drivers of CSR in the mining industry without necessarily conducting a large scale and time consuming survey (Yin 1994). The research was conducted in Malawi from late December 2009 to March, 2010. An interview protocol was developed to guide the data collection process (Mile and Huberman, 1994; Yin, 2004). We conducted thirty-three (33) face to face semi-structured interviews (SSI) with Paladin officials and respondents from various stakeholder groups as the primary data collection instrument (Schoenberger, 1991; Yeung, 1995). Interviews with the majority of study respondents, with the exception of two, were recorded on audio tapes, after obtaining the respondents’
permission. For those respondents that declined to be tape recorded, detailed notes were made during the interviews which were transcribed immediately after the interviews. All recorded interviews were also transcribed for analytical procedures. We also undertook an extensive review of multiple sources of evidence including publicly available documentation on the corporate websites (Chapple and Moon, 2005), technical reports and the industry related newsletters. We did this as an attempt to address the issues of validity and reliability of the research findings (Yin, 2004).

We adopted a thematic analysis for this study. We particularly drew our inspiration from the work of Miles and Huberman (1994) on the techniques and procedures used in the analysis of qualitative research data. In particular, we used four analytical procedures for the study data. These steps include: a.) transcription of interviews and documents; b.) iterative coding; c.) memoing; d.) analysis of major thematic issues and trends.

**Empirical Findings**

The study reveals that there are five factors or pressures that shape Paladin’s CSR agenda in Malawi, which we examine in turn in the following sub-sections. In contrast to Lindgreen et al. (2009), all the drivers identified were externally-generated:

- Pressure from the civil society;
- Community expectations and the quest for social legitimacy;
- State policy and regulations
- The Influence of Global Private and Public Regulation
- Pressure from financial markets
Pressure from the civil society

The development of the uranium mine in the northern district of Malawi attracted significant interest and concern from national and international civil society organisations (CSOs). In this study, we regard civil society organisations (CSOs) as an umbrella term for social movements, trade unions, faith-organisations, media organisations and NGOs (both national and international). The majority of these national NGOs were established by people originating from the host mining communities who have maintained connections with their communities. These NGOs, in collaboration with the social movements, protested on behalf of the mining communities against the mine development.

The major concerns of these CSOs are two-fold. Firstly, there were concerns regarding the negative impacts of the mine on people’s health and on the environment in Karonga district, and Paladin’s perceived failure to put in place measures to address these risks. Secondly, the CSOs were concerned with the lack of transparency surrounding the development agreement signed between the Malawi Government and Paladin. As a result, such developments triggered CSOs to exert pressure on Paladin to develop a robust programme to address the risks its mining operations posed to host communities. However, initial attempts by the CSOs to engage with Paladin were not regarded as successful. Paladin argued that CSR related issues were well considered in the environmental impact assessment (EIA) and the development agreement documents signed with the Government of Malawi, and that a separate CSR blue-print was not essential.

Cognizant of the economic and political influence Paladin has, by virtue of its status as an MNC, the CSOs entered into a coalition with other national and international NGOs operating in Malawi. The national coalition eventually sought membership with the Southern Africa Mineral Network and other international civil society mining networks, including the
Mineral Policy Institute, to increase pressure on Paladin. These partnerships enabled the national coalition to seek a legal redress on the matter. The matter was settled out of court, with the national coalition of NGOs putting forward a number of conditions including demands for a CSR agenda. One of the terms of agreement was that Paladin should make a commitment to engage in CSR. The stakeholder comments below reflect the debates and the outcomes of this period.

“A group of NGOs (CHRR, KADET, FOCUS and CCJP) went to court. After being in court, one of the things that we realised was that Paladin as a company was not committed and willing to invest locally, and were not willing to be good corporate citizens. It’s a big debate, but by the end of the day there was another court settlement, and Paladin agreed that they were going to put in place a minimum sum of US$10 million, and that was the outcome of out of court agreement.” (Executive Director, Citizens for Justice)

“I think we can’t really celebrate that they (Paladin) have completely changed their thinking because of the way we (CSO coalition) confronted them; but I think we have set a tone or a precedent. I am convinced that they have really tested what they never thought they would in Malawi. They really took the issues of their environmental and social impacts very lightly, but I think they saw that we were ready for anything.” (Executive Director, FOCUS)

“I feel that by taking Paladin to court for failing to consider the environmental and social impacts of their operations, Paladin was left with no option, but to bow down to the demands of these CSOs. Anyhow, I find their (CSOs) demands for safe drinking water and other development projects reasonable given the amount of wealth they are going to extract here.” (Senior Local Government Official)

Such actions by Malawian NGOs support past findings about the changing role of civil society organisations in wider society (Doh and Guay, 2006; McIntosh et.al, 2003; Murphy and Bendell, 1999; Zadek, 2007). For example, Murphy and Bendell (1997) show how indigenous Brazilian NGOs used confrontational strategies supported by international partners to put pressure on multinational companies. For the Malawian CSOs, their confrontational strategy was based on understanding the significance MNCs attach to reputation risks when operating in developing countries. The comments below summarise the rationale behind the strategy.

“So we launched a very strong campaign at the local level, at the national level and international level. We linked with partners in Australia, Friends of Earth International” (Executive Director, Citizens for Justice)
“We therefore wish to state and for Paladin to know quite categorically that in addition to pursuing the matter in court, the civil society organisations now intend to address our concerns to the financial institutions who are funding Paladin’s project at Kayelekera and also to the institutional shareholders holding equity in Paladin Resources” (Civil Society Organisations’ statement in response to Paladin Managing Director’s statement reported in FORBES ONLINE/MiningNews.net)

Alongside the in-country activism, the national CSOs also employed market based strategies targeting project financers. The main objective of these actions was to create awareness of the corporate misdemeanours in its operations in Malawi, and influence decisions at Paladin’s annual general meetings.

Certainly, the pressure by the CSOs on Paladin demonstrates a significant shift in the governance arena where the CSOs are in principle, undertaking corporate regulatory functions previously under the realm of national governments (Zadek, 2007). Nonetheless, certain stakeholders sympathetic of Paladin saw the confrontational nature of engagement with Paladin as counterproductive and detrimental to socio-economic development:

“It was not easy at that time because it made two factions. As I may have said most NGOs, funny enough come from Karonga only, were against mine development. At the time, we had to go and sign the agreement, they came to confront us and asked us to work together. We agreed to their set up; but their demands were too much for Paladin. So we said no, that we can’t discuss; you forward them [demands] to the interested parties. But we told them that the procedure is write to government because they [local NGOs] had to blame the Government and Paladin. These people never accessed the volumes of EIA because they said it is too big. We [KANRED] did this because we had to explain to the people. At this time, they also divided themselves: some signed and some didn’t. Actually, it was more on personality clashes. I mix politics with business. As you know I have been in different parties.” (KANRED Coordinator)

Such sentiments are however, not surprising given that KANREDA was established with the financial support from Paladin to counter threats from the anti-mine CSOs:

“The association – actually KANREDA was formed as an association incorporated as well as registered by the government. Paladin at that time were the ones who paid for the lawyers to start this KANREDA” (KANREDA Coordinator)
Furthermore, by facilitating the formation of KANRED, Paladin had expected that a strong and effective KANRED would be capable of influencing and mobilising the communities and other stakeholders in Karonga district to support the mine development:

“So Paladin, ourselves as KANRED through the chiefs had to go round the whole Karonga district to advertise the EIAs report and garner the support of the communities for the mine development.” (KANRED Coordinator)

Community Expectations and the quest for social legitimacy

For Paladin’s host communities, socio-economic challenges in the form of poor road infrastructure, inadequate state provision of health care and education and worsening poverty levels have raised their expectations about Paladin’s role in alleviating such problems. The expectation by the mining communities and surrounding communities was that Paladin would take up some of the roles normally expected of the Malawi Government:

“Our area and Karonga district has suffered in silence for a long period of time: as you can see we never had an all weather road linking us to the district headquarters; we had a small but dilapidated clinic with no power supply. Our children used to walk long distances to go to school. Now that Paladin has come to our area, we expect them to solve some of these problems because whenever we ask the government to build a good clinic, school, and provide us with clean water they say they don’t have funds. They will provide these things as soon as funds are available. But now we consider ourselves lucky because of Paladin’s presence and we expect them to assist us with these problems.” (An opinion former during a focus group discussion at Kayelekera Village)

“I am proud to say that we traditional leaders formed KANREDA, our development arm comprising young, technical and professional chaps to have some periodical consultations with Kayelekera mine. KANRED’s influence has helped on our behalf, to raise concerns and problems which we feel Paladin could assist us to solve.” (Late Senior Chief of Karonga District)

Such expectations and the spirit of ‘charitable giving to those in need’ are strongly embedded within the Malawian cultural and religious value systems and norms. In Malawi, there is a widely held belief that a ‘visitor brings good tidings and hope’ to his / her host community. Furthermore, the early Christian missionaries, through their works in spreading Christianity and ending slave trade, brought into Malawi certain values, including charitable giving, that were to influence the value systems of Malawian society (Mulwafu, 2004).
Consequently when a company starts operating in Malawi, most Malawians expect that business to involve itself in societal issues. So although there were concerns about potential social and environmental risks, the development of Paladin’s uranium mine raised community expectations about Paladin’s role in the development of the area. The fact that community expectations are drivers of CSR is acknowledged by Paladin as evidenced by the following:

“We will not take that responsibility [government’s responsibility to provide public services] nor does the government expect us to do that. But the communities have an expectation and we have to balance their expectation and of what we will put in and the funding we will put in, but also what the government will do.” (Paladin Country Manager)

Paladin’s quest to meet such expectations conforms to the argument that a firm’s ability to attain social legitimacy within host societies is usually conditioned upon its ability to align its social agenda with perceived community expectations, which in turn, are shaped by societal values and norms (Preston and Post, 1975; Wood, 1991). For Paladin, aligning its actions with community expectations may represent an attempt at gaining social legitimacy in the face of the strong community resistance against mine development (Dowling and Pfeffer, 1975; Eweje, 2006; Suchman, 1995).

**State Policy and Regulatory Pressures**

The role of the state and its regulatory and policy frameworks in shaping the CSR agenda in developing countries has been widely debated in CSR studies. Major concerns have been: a.) the weak institutional capacity of governments to enforce corporate regulations; and b.) actions taken by some powerful MNCs to influence host governments to support weak regulatory regimes of corporate conduct. In Malawi, although social and environmental regulatory and policy frameworks are under-developed, a number of regulations and policies related to mining operations do exist. Two categories of regulation, environmental
governance and social development can be identified. Regulations within environmental
governance include the outdated Mines and Minerals Act (1981) and the Environmental
Management (EM) Act (1996). Although mining operations in Malawi are currently
governed by the old Mines and Minerals Act (1981), the Environmental Management Act is
understood to be the overarching legislation that regulates environmental related operations
in all the sectors of the Malawian economy. The social development regulations shaping
Paladin’s CSR agenda include the labour related regulations such as the Employment Act
(2000), Labour Relations Act (1996), and the Occupational Health, Welfare and Safety Act
(1997).

These regulations significantly influence Paladin’s CSR agenda, since compliance with state
regulations in its operations was the basis on which its mining licence was granted. Specifically, the Environmental Management Act and Environmental Impact Assessment
(EIA) Guidelines place obligations on the mine developer to undertake a thorough
Environmental Impact Assessment (Government of Malawi, 1996). The following sentiments
from a Paladin official confirm the obligation the EM Act places on Paladin:

“We are very obviously involved in the environmental impact assessment which had to do in
preparing to put up the mine.” (Paladin Country Manager)

The Malawian Government’s expectation was that these measures would identify appropriate
mitigation measures necessary to address any environmental and social impacts associated
with Paladin’s operations. Such expectations are clearly stipulated in its EIA Guidelines for
mining projects which stipulate that any EIA report should incorporate social impact
mitigation measures such as: employment creation, stimulation of the local economy,
provision of business skills and opportunities to local communities, and infrastructural
development. The range of CSR initiatives undertaken by Paladin in Karonga district clearly
conform to these measures.
Paladin’s CSR agenda also appears to meet the requirements of labour-related regulations in Malawi. Labour laws require a company to comply with minimum standards in specified areas like wages and other conditions of work. The power of these labour regulations on Paladin is evidenced by the following:

“We are operating within the laws of Malawi, we pay according to the Laws of Malawi; anything is done according to the labour laws of Malawi. They [employees] have a democratic right to do what they wish in the work place. We don’t have the ability to say we cannot do that. Workers are free to choose whatever work requirements, as long as it is within the labour laws of Malawi. The Labour Act is our guide. We train them and give good training. We are very safety conscious on the mine. We have highest safety standards on the mine; so we are bound by the labour Act and labour laws, and we take all those things very seriously” (Paladin Country Manager)

Just like the environmental laws, compliance with legal requirements remains one of the significant obligations Paladin had to meet before their operating licence was granted. Failure to meet such obligations may result in strong sanctions being imposed on Paladin.

Although the regulatory framework is a significant driver of Paladin’s CSR agenda in Malawi, the enforcement of compliance with regulatory regimes is generally problematic and sub-standard. Such a state of affairs is not new to the Malawian regulatory environment. Part of the problem is the general weakness in the institutions mandated by the Government of Malawi to undertake regulatory oversight. One reason for that appears to be the dearth of financial, physical and human resources available to the enforcement authorities:

“Currently our capacity is limited, but we are working with the city councils. Over time, their capacities have also been diminishing, and that the standards have been going down. For us too, we are in the process of increasing our capacities – we are going to recruit inspectors. We want each one of the cities to have inspector of our own. The inspectors will be placed in the Department of Environmental Assessment and Pollution Control. So we are trying to build our capacity so that we cannot depend on others.” (Deputy Director of Environmental Affairs)

As a result, the few trained professionals in these bodies become frustrated and leave public service in search of better working conditions elsewhere. For instance, the fieldwork revealed that the only qualified Government radiation expert had left the government to join Paladin, the company the Government is supposed to regulate. If this results in companies having
better access to expertise than governments, the power of governments to regulate effectively may be compromised. For instance, the CSOs were worried about the drafting of the Radiation Management Bill. They felt that Paladin had undue influence on important provisions within the Bill, a concern seemingly validated by the comments of a Paladin official:

“We are working as closely as we can because we cannot afford at any stage for somebody to come and say there is a loop hole which you are working through. So we are making quite sure and we have been guiding the Government on environmental matters. We don’t want to be the one to tell them what they need to do but will guide them as much as we can. But we are working very closely with all the agencies concerned.” (Paladin Country Manager)

Such levels of corporate involvement in regulatory processes raise questions as to the effectiveness of ant resulting regulations. Reed (2002) suggests that MNCs lobbying developing countries’ governments for soft regulation is common when the company is aware of the economic vulnerability of its host country. In Malawi, the prospect of losing potential lucrative mining ventures coupled with lack of technical expertise in radiation management appears to have made the Government of Malawi vulnerable to undue pressure from Paladin:

“The thing is that they used psychological coercion to the Malawi Government-- to say if you don’t give us the licence we are going to leave this country, and do the mining elsewhere. And if we do that, we are going to sue you. You know there is a process by World Bank that if an investor comes to the country with Foreign Direct Investment, they have spent so much money, and if the projects collapses in the initial stages because of the government’s fault, then the Government has to pay the company. So the Government of Malawi was taken by surprise because they don’t have an understanding of the industry, and that the company is aggressive and knowledgeable. So the government was at a disadvantage. And so when it came to the tax regime in the development agreement, the company started dictating terms. When asked to see the development agreement, we were told that it’s not a public document. How is it not a public document when it is a public document seen by shareholders in Australia?” (Executive Director, Citizen for Justice, Malawi)

The second mechanism by which the Government of Malawi influences Paladin’s CSR agenda are the policy and strategic frameworks that have been developed. The most significant policy instrument has been the Malawi Growth and Development Strategy (MGDS), a Malawian version of the United Nations’ Millennium Development Goals. The strategy calls for increased private sector involvement as an engine for economic growth and also for the social development of Malawi through the creation of employment and
engagement in sustainable development (Government of Malawi, 2006). As such, there have been attempts by Paladin to engage in social initiatives that are potentially consistent with some of the strategic objectives of the MGDS. For instance, a Paladin official stated that:

“...We sat down with the government to work out how we are going to run the mine, we had what is called the development agreement which we negotiated with the government. It's a very big document it covers every aspect of the development including social responsibility, including participation of the community. The obvious aspects include: health, education, job creation and business development.” (Paladin Head of Social Development Department).

Paladin’s CSR agenda may be seen as a direct response to the MGDS. By undertaking CSR initiatives that conform to the strategy, Paladin may be seen as building the good reputation and strong relationship with government that are necessary for enhancing its legitimacy within Malawi.

The Influence of Global Private and Public Regulation

The nature of Paladin’s operations, uranium mining, requires compliance to internationally ratified minimum standards. As uranium mining is generally associated with social and environmental risks, the development of mitigation measures has become a dominant issue in global corporate regulation. The roles and influence of the United Nations International Atomic Energy Agency (IAEA) and the Australian Government atomic agency, the Australian Radiation Protection and Nuclear Safety Agency (ARPANSA) have become paramount.

IAEA’s strategic aim is to ensure human and environmental protection and safety from radiation exposure. It achieves this by licensing and monitoring uranium mining and exporting processes that meet and comply with the requirements of internationally ratified conventions and treaties. For Paladin, its uranium production processes and handling of the 'yellow cake' are understood to be compliant with relevant IAEA protocols:
“So they are very strong protocols by the International Atomic Energy Agency around protection and security of this particular product [uranium oxide] which we are licensed to produce and export.” (Paladin Country Manager)

The handling of uranium oxide in Malawi by Paladin is also governed by the ARPANSA Act (1998), an Australian Government atomic agency. The ARPANSA has a code of conduct to which any company engaged in extracting, handling and exporting radiation materials has to comply. Compliance to the ARPANSA code is the basis upon which mining licences are granted. Although the ARPANSA Code may be understood as being relevant for mining operations in Australia, compliance to this code by Paladin in Malawi is an attempt by Paladin to demonstrate that it does not apply double standards in its operations.

A commitment by Paladin to meeting the requirements of both the IAEA and ARPANSA guidelines and standards is clearly stipulated in its EIA report for its Malawian project:

> “Paladin is committed to the following best international practice in terms of radiation protection of workers, members of the public and the environment. This will be achieved by aligning the Kayelekera mining and mineral processing operations with standards defined by the international Atomic Energy Agency (IAEA) and the Australian Radiation Protection and Nuclear Safety Agency (ARPANSA).”

The significance Paladin attaches to compliance with IAEA protocols and the ARPANSA Code is evident by senior managers’ commitment in developing adequate measures to minimise human and environment exposure to radiation.

**Pressure from financial markets**

Investment and project financing decisions increasingly require information on how the loan applicant integrates economic, environmental and social viability and risks into their proposed projects. The level of consideration of these risks is largely contingent upon the capital markets’ sophistication and the brand and reputation risks a given capital market is vulnerable to (Wright and Rwabizambuga, 2006). Recognising the value of their brand
reputation, and their links to the listed or financed companies, financing institutions and stock markets are gradually re-evaluating their financing requirements. For a significant majority of these institutions, it is understood that they are increasingly demanding that companies should consider social and environmental concerns in their operations as part of their agreements (Zeller Jr, 2010).

One group of financial institutions that influence Paladin’s CSR agenda are the stock markets where Paladin’s shares are traded. Paladin Energy, the parent company of Paladin (Malawi), is a public company listed on a number of international stock markets in Australia, Western Europe and North America. However, the most significant capital markets for Paladin stocks are the Australian Stock Exchange (ASX) and Toronto Stock Exchange (TSX). Both stock exchanges have stringent listing requirements that demand integration and disclosures of social and environment issues in the company’s listing application packages and business reviews. For example, the ASX Listing Rule 4.10.17 states that:

“Contemporary review should include an analysis of industry wide and company specific financial and non-financial information that is relevant to an assessment of the company’s performance and prospects” (p.4 of the Listing Rule Guidance)

Hence, these rules place an obligation on the listed companies to uphold the highest ethical standards in their business dealings. For Paladin, compliance with these requirements represents a significant motivation to develop a CSR programme. However, these stock markets’ listing rules regimes are not without weaknesses since they are voluntary and place no obligation on the listed firms to report on specific environmental and social parameters related to their industry.

Project financing institutions also have a significant bearing on Paladin’s CSR agenda. Interviews with Paladin officials show that financial institutions for projects of Paladin Uranium Mine Development’s magnitude are normally keen on assessing the prospective loan recipient’s capacity to manage social and environmental risks associated with projects
they intend to finance. As the perceived impact of such risks on the reputation of the financial institutions becomes more profound, a business case for making the project developer cultivate capacities in managing risks and ensuring compliance with the host country’s statutory laws and regulation becomes inevitable. By considering social and environmental risks in their project financing arrangements, these institutions are protecting their reputation and that of the project developer in case a social or an environmental scandal emerges in future project operations. For Paladin, the Kayelekera Uranium Mining Project is financed by three major financial institutions: Societe Generale Australia, Nedbank Capital and Standard Bank. These three institutions subscribe to the Equator Principles, a private voluntary standard aimed at influencing financial institutions to address social and environmental risks in their project funding processes.

The significance of the Equator Principles as a driver for Paladin CSR agenda is clearly captured in the following quotes:

“"We subscribe to the Equator Principle, and we also bear in mind that later this month, I will be hosting a group at the mine of 20 analysts from Australia. We have bankers who come. These people look at those issues; they are the ones who are lending the money to us. They are responsible to their shareholders to make sure that the money is properly accounted for in terms of our social responsibility. We do a quarterly environmental report, and a social responsibility report to our financing organisations. So every quarter we feedback the information about what we are doing, how we are doing it and why we are doing it.” (Paladin Country Manager)

“"Compliance with environmental and social laws and regulations, and the project’s environmental and social action plan, is a key covenant of project finance agreements. Reporting requirements should also be included as a covenant. Material non-compliances with the covenants will normally constitute an event of default under the loan agreement” (EPFI Lending Guidelines, p.2)

The evidence above, thus demonstrates the remarkable influence of the Equator Principles on Paladin’s drive to integrate some environmental and social concerns into their mining projects in Malawi. For the Equator Principles Framework unlike other voluntary frameworks, there is a strong focus not only on monitoring compliance with its guidelines and seeking consensual remedial actions with the borrower, but also on sanctioning punitive measures for non-compliant borrowers.
Our study findings largely corroborate with other studies conducted in the Sub-Saharan Africa (Amaeshi et al., 2006; and Visser, 2008). In line with Muller and Kolk (2010), the study finds that external pressures have a powerful influence over the Paladin CSR agenda. Perhaps, this does not come as a surprise given its size and the visibility and vulnerability of the industry in which Paladin operates (Hendry, 2006). Although there were other external drivers of Paladin’s CSR agenda, we argue that, concerns surrounding the risk of reputation and legitimacy losses posed by the actions of confrontational civil society organisations were central to Paladin’s pursuit of a CSR agenda in Karonga district. This finding corroborates with Ditlev-Simonsen and Midttun (2011) who reported that corporate managers are more concerned with branding, meeting stakeholders’ interests and value maximisation when pursuing their CSR agenda.

Nonetheless, we also identify some points of disagreement with other scholars who have studied CSR in developing countries and Malawi, in particular. Specifically, our findings are slightly at odds with those of Lindgreen et al. (2009). Lindgreen et al. (2009) found no compelling evidence to suggest that CSR in Malawi is influenced by socio-cultural considerations. In this study, we found compelling evidence to suggest that CSO pressure and the desire to protect its reputation from the damage CSOs could have caused, community expectations and the desire for Paladin to respond to such normative pressures have been significant drivers of its CSR agenda. Community expectations in particular are largely influenced by the Christian values and the Malawian culture which embodies the ideal that those who are endowed with resources are obliged to assist those who are resource poor.

The variation between this study and that of Lindgreen et al. (2009) is likely to be related to the different methodologies employed. For instance, while Lindgreen et al. (2009) surveyed
corporate managers (middle-level) using a questionnaire, this study had a mix of respondents including senior managers, and used data collection tools that aided in gaining an in-depth understanding of the notion of CSR and its drivers in Karonga district. Notwithstanding the value of middle-level managers’ interviews, we argue that by interviewing senior executives, this study was well positioned to obtain an accurate account of the rationale Paladin used for pursuing its CSR agenda in Malawi (Schoenberger, 1991).

**Conclusions**

Our study, has highlighted the drivers of the CSR agenda in the mining industry in Malawi using a single case study. However, we acknowledge the limitations of relying on a single case study. One such weakness is that the findings arising from a single case study may be considered as lacking generalisation of findings over a population. However, given that this research was not intended to make a scientific generalisation of its findings, but to select a case study company that possess attributes relevant to the study, we believed that this case study served the purpose it was selected for (Miles and Huberman, 1994). We in particular, argue that, by adopting a single case study, this research has helped to obtain a nuanced understanding of the real determinants of CSR in the mining industry without the need for having more than one case (Silverman, 2005).

While there are some limitations to the study, our study has made a contribution to the body of knowledge about CSR in Sub-Saharan Africa. Considering the scant literature on CSR in the Southern Africa region, our study has contributed to the knowledge about the drivers of CSR in the mining industry in this region. Furthermore, this study is the first of its kind in the Malawian mining industry to examine the factors that influence mining companies to engage in the CSR agenda.
References


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i Recurrent themes were generated from a maze of conflicting and convergent responses from the interviewees.


iii For detailed information, see www.arpansa.gov.au

iv For more information, see: www.iaea.org

v For detailed information, see www.equator-principles.com

vi For the list of institutions that subscribe to the Equator Principles, visit: www.equator-principles.com
These respondents included senior managers responsible for CSR related issues, community and CSOs’ stakeholders, government official and other opinion formers.