

Master Thesis

Corporate-Community Partnerships: Making CSR mutually beneficial for
business and community development in the Dominican Republic

By
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Corporate – Community Partnerships: Making CSR mutually beneficial for business and community development in the Dominican Republic

Xstrata's CSR strategy, the Falcondo Foundation and local communities in Monseñor Nouel and La Vega

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Abstract

This study explores the role of a corporate-community partnership in making Corporate Social Responsibility (CSR) a mechanism that creates shared value for both business and society. The investigation seeks to generate knowledge about how a partnership can ensure “business benefits” in terms of satisfied CSR objectives for a company, as well as beneficial outcomes in terms of development in the host-communities.

The concept of CSR has caused businesses world wide to pay increased attention to social and environmental performance. For those companies operating in developing countries, these responsibilities are frequently defined in terms of contributions to sustainable development (WBCSD, 2009). While the corporate rationale and objectives for CSR have been firmly identified by previous research, there are more uncertainties regarding CSR’s outcomes and consequences for the beneficiaries of CSR initiatives in the host-society (Muthuri, 2008; Blowfield, 2007). Some companies have therefore chosen to engage in partnerships in order to contextually tailor their CSR interventions, improve corporate-community dialogue, and ensure an appropriate response to local expectations about a company’s social and environmental responsibilities (Davy, 2001; Idemudia, 2007).

The empirical investigation is based on a case study of Xstrata’s CSR strategy and the partnership that has been established between Xstrata Nickel Falcondo, the Falcondo Foundation and the local communities in the provinces of Monseñor Nouel and La Vega in the Dominican Republic.

The corporate-community partnership has ensured gains for all actors involved. An improved corporate-community relationship, enhanced legitimacy of the company’s actions, and business opportunities are major benefits of the partnership for Xstrata. Simultaneously, host-communities have obtained a channel of dialogue through which they can voice their concerns, and they participate actively in development projects that are driven by the wishes and challenges identified by the community-members themselves. Villagers now live under improved socio-economic conditions, have acquired skills and capacities through collective work with their fellow community-members, and social relationships have been strengthened; a solid base for community empowerment and development.

The partnership’s ability to bridge demands for immediate results with a long-term perspective of the development process, target structural impediments to community development, and maintain an equilibrium of corporate and community power and interests, have been critical factors in turning CSR into a mechanism that benefits both Xstrata and the host-communities. The study thus demonstrates that the partnership’s recognition of the interdependency of business and society for the growth of both, has led to a synergetic effect where mutual advantages are obtained.

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Declaration by candidate

I hereby declare that the thesis:

Corporate-Community Partnerships: Making CSR mutually beneficial for business and community development in the Dominican Republic

has not been submitted to any other universities than the University of Agder for any type of academic degree.

Oslo, 24th May 2009

Dyveke Rogan

Date

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Abbreviations and acronyms

ADEMI	Asociación para el Desarrollo de Microempresas
BoD	Board of Directors
BCRD	Banco Central de Republica Dominicana
CAFTA	Central American Free Trade Agreement
CIA	Central Intelligence Agency
CNZFE	Consejo Nacional de Zonas Francas de Exportación
CORDE	Corporación Dominicana de Empresas Estatales
CO ₂	Carbon Dioxide
CSO	Civil Society Organisation
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
DGM	Dirección General de Minería
DJSI	Dow Jones Sustainability Index
DR	Dominican Republic
EIU	Economist Intelligence Unit
EITI	Extractive Industries Transparency Initiative
GDP	Gross Domestic Product
GHG	Green House Gas
GRI	Global Reporting Initiative
HSEC	Health, Safety, Environment and Community
ICMM	International Council for Mining and Metals
ISO	International Organisation for Standardization
MSI	Multi-Stakeholder Initiative
NGO	Non-Governmental Organisation
NO _x	Mono-nitrogen Oxide
PAP	Papanicolaou Test
PLD	Partido de la Liberación Dominicana
PPP	Purchasing Power Parity
PR	Public Relations
PRD	Partido Revolucionario Dominicano
PUCMM	Pontificia Universidad Católica Madre y Maestra
SEE	Secretaría de Estado de Educación
SEMARN	Secretaría de Medio Ambiente y Recursos Naturales
SO ₂	Sulphur Dioxide
SUTRAFADO	Sindicato Unido de Trabajadores de la Falconbridge Dominicana
UN	United Nations
UNDP	United Nations Development Program
UNEP	United Nations Environment Program
UNGP	United Nations Global Compact
US	United States
USAID	United States Agency for International Development
USD	United States Dollar
WBSCD	World Business Council for Sustainable Development

Chapter 1: Introduction

1.1. Background

Over the last two decades, the concept of Corporate Social Responsibility (CSR) has gained a prominent position within debates about private sector involvement in development processes of poor countries and communities. Many policy-makers now recognise private sector as important in meeting developmental and environmental challenges, a role that has previously been assigned to international and bilateral development agencies and NGOs (Blowfield & Frynas, 2005). However, as the extensive literature on the subject demonstrates, the concept of CSR itself is highly contested (Moon, 2004). Although most people now recognise that it is no longer a question of “if” but rather of “how” to implement CSR, academics vary in their opinions concerning its nature, motivation and impact (Blowfield, 2005; Ruggie in Economist, 2008; UNRISD, 2003).

Prior research on the subject has demonstrated that when CSR strategies are poorly designed, it not only risks being a waste of resources and yield little benefit to the company, but it can also have detrimental impacts on the society in which it is implemented and worsen corporate-community relationships (Newell, 2005; Utting, 2005a). Moreover, much research has tended to focus on the business case for CSR, but little has been discovered about CSR’s real impact on society and even less on the outcomes in respect to community development (Muthuri, 2008; Blowfield, 2007). Several factors affect the successfulness of CSR strategies, notably normative and contextual issues which are especially relevant for transnational corporations operating with one overall strategy in very diverse settings. Host-communities are not static and homogenous, but rather organic and disparate and for CSR to work in the benefit of both business and society, this complexity must be addressed (Muthuri, 2008; Newell; 2005). In this respect, there has been a call for more knowledge about the interplay and dynamics that characterises the corporate-community relationship, notably community inclusiveness and context sensitivity (Muthuri, 2008). Some corporations have attempted to better tailor their CSR initiatives to local realities by forming partnerships with host-communities in which they operate. The aim of such partnerships is to increase the ability to respond to community needs and build intra-community social capital as well as strengthen ties between corporations and their host societies in a specific contextual setting.

This has also been the purpose of the establishment of a partnership involving Xstrata Nickel Falcondo, the Falcondo Foundation and the local communities where the company operates in the Dominican Republic. Xstrata Nickel Falcondo is a subsidiary of the global corporation Xstrata. The implementation of Xstrata’s CSR strategy at the local level through the partnership with the Foundation and the host-society, is the case study used for this research. It is argued that partnerships can create an enabling environment in which “the corporation and society can grow in tandem” (Idemudia, 2007;1). CSR will then have the potential to contribute to development and environmental conservation as well as provide vital gains to the company itself. This study reveals that Xstrata’s CSR activities have generated considerable benefits to both Xstrata Nickel Falcondo and the local communities. However, the role of the partnership and the way it operates has been critical in improving the corporate-community relationship and ensuring that the CSR initiatives create value for all actors involved.

1.2. Brief Contextual overview

The Dominican Republic is one of the countries in the Caribbean that has experienced the highest economic growth over the past two decades (Economist, 2009a). Nevertheless, there are huge socio-economic inequalities reflected in classes and races and poverty is widespread (UNDP, 2008). It is also one of the countries with the highest political instability in the world (EIU, 2009). The country is rich on mineral resources, most of them located in the central parts of the island. Xstrata Nickel Falcondo has conducted surface mining in the provinces Monseñor Nouel and La Vega since the early 1970s. The Falcondo Foundation is an independent, non-profit institution, funded by Xstrata Nickel Falcondo. It has been working with community development in the communities surrounding the company since 1989.

1.3. Research Objectives

The main objective of the study is to investigate whether the corporate-community partnership established between Xstrata Nickel Falcondo, the Falcondo Foundation and the surrounding communities makes CSR a mechanism that creates mutual benefits to both business and society. The empirical investigation is based on a case study of Xstrata's CSR strategy and its partnership with the Falcondo Foundation and the local communities in the region where the company operates in the Dominican Republic.

The following research questions will address the research problem:

- 1) What are the motivations behind Xstrata's CSR strategy?
- 2) How is this strategy reflected in the work of the Falcondo Foundation?
- 3) How do Xstrata's CSR strategy and the Falcondo Foundation's work address community development needs and goals?
- 4) To what extent is the local community included and participating in the partnership?
- 5) How do Xstrata's CSR strategy and the partnership ensure aggregated value for Xstrata and the host-communities?

1.4. Methodology in brief

Primary research was carried out over a period of five months from November 2008 to March 2009 in the Dominican Republic. The research design is a case study, and it employs a multi-research strategy where qualitative methodology was mainly used for data collection, complimented by quantitative methods. Qualitative interviews, focus groups and participant observation together with document analysis have been the main methods for data collection. A quantitative survey was also conducted as a means of cross-checking findings and compliment explanations.

1.5. Clarification of terminology

Corporate-Community Partnership is the term used to describe the relationship between the following partners: Xstrata Nickel Falcondo, the Falcondo Foundation and the host-communities. The actors involved themselves in this partnership through the establishment of

the Foundation. I have chosen to use the term *partnership* because the three partners are separate actors or *groups of actors* (the communities), but nevertheless interdependent in the pursuit of their interests.

To avoid confusion between the Falcondo Foundation and the company Xstrata Nickel Falcondo the term *Foundation* will be used when referring to the Falcondo Foundation and *Falcondo* will be used when referring to the company Xstrata Nickel Falcondo. Concerning the Xstrata corporation, the terms *Xstrata* or *Xstrata Plc* will be used.

CSR is the term used throughout the thesis when referring to the social and environmental responsibilities of a company. The definition of CSR used for this thesis is provided in chapter 3.

Communities and *host-community/ies* refer to the communities in the provinces where Falcondo operates, and which are involved in the partnership. *Community Association*/"*Junta de Vecino*" refers to associations of neighbours and community-members, traditionally found in many Dominican cities and rural communities.

Mine/Plant means the main area where Falcondo has its facilities while *mining fronts* refer to various areas /mines from which material is extracted and transported to the main plant.

RD\$ is used as a short-term for Dominican pesos. The current rate to the US dollar is 1 USD = 36 RD\$. Average rate during the period 1990 – 2009: 1 USD = 21 RD\$ (Economist, 2009b).

Spanish vocabulary

Campeño: Spanish term for a farmer or livestock keeper. Also used when referring to people living in rural communities.

Finca: Plantation

Yucca: staple food, root-vegetable often called cassava.

Platano: staple food, known as green, non-sweet banana.

1.6. Thesis Outline

Chapter 1 offers an introduction to the thesis, outlines the objectives and clarifies concepts.

Chapter 2 gives a contextual overview of the area of study. It will touch upon the history, socio-economic, and political profile of the country. It also provides characteristics of the two provinces Monseñor Noel and La Vega, a description of Xstrata Plc and Xstrata Nickel Falcondo as well as the Falcondo Foundation.

Chapter 3 provides a literature review outlining the theoretical foundations for this research. It explores prior research within this field, historical evolution of the concept of CSR, main strands within contemporary CSR thinking, theoretical reflections on partnerships and community development.

Chapter 4 explains the methodology employed in the thesis and outlines the research process. It justifies the choice of research strategy, design, sample, data collection techniques and limitations for this study.

Chapter 5 presents the empirical findings and a discussion of these in the light of the theoretical framework. The chapter consists of four main parts. The first deals with Xstrata's motivations for CSR and the contents of the CSR *policy*. The second looks at the *implementation* of the strategy at local level. The third section outlines the *interaction* processes within the partnership, and the last section provides reflections on the *outcomes* of the partnership for business and society.

Chapter 6 offers concluding remarks and provides recommendations.

Chapter 2: Contextual Overview

2.1. The Dominican Republic



Country facts (CIA, 2009):

Location: Caribbean

Total size: 48, 730 sq km

Boarder: Haiti

Population: 9,507,133

Population growth: 1,5 %

GDP – per capita (PPP): 8,100

Ethic groups: 73% mixed, 16% white, 11% black

Natural resources: Ferronickel, bauxite, gold, silver

Land use:

22 % arable land, 10% permanent crops, 68 % other

Religion: 95% Roman Catholic, 5% other

Figure 1: Map of the Dominican Republic.

Source: CIA (2009).

2.1.1. History and politics

The Dominican Republic was first discovered by Europeans when Christopher Columbus arrived there with his expedition in 1492. He named the island Hispaniola, and this comprised what we today know as the Dominican Republic and Haiti. The indigenous people who lived on the island were the Taíno Indians who were soon being oppressed and exploited as the Spaniard searched for gold (Haggerty, 1989). Since the mid-17th century, the island was occupied both by French and Spaniards with the French having mostly control of the North-Western part of the island, while the Spanish maintained control in the east. The island was later officially divided in two when the Spanish gave up their colony and the Dominican Republic was declared independent in 1844. Since the day of its independence, the Dominican Republic has been characterised by internal economic and political instability, and has had a number of clashes with Haiti concerning boarder disagreements (Haggerty, 1989). This unrest was not settled until the US took control over the country during the 1st world war in order to “protect it” from communism (Haggerty, 1989). The Americans revived the sugar industry, brought political peace and economic growth during their eight year long occupation. However, they simultaneously restored and trained the Dominican army, leaving the head of the army, Trujillo, largely in charge of the country when they left in 1924.

Trujillo established an oppressive dictatorship, supported by the US which was given a favourable position in the sugar industry of the country. Trujillo gradually started to take control of the domestic industry, and increasingly involved himself in the American-owned sugar industry. National and international discontent with his regime escalated when he in 1937 reached a border agreement with Haiti, and ordered the massacre of the 17 000 Haitians who lived on the Dominican side of the border. However, Trujillo maintained power for more than 30 years until he was assassinated in 1961. After Trujillo's death, the country has been governed by both the Dominican Revolutionary Party (PRD) and the Dominican Liberation Party (PLD). This has taken the form of a "democratic" evolution although President Joaquin Balaguer's more than 20 years in power have rather been classified as authoritarian (UNDP, 2008). PLD is the party which has held the presidency for the longest periods over the last decades, and which is still in power under President Fernandez, who was re-elected in 2008 and currently sits his third presidential term (Economist, 2009a). The political situation in the country is unstable, and the Dominican Republic was recently rated as the 16th most politically unstable country out of 165 countries in the world,- "on the brink of social breakdown" (EIU, 2009:16). This political instability is defined by corruption, ethnic fragmentation, inequality, labour unrest, regime type and level of social provision (EIU, 2009:15)

2.1.2. Socio-economic context

The Dominican society experienced strong economic growth and decline in poverty rates from early 1990s until the end of the century (World Bank, 2009). This was due to the income generated from tourism and manufacturing, which combined sustained an annual growth rate of approximately 7% (World Bank, 2009). However, at the turn of the millennium the Dominican Republic started suffering from political turmoil and national economic crisis (World Bank, 2009). Three of the country's largest financial institutions went bankrupt due to fraud and this led to a 100% depreciation of the peso, the national currency. Consequently, real average incomes also decreased by approximately 30 % (World Bank, 2009). In addition, the global recession ensured less income for exports in minerals and manufacturing products. The situation improved when Fernandez was elected president in 2004 and the country experienced double digit growth in 2006 and 2007, fuelled by a 50% increase in export prices for ferronickel (World Bank, 2009). Although tourism and services are the largest sectors employing most people in the country, exportation of sugar, coffee and tobacco are still contributors to the national income (CIA, 2009). In addition, the Dominican Republic has a long tradition for industrial free trade zones. These were established in the late 1960s to attract foreign investment. The majority of products produced in these zones are textile and garment, and together these products make up 85% of the country's total exports (CNZFE, 2006). Due to the tax exemptions enjoyed by these companies, the production and exports do not contribute much to the national GDP, however the zones are an important source for employment for many Dominicans (UNDP, 2008). About 80% of exports are flowing to the US and the country is therefore highly dependent on this relationship (CNZFE, 2006). The country recently signed a free trade agreement with US which will be placed under the Central American Free Trade Agreement (CAFTA). It is also worth noting that remittances represent almost 1/10 of GDP (CIA, 2009).

Historically, the mining industry has played an important role in the economic development of the Dominican Republic. It was particularly growing from the 1970s to the end of the 1980s with an increase from 1,5 % to 6% in contribution to the national GDP, and by 1980 it accounted for 38% of exports (Haggerty, 1989). However, low international demand for the

country's main minerals forced the government to take measures to attract foreign investments in the mining sector" (Haggerty, 1989). As a result, the government decreased its role and control over national resources and foreign investors gained access to areas that had previously belonged to the state. Today, the industry sector including the mining industry accounts for 28,3 % of national GDP (CIA, 2009).

The Dominican Republic is classified as a middle-income country, and according to World Bank statistics, the situation for most people in the Dominican Republic today is improving. They estimate that over the last 10 years, life expectancy has risen from 65 years to 68 years, infant mortality has dropped by 50%, primary school enrolment has increased from 57% to 86% and nearly all inhabitants (95%) have access to safe water (World Bank, 2009). At present, the country ranks 79 on the Human Development Index (UNDP, 2008). Despite this progress, the country is characterised by huge inequalities which divide people across races and social classes. The lighted-skinned Dominicans with European roots enjoy higher privileges than those with visible indigenous roots and in many ways skin colour remains a sign of social status (Haggerty, 1989). The 22 year long occupation by Haiti and the historical rivalry between the two parts of the island continue to influence people, and the large Haitian population that has migrated to the Dominican Republic is prone to discriminations and human rights violations (UNDP, 2008). Furthermore, there is a small elite that has accumulated wealth either because they are old elite families with land assets or because they have benefited from industry expansion. People maintain strong bonds with closest neighbours and family, but this does not extend across communities or across families belonging to other social classes. This inequality and discrimination is reflected in development indicators. The World Bank has estimated that despite the improvements mentioned above, 42% of all Dominicans live on less than 2 USD a day, and 16% out of these on less than one USD per day (World Bank, 2009). Moreover, in 2004, 20% of the richest families had control over 56% of the national income while only 4% was attributed to the poorest 20% (World Bank, 2009). It is furthermore estimated that approximately 16% of the economically active population is unemployed in addition to 25% of the workforce who are deemed under-employed (UNDP, 2008). A final characteristic that is worth noting is the country's vulnerable position in the middle of the Caribbean and the hurricane belt. It is therefore prone to natural disasters and floods which exacerbate the difficult situation for the country's poor (UNDP, 2008).

2.1.3. Monseñor Nouel and La Vega

The Dominican Republic is divided into 31 provinces and one district. La Vega and Monseñor Nouel are two provinces situated in the middle of the country's mountainous region, about 100 km north of the capital Santo Domingo. This part of the country is often referred to as called *Cibao Central* and it is a hub for commercial, manufacturing and transportation activities and the fertility of the region yields cacao, coffee, tobacco, rice, fruits and cattle. The main highway, *Autopista Duarte*, from Santo Domingo to the Northern coast passes through the two provinces, and considerable formal and informal commercial activity in terms of restaurants, shops and lodging has developed along the highway. The region also has the most important mineral reserves in the country.

Monseñor Nouel was a part of La Vega until 1982 when it was divided into two separate provinces. La Vega has a total population of 385 101 people of whom 44,6% are urban and 55,4 % are rural settlements. The territorial extension is 2 287 Km² (ONE, 2008). The province is divided into four municipalities: Jima Abajo, Jarabacoa, Constanza and

Concepción de La Vega. The capital of the province is called La Vega itself. Monseñor Nouel is half the size of La Vega, comprising about 992 Km2 with a total population of 167 618 people of which 60,7% are urban and 39,3% are rural settlers (ONE, 2008). The province consists of 3 municipalities; Bonao, Maimón and Piedra Blanco, and the capital city is called Bonao.

2.1.4. Hato Viejo, Peñaló and Palmaritos

Hato Viejo is situated approximately 8 km from Bonao, along a rural dirt road on the way towards Maimón in the East. A Falcondo-sponsored bus service to Bonao facilitates access to the city two times per day. The village consists of 60 households with an average of 6 members per family. There is a rural clinic, a school offering level 1-4, a church, a community club and a couple of informal shops. Almost all households have access to water

and latrines as well as electricity, although the latter is very irregular. The community has long traditions for organisational activity. There are three associations, the women's club "Association Amas de Casa Salome Ureña de Henriquez" with 28 members and the men's club "Association de Agricultores Mauricio Baez" with 17 members, both founded in 1980. In addition, there is a new youth club with around 40 members.



Peñaló is located approximately 10 km northeast of Bonao. Access to the city is by dirt road which passes through the larger village Jayaco situated about 6 km from Peñaló. There are no public transportation available, and most villagers use motorcycles and horses when commuting. The community is comprised of 59 households, equally with an average of 6 members per family. The school offers level 1-4 and the nearest health facility is in Jayaco. Most of the households have water and latrines, and electricity supply for about 4 hours per day. In addition, there are two small shops and a community club which is currently not in use due to its poor physical shape.

Figure 2: Main villages surrounding Falcondo.
Source: Author (Plotted in Google Earth, 2009)

There is one community association, the women's club "*Club de Amas de Casa Santa Ana*" founded in 1990. It currently has 30 members.

Both Peñaló and Hato Viejo are predominantly agricultural villages with little commercial activity. The productive activities take place on small farmsteads in the form of subsistence farming because the *campesinos* live on small plots, and large scale production is not possible. Livestock breeding is a common in Hato Viejo, while Peñaló is located close to the rice fields in Jayaco and some of the community members find temporary work there. Over the last years, there has been little demographic change in terms of migration in either village.

Palmaritos is situated 2 km south of the centre of Bonaó, adjacent to the Duarte highway. This community has experienced considerable growth over the past 40 years. It used to be comprised of about 40 households where the inhabitants worked mainly with rice cultivation. Now, it has become a peri-urban community with approximately 260 households preoccupied with commercial activities. There are two schools, a medical dispensary, a church and several shops in Palmaritos. The majority of the roads are dirt roads, apart from the main street which is paved. The community members have access water and sanitation, mainly inside the house, and are connected to the electricity grid, although with irregular supply. There are several community associations in Palmaritos. The main ones are the women's club "*Club de Madres la Inmaculada*" founded in 1975 with 44 members and the men's association "*El Frente*" founded in 1972 with 40 members. In addition there is a youth club, a religious association and a *Junta de Vecinos*.

2.2. Xstrata Plc

Xstrata Plc is a global mining corporation established in 2002. It is comprised of 5 commodity businesses which are Coal, Copper, Nickel, Alloys and Zinc, as well as a technology and business unit. Each of these commodity businesses have operations and projects on sites which span across 19 different countries and employ a total of 60 021 people (63% permanent and 23% contractors), making Xstrata Plc the world's fifth largest mining group (Xstrata, 2009a).

The CSR strategy of the Xstrata Group is outlined in the corporation's sustainability framework which is comprised of the group's business principles, sustainable development policies and 17 sustainable development standards (appendix 2). The first is the corporations' ethical framework; the corporate values and beliefs that guide all aspects of the corporation and which should be reflected in every single operation and employee in Xstrata. These values are "*we work ethically, we work responsibly, we work openly and we work together with others*" (Xstrata, 2008b:25). The second is their HSEC (Health, Safety, Environment and Community) policies which combined specify the corporations' commitment to each of these areas as well as their commitment to the employees and to the societies in which they operate. Finally, the 17 standards are the guidelines and indicators that all operations have to comply with. Every year, Xstrata Plc outlines targets for each of these standards which should be met at group,- commodity,- and operational level. This ensures that all entities within the Xstrata Group move together towards the same goal. These standards incorporate international guidelines like International Council for Mining and Metals (ICMM), United Nations Global Compact principles, Voluntary Principles on Security and Human Rights, ISO14001 and OHSAS18001. The performance of each Xstrata operation or site is being measured against the 17 standards, and the combined results make up the overall CSR performance of Xstrata commodities level and group level. Tied to these standards is the

Sustainable Development Assurance Program through which each operation is independently audited once every three years. This is the main mechanism for the corporation to know that every site complies with the standards and policies (Xstrata, 2008b).

The sustainability framework outlines the corporation's justification for their corporate social responsibilities, and stakes out the strategic direction for socially responsible practice at group level, commodity level and site level. It was created to

“improve alignment between Xstrata’s policies and standards and to ensure Xstrata maintains its position at the forefront of leading practice in sustainable development, while retaining a similar overall structure to minimize any additional burden on our operations and projects” (Xstrata, 2008b:23).

The corporation has a horizontal structure where decisions and responsibilities are down-rolled to commodity- and operational levels. This also applies to their CSR meaning that the framework is the guiding hand of all sites globally, but that each and every have the autonomy and responsibility to identify and act on the risks and challenges that correspond to the local context in which they operate. In this manner, all operations have to contribute for Xstrata to achieve its overarching corporate mission. As part of its corporate strategy, Xstrata Plc spends at least 1% of its pre-tax profits on corporate social involvement activities. Pre-tax profit for the Xstrata Group was 5,2 billion USD in 2008 (Xstrata, 2009b:152). In September 2007, Xstrata was awarded the title “mining sector leader” in the Dow Jones Sustainability Index, and in early 2008 Xstrata became the sector leader and a platinum level company in the Business in the Community Corporate Responsibility Index (Xstrata, 2009a). These are awards for the company's CSR performance.

Xstrata Nickel is one of Xstrata's five commodity businesses and it was created in August 2006 Xstrata assumed full control of Falconbridge Ltd. Xstrata Nickel is the fourth largest nickel producer in the world, employing 5000 people (Xstrata, 2009a). It has operations in Canada, Norway and the Dominican Republic, as well as growth projects in other parts of the world.

2.2.1. Xstrata Nickel Falcondo

Xstrata Nickel *Falcondo* in the Dominican Republic is a subsidiary of Xstrata Nickel. It is a surface mining operation that extracts nickel contained in ferronickel. Xstrata has 85,3 % of the shares in Falcondo while the reminding is held by CORDE, a holding company owned by the Dominican state. Locals normally refer to Falcondo as *Falconbridge*, due to its previous owner and Dominican name, Falconbridge Dominicana C por A.



Figure 3 Xstrata Nickel Falcondo main property.

Source: Author (2009)

Falcondo has a long history in the Dominican Republic and when it started it was the largest industrial project in the country. It originally began exploration in the mid-1950s under the Trujillo regime and started pilot plant trials in the early 1960s. These trials were done in a simple fashion by sending ore containing ferronickel out of the country for processing. During 1967-68 the trials took place in the country itself involving the final production of nickel, and the basis of these trials were used to design the commercial plant. In 1969, the construction of Falcondo's facilities was approved and took place from 1969-71. The official start of the operation was in January 1972 when the company reached full capacity. Falcondo has always been very dependent on the ratio between oil and nickel prices. It therefore faced difficulties in its initial stages due to the oil shock in 1973, the energy crisis in 1979 combined with low nickel prices. In addition, it was largely funded by debt and by the mid-1980s the company owed more money than when it started (A6, [interview]). This forced Falcondo to shut down the plant during 5-9 month periods on a number of occasions from 1980 to 1986. However, from 1987 there was a world resurgence of metals and industrial materials and the company finally began making money (A6 [interview]). By 1991 it had paid off all its debt and apart from a shut-down in 1998, it has been a profitable operation. 2007 was a golden year for Falcondo, however, in December 2008 nickel prices dropped to an extreme low and the company was forced to shut down again and lay off a majority of its employees. At the time of writing, Falcondo is still closed, operating only the power plant. Approximately 600 people are still employed, working on maintenance and rehabilitation of mined areas.

The main property of Falcondo is located in Bonao, and includes a metallurgical treatment plant, a crude oil refinery and a 200 megawatt thermal power plant. In addition, a 75km long oil pipeline connects Falcondo to the Port of Haina from where oil is pumped and used for the power plant. Excess power (15-20%) is sold to the national energy grid. The total production capacity is 29 000 tonnes per year and the material is transported to the Port of Haina and shipped to its various destinations. The main mining fronts are in the *Loma Peguera* east of Bonao, *Loma Caribe* northeast of Bonao and *Loma Ortega* in La Vega. The total area of Falcondo's property and mining fronts is 240 km². The mine has another 20 years of identified mineral reserves. During full operation, Falcondo employs approximately 1800 people.

Xstrata has 85,3 % of the shares in Falcondo while the reminding is held by CORDE, a holding company owned by the Dominican state. Locals normally refer to Falcondo as *Falconbridge*, due to its previous owner and Dominican name, Falconbridge Dominicana C por A.

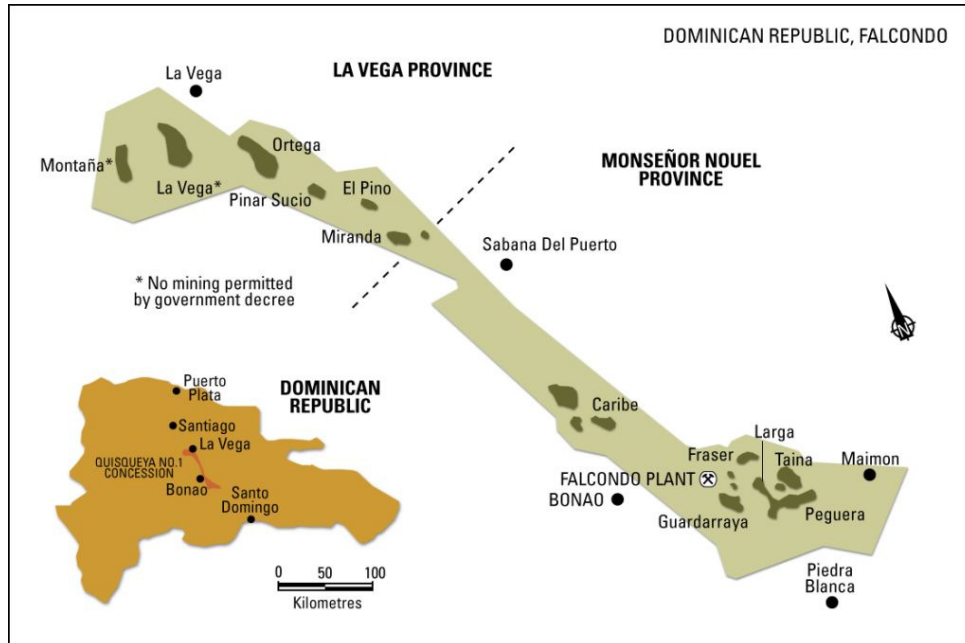


Figure 4: Falcondo main property and mines

Source: Adapted from Falconbridge Ltd (2006)

2.2. The Falcondo Foundation

The Falcondo Foundation (previously named *Fundación Falconbridge*) is a non-profit, private institution established in Santo Domingo on the 31st of July 1989. It was originally formed by Falcondo to handle community relations and its main purpose is to work for integrated and sustainable development of the provinces Monseñor Noel and La Vega (Fundación Falcondo, 2009). The Foundation’s vision is “people and communities with a better quality of life as a result of own participation in the problems affecting them” (Fundación Falcondo, 2009). It partners with communities and offers financial and technical assistance as well as encourages capacity building in communities located in the provinces of Monseñor Noel and La Vega.

The objectives of the foundation are the following:

- improve the social, educational and cultural conditions in the provinces of Monseñor Noel and La Vega
- promote the social, economic and political leadership of communities, particularly with regards to women and youth
- contribute to the socio-economic transformation of rural communities
- support the formation of human resourcefulness necessary for development
- contribute to the preservation of natural resources, wildlife, ecosystems and the environment
- support programs for sanitation and prevention of diseases

- mobilise technical and financial resources for the promotion of strategic philanthropy

(Fundación Falcondo, 2009)

The main areas of work are education, community support, environmental preservation, health and promotion of culture and arts (Fundación Falcondo, 2009), all of which will be further explored in chapter 5.

Apart from some projects run in collaborations with other NGOs and development agencies, the Foundation receives all its funds from Falcondo on an annual basis. The majority of the funds have been allocated to education as the Foundation regards this as the most important area for a sustainable development due to the benefits of education for future generations (Fundación Falcondo, 2008b). The Board of Directors (BoD) is composed of people with different economic and social background from the country, of whom several either has or historically have had an interest in Xstrata Nickel Falcondo in terms of employment or in Falcondo's BoD. The Board determines the overall policy of the Foundation, oversees strategy and budget allocation, but it is not involved in the management or operational aspects. In total, the Foundation has invested more than \$13 million USD in community development programs since its very start (Fundación Falcondo, 2008b). The distribution across sectors during the time period 1990-2008 are shown in the graph below.

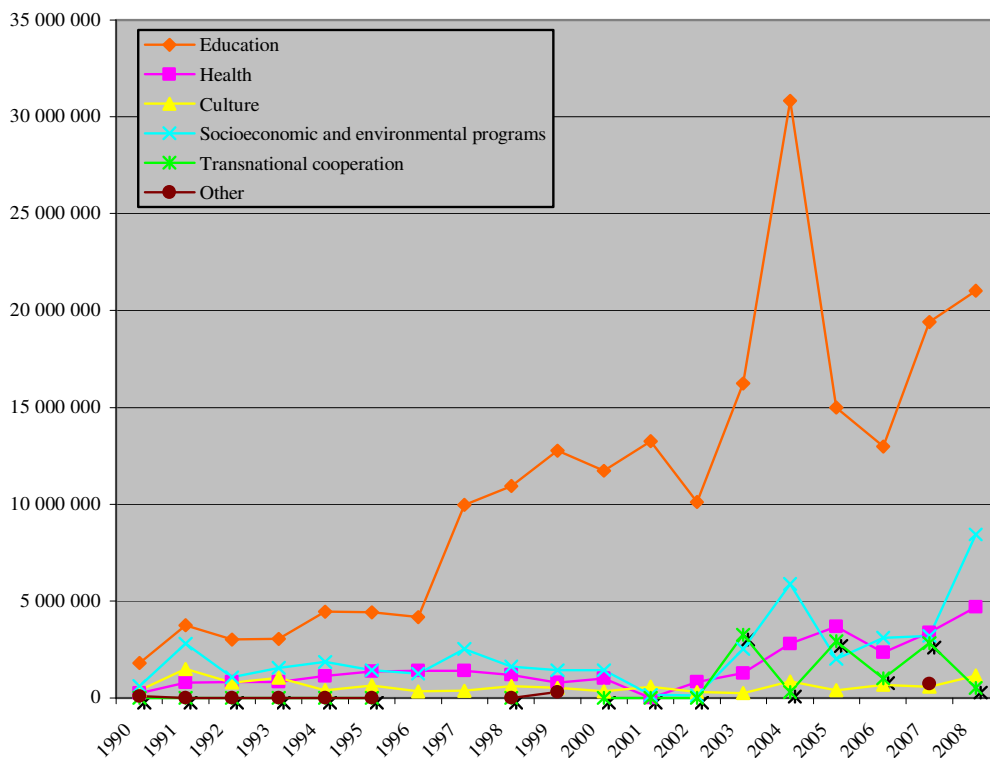


Figure 5: Falcondo Foundation annual expenditure (RD\$) per sector (1990-2008).
Source: Author (Numbers gathered from Fundación Falcondo Annual Reports)

Chapter 3: Literature Review and Theoretical Framework

3.1. CSR – A historical evolution

Mapping the evolving nature of CSR as a concept over the past five decades is useful for understanding and explaining the theoretical approaches used in the contemporary CSR discourse. It is also necessary in order to arrive at an appropriate definition of CSR. Although there has been a renewed focus and development of the CSR discourse over the past two decades, the role of business in society and the management of the relationship between the two is an old debate. Ever since corporations emerged in their modern form in the late 19th century, this relationship has been discussed. However, Howard Bowen's book "Social Responsibilities of the Business Man" from 1953 has been considered as the starting point for the evolution of a wide range of theoretical approaches, terminologies and literature on the subject (Carroll, 1999). Bowen adopted the view that business were powerful actors having a large impact on people's lives and he therefore believed that business should act in compliance with the values of the wider society (Bowen in Carroll, 1999). His vision of the concept has served as the foundation on which new reflections on CSR have been built over the last decades. Hence, he has been attributed the title "father of modern CSR" (Carroll, 1999; Garriga and Melé, 2004; Valor, 2005).

The debate on social responsibility of business advanced rapidly in the 1960s. Keith David adopted a similar stance as Bowen in his definition of CSR, and he introduced the idea that business would suffer a loss of power if it did not pay adequate attention to social values (Carroll, 1999). This argument is set out in his "Iron law of Responsibility": "The social responsibilities of businessmen need to be commensurate with their social power. The avoidance of social responsibility leads to gradual erosion of social power" (David quoted in Carroll, 1999:271). Furthermore, he added that paying attention to social values would bring economic gains to the business in the long term (David in Wheeler *et al.*, 2002), an argument which is still widely used today by companies defending the "business-case" for CSR.

Notions of corporate citizenship were first introduced by McGuire in 1963 who argued that business have other responsibilities than economic and legal ones, namely *obligations* towards society. According to him, such obligations extend to include politics, education, welfare, employee satisfaction and "in fact, the whole social world" (McGuire cited in Carroll, 1999:272). Hence, "business should act "justly" as a proper citizen should" (McGuire cited in Carroll, 1999:272). The concept of corporate citizenship is often heard in the contemporary CSR debate. Critical approaches to CSR tend to argue that corporations cannot be citizens because they are not bound by legal obligations towards the wider society (Moon *et al.*, 2005). Rather, most CSR principles and initiatives are voluntary and self-regulated and not embedded in international or national laws. Neither do there exist mechanisms of compliance and redress, which is an important factor in the legal aspect of citizenship. Moreover, many contradictory practises by corporations who claim to be "*responsible citizens*" serve to undermine the notion of corporate citizenship (Bendell & Kearins, 2005:375). Corporate taxation is an excellent example in this regard because of its centrality to the notion of citizenship and social service provision. Multinational companies are increasingly willing to engage in social and environmental problems, but simultaneously devote large efforts to achieve tax avoidance or tax evasion (Riesco *et al.*, 2005).

In the 1970s, writers began to argue about the real meaning of CSR. It became clear that there were multiple motives for business to engage in socially responsible activities. Harold Johnson presented the view that businesses are primarily preoccupied with adding value to their organisation, and although this goal would usually be pursued in terms of profit maximisation, it could also be done by ensuring well-being of employees and citizens (Johnson in Carroll, 1999). He then recognised that “strongly profit-motivated firms may engage in socially responsible behaviour and once they attain their profit targets, they act as if social responsibility were an important goal even though it is not” (Johnson cited in Carroll, 1999: 273). Manne took this debate further by arguing that is impossible to distinguish a business incentive that is made only to *seem* socially responsible from one that is deliberately and solely embarked on for the public good (Manne cited in Carroll, 1999: 275). These views point to the argument often voiced by critics that CSR is used to shield off their business motivations in an attempt to make capitalism more “human” and corporations’ actions more attractive to the wider society (Bendell, 2004).

The current debate concerning the voluntary nature of CSR thus has its roots in discussions that started more than three decades ago. Clearly, this issue so often attacked by CSR sceptics was recognised even before most corporations started to adopt CSR policies and strategies. Some contemporary writers, particularly those taking the accountability approach to CSR, argue that voluntary CSR cannot have real impact in terms of benefits to society because of the need to regulate business and corporative power in order for it to have a non-exploitative face (Bendell, 2004; Utting, 2005a; Stiglitz, 2006). However, more importantly is to recognise that the financial amount spent on CSR initiatives do not necessarily translate into positive outcomes. Hence, successful CSR activities, voluntary or not, depend on a range of other factors than those which can be measured purely in terms of monetary expenditure on socially responsible activities and economic profit returns to business.

The discussion thus evolved to focus on such factors, and stakeholder management and contextual aspects were given larger attention in the debate on CSR from the late 1970s and onwards. The notion “Corporate Social Performance” (CSP) shifted the “traditional focus” of CSR from principles to an increased emphasis on processes and outcomes (Matten & Crane, 2005:167). Archie Carroll developed a conceptual model of CSP in 1979 arguing that “for managers to engage in CSR they need to have a basic definition of CSR, an understanding of issues for which a social responsibility exists and a responsiveness to the issues” (Carroll, 1999:283). Based on this model, he offered the following definition of CSR: “The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time” (Carroll, 1999:283). Carroll’s contribution to the evolution of CSR as a concept is valuable in that it recognises that business needs to define to whom they have a responsibility within a certain setting, and based on this, find the appropriate way of responding according to society’s expectations. The focus on the outcomes of CSR is very visible in contemporary debates on CSR where several corporations have found that codes of conduct by themselves are insufficient and need to be complimented by score-card reporting and independent audits. These are more illustrative in terms of tracking the process and outcomes of their CSR strategies, but are still not enough to convince many academics about the real contribution of CSR to the wider society (Utting, 2005b:9). Moreover, Carroll’s definition of CSR raises questions of ethical norms and values in society. The expectations that society has towards a corporation will most certainly be based on the norms inherent in that context, which poses significant challenges to

corporations that do not share basic norms with the society in which it operates or which operate globally.

The ability of corporations to design their CSR policies to suit the context and to balance the needs of all people concerned, will to a large extent determine the successful impact their CSR activities can have. Stakeholder theory seeks to address which groups in a society that corporations should be responsible to. Freeman provided the first definition of stakeholder theory in 1984: “a stakeholder in an organization is (by definition) any group or individual who can affect or is affected by the achievement of the organization’s objectives” (Freeman cited in Vos, 2003:143). This definition has been used to develop other, more narrow approaches to stakeholder management in contemporary debates on CSR, distinguishing between primary and secondary stakeholders. Most corporations include an emphasis on stakeholder’s views when designing and implementing their CSR strategies. While managers adopt highly different approaches to stakeholder management, the majority seem to limit their involvement to information sharing or consultation (Bendell and Murphy, 1998). Bendell (2000) argues that for CSR to benefit and have real impacts on society, stakeholder relationships need to go beyond this consultation-stage and aspire to higher levels of dialogue and participation. This is also vital for business to truly benefit from stakeholders’ knowledge and information about the society in which they operate. Some contemporary approaches claim that even high degrees of stakeholder participation is insufficient in this respect because of the structural societal power inequalities and struggles which inherently undermine stakeholders’ ability to hold corporations accountable for their actions (Garvey & Newell, 2005; Utting, 2005b). These issues related to stakeholders will be explored in more detail in the following sections.

The above discussion has provided an insight to the identification of important elements in the relationship between business and society, and it has highlighted some limitations and challenges inherent in the CSR concept. Based on the historical evolution of the concept, I will now turn to explain the factors that have made corporations adopt CSR strategies, and outline the main contemporary approaches to CSR in order to discover how CSR is perceived and used today, and how it can be applied to benefit society and affect development.

3.2. Contemporary approaches to CSR

Realising that the relationship between business and society has been discussed for such a long time raises questions about what is new about CSR, and what led it to gain such a prominent position in today’s debate on private sector and development. A number of factors can explain this. Before 1990s, the private sector did, to a large extent, consider social and environmental issues to be the responsibility of the state (Bendell, 2004). However, when the concept of sustainable development gained the world’s attention at the World Summit in Rio in 1992, it became increasingly clear that “meeting the needs of the present without compromising the ability of the future to meet their own needs” (WCED, 1987: Chp.1, Art.49) would require collective effort of individuals, the civil society, the private sector, national governments and the international community. Moreover, the industrialised world had for a long time been growing due to the benefits of their operations in poor countries, and pressures from below made it clear that it was time to pay back. Simultaneously, the ideological fight between capitalism and socialism had just come to an end and future existence of corporations in their capitalist nature was a fact, causing calls for a capitalism

with social and “human” face (Cappellin & Giuliani, 2004; UNRISD, 2003). However, as NGOs and civil society movements gained power and influence, the discontent and protests against corporate behaviour and malpractice across the world rose (Bendell, 2004). They sought to draw attention to the increasing corporate power, strengthened by globalisation and technological developments. Finally, in this same era, development discourse shifted from the neo-liberal doctrine of the Washington-consensus to a new emphasis on partnerships, poverty reduction and human development (Utting, 2005b). Corporations had usually devoted themselves to cause “economic development” by direct foreign investments and trans-national economic activities, but it became increasingly clear that their practices caused more money to flow out of poor regions than in (Bendell, 2004). As a result of these factors, corporations started to work on their troubled image by engaging themselves in philanthropic activities, partnerships with NGOs and international aid agencies and deploy CSR strategies.

3.2.1. The Business Case – A neo-liberal approach

The business case for CSR has its roots in the neo-liberal approach and Milton Friedman’s view of business responsibilities. In 1970, he wrote:

“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).

His definition of business’ responsibilities is that businesses can engage in CSR initiatives as long as these do not disrupt economic gains and responsibilities towards the shareholders. His argument is much used today, and for corporations it implies a number of perceived benefits and motivations for engaging in CSR.

By responding to social demands, corporations address concerns of customers, employees and existing and potential investors (Broomhill, 2007). In other words, CSR is used as a tool for managing existing and potential risks and damages arising from public criticism of their activities. Extractive industries are particularly vulnerable to such criticisms due to risky working-conditions and environmental impacts. The number of NGOs acting as watchdogs has grown enormously as the world is trying to fight climate change and reduce poverty. Moreover, the growth of technology has made it easy to rapidly distribute and exchange information and evidences of corporate malpractice across the world (Franklin, 2008). Simultaneously, companies are becoming increasingly vulnerable to economic punishment as national governments have started implementing laws against for example environmental damage. Risk management is therefore essential for the economic bottom-line of a company.

Hand in hand with risk management is the argument that CSR leads to improved public-relations and thereby enhances competitiveness (Blowfield & Frynas, 2005). With the rise of economic powers such as China, India and Brazil, competition is ever-increasing as new markets and services push the prices down. Adopting socially and environmentally sound practices is important as customers have become increasingly more aware and selective with regards to ethical issues, and CSR is therefore also used as a “brand strategy” aimed at distinguishing a company’s product from others (Bryane, 2003: 117) Companies can handle these issues by displaying to the public that they are taking responsibility for their actions. There is also strong demand for CSR among employees, and a corporations’ values can help attract and retain staff (Franklin, 2008), which adds to the economic argument for CSR.

Finally, engaging in CSR activities gives the business a “license to operate” (Broomhill, 2007:14). CSR initiatives are voluntary, but often motivated by a desire to avoid future national and international regulation of business activities. By taking initiative to reduce the negative effects of their core activities and contribute to improving the social life of the communities in which they operate, corporations will more easily obtain “permission” from governments, communities and other stakeholders to conduct business and make new investments (Porter & Kramer, 2006).

The “business-case” for CSR is easily made and still constitutes the real motivation for many corporations’ decision to involve in social and environmental activities. However, critics of this neo-liberal approach to CSR have highlighted a number of weaknesses that limit the perceived economic benefits of this approach. First of all, studies have revealed that although there are some indicators of better financial performance related to the adoption of CSR strategies, it is difficult to measure social and environmental performance in terms of numbers (Bendell, 2004; Garriga & Melé, 2004). Moreover such economic benefits might not be visible in the short-term but require long-term investments to prove the opposite. Secondly, several corporations have discovered that their voluntary initiatives or “CSR-face” has not really decreased the amount of reputation-damaging criticism (Frey, 2002). This points to a need for including other considerations than solely economic motives in the development and implementation of CSR. Finally, Bendell (2004) notes that several companies which have not been target for criticism and have chosen not to take on extensive CSR strategies still remain in the game, which limits the argument of competitiveness.

Given these limitations, I will now look at an approach that seeks to integrate the business case with a wider recognition of the role of stakeholders and multi-stakeholder initiatives as a means of increasing responsiveness and a focus on outcomes.

3.2.2. The Middle Way – An integrative approach

The approach that I have chosen to call “the middle way” departs from the neo-liberal view of CSR as a means to the end of profit, and incorporates a recognition of business as “dependent on society for its continuity and growth and even for the very existence of business itself” (Garriga & Melé, 2004:51). Hence, the reasons for embracing CSR strategies extend beyond mere economic motivation to include attaining legitimacy through business’ interaction with society.

Implicit in this recognition of society as a vital component of business existence, is a search for discovering and responding to social demands. These demands vary across time and space, and stakeholder identification and management therefore becomes a vital component of a company’s CSR approach. Freeman’s broad definition of stakeholder theory was outlined in the historical account of the CSR concept above. Although the stakeholder identification process is often narrowed down it is important to be careful in the stakeholder-mapping process as a business can affect and be affected by almost anyone (Vos, 2003:144).

Several companies now carry out stakeholder dialogues and try to establish stakeholder partnerships to increase the impact of their social responsibility programs, not only for their economic benefits but also for the benefit of those the strategy is projected towards. However, such dialogues can take different forms and the mere engagement in stakeholder dialogue does not necessarily create more successful CSR outcomes. As Bendell (2000:4) notes “most

stakeholder pressure is rooted in beliefs of social justice and environmental sustainability, and it is therefore important to focus on the intentions and normative aspects of stakeholder dialogue (Bendell, 2000: 4). He argues that non-participatory approaches to stakeholder dialogue aimed at silencing critics, “educate” critical stakeholders, simply inform them about their operations, or carry out consultations solely to detect their opinions, do not allow affected groups to really participate in the design process of CSR initiatives, and is therefore poor stakeholder management (Bendell, 2000:5).

One example of a company’s attitude towards stakeholder relationship can be found in Xstrata’s stakeholder policy:

“Throughout all stages of our business activities, we aim to foster genuine partnerships with employees, customers, shareholders, local communities and other stakeholders, which are based on integrity, cooperation, transparency and mutual value-creation” (Xstrata, 2008b:1).

Here, an emphasis on partnerships and mutual value-creation indicates that their stakeholder management strategy goes beyond mere consultation. Although it indicates little about how this interaction and balance of interests take place in practice, one of the company’s approaches is to develop stakeholder inclusiveness and social involvement plans for both group level as well as each individual operation (Xstrata, 2008b). This can be interpreted as a recognition of the contextual differences that a global corporation like Xstrata has to face.

Some critics claim that stakeholder dialogue is purely firm-centric and used as a tool to manage potential damages, and does not address the normative aspect of business having ethical obligations to all those affected by its activities (Vos, 2003). Hence, as poor often do not have power or capabilities to make their voice heard, they often become a marginalised and overlooked stakeholder group. For a CSR strategy to have development impacts, it is therefore important that the stakeholder dialogue does not only address immediate business concerns but equally focus on the impacts on all stakeholders, and find a way to make stakeholder inclusion a source of opportunities that benefit both business and society (Porter & Kramer, 2006). The creation of social capital is important in this respect as different perceptions and beliefs can otherwise lead to conflicts between the company and the community in regard to which stakeholder-needs should be addressed (Wheeler *et al.*, 2002). The extent to which corporations are willing to recognise this aspect of stakeholder management depends much on their corporate culture and integration of CSR as an integral component of their way of conducting business.

Another element central to the concept of CSR and responsiveness, is the engagement of companies in Multi-Stakeholder Initiatives (MSIs) and monitoring and reporting processes. MSIs became popular in the late 1990s as an alternative to voluntary codes of conduct which was increasingly criticized for lacking consistency in code provisions and lacking consensus among companies and stakeholders (Maquila Solidarity Network, 2008:3). They take different forms and while many include a vast array of actors such as NGOs, labour organizations, multilateral agencies and private sector, other are more industry specific. The objective of the MSIs is to motivate companies to participate in schemes that set out requirements and guidelines for responsible social and environmental behaviour. They are thus an attempt to come to an agreement upon universal standards and collective actions that reflect a broader vision than only the company’s interest. They are therefore generally seen to

help accountability and increase regulation of business activities with the help of external independent monitoring (Utting, 2005a).

One such initiative is the Global Reporting Initiative (GRI) established in 1997 by the UNEP and the Coalition for Environmentally Responsible Economies. The GRI outlines social, environmental and economic minimum standards that corporations should meet, but there is no ranking or scoring of companies on how far they exceed these minimum standards (Norman & MacDonald, 2004). Other well-known initiatives are the UN Global Compact principles, the Social Accountability 8000 standards and the ISO 14001 certification for environmental management.

The upsurge in reporting and monitoring activities indicates a shift of thinking about CSR from being strictly voluntary and self-regulatory to being more mandatory in the sense that external pressures from competitors and society make it unaffordable for companies not to follow the “stream”. Although the “naming and shaming” practice that rankings can cause is likely to have an impact on a company’s behaviour, the reporting and monitoring mechanisms today are still only focusing on performance and not so much on impacts (Utting, 2005b). Moreover, they comprise such a wide range of issues that it is difficult for companies to narrow down their focus to include only those practices that are relevant to their business’ core activities. Even when they do, it is not always that compliance with such codes has a positive impact on development, and the legitimacy of the organisations talking the “poor’s case” can be questioned, as pointed out by the accountability theory in the next section. Nor should it be taken for granted that they are applicable to the normative and contextual setting in which they are deployed. As Utting (2005b) notes, compliance with some MSIs might actually have a negative effect like loss of jobs or additional costs on suppliers which could have been avoided if the context and developmental impact had been given sufficient attention.

In an attempt to address the deficiencies in stakeholder engagement and voluntary self-regulation, another movement within CSR has started to grow over the last couple of years. This approach is termed the corporate accountability movement, and although it doesn’t oppose the basic idea that corporations have responsibilities to society, it rejects much of the neo-liberal logic behind it.

3.2.3. The Accountability Movement – A “radical” approach

The main idea within the corporate accountability movement is that mainstream CSR pays too little attention to the issue of power and its impact on the relationship between business and society (Garvey & Newell, 2005). Corporations are powerful actors while poor communities are often marginalised and excluded from decisions affecting their lives. Failure to consider the unequal power-balance between corporations and communities, limits the potential of CSR to sufficiently redress negative socio-environmental impacts and respond to community concerns, as the voice of community groups is usually not heard (Garvey & Newell, 2005). According to this view, corporations today usually direct their power at controlling the State in which it operates, and equally the host-society and other stakeholders (Bendell, 2004). This is an inherent feature of an individualistic neo-liberal ideology and capitalist behaviour. In a developing country-context, this use of power can be detrimental because there is no strong civil society or stable institutions and governments that can provide a counter-force and set requirements for corporate behaviour (Newell, 2005).

The challenge which then arises is how to make this power a positive force that can benefit business and society. Firstly, it is about empowering society and the state. Garvey & Newell (2005: 393) argue that “the state has considerable power in terms of control of national resources, frameworks for protecting and promoting rights of companies and communities, and mandate to impose sanctions, regulations and fiscal policies.” However, on one hand states are usually constrained to using these powers due to the neo-liberal logic that govern the world economy today. What they can do, is to impose certain requirements on companies such as demands for transparency and information about the impact of its actions, which can increase a firm’s accountability to the host-community in which it operates (Garvey & Newell, 2005). For this to be positive for both actors, the business needs an incentive which in this case will be increased accountability and legitimacy for its operations.

On the other hand, it is important to note that states might be *unwilling* to use these powers. In such cases business can use its power to pressure governments by partaking in initiatives which encourage transparency and disclosure will equally help improve corporate accountability (Bendell, 2004). The Publish What You Pay (PWYP) campaign is based on the argument that some companies might want to operate responsibly, but will be disfavoured by corrupt governments if they do so (PWYP, 2008). The dilemma then becomes a question of economy. However, by collective action, businesses can challenge this by agreeing to disclose information about all transaction made to national governments in which they operate. This would then address development issues in terms of corruption and taxation, and at the same time benefit the economic bottom-line as the economic environment improves (Bendell & Kearins, 2005). Similar arguments have been made by national governments in developed countries. For example, the British government launched an initiative bringing private sector, civil society and international agencies together to promote transparency in the extractive industries through the Extractive Industries Transparency Initiative (EITI, 2009).

In many developing countries, the state is not representative of the people it is supposed to serve. It is therefore necessary to find incentive for a more just balance of power between society and corporations. Communities can be heard “if corporations are willing to attend public hearings and listen to their wishes for development and *needs-driven* community development projects” (Newell, 2005: 551). This implies that the company has to be willing to accept that it *does have* responsibility towards society, and be held accountable for these. However, as Newell (2005: 550) suggests “companies anxious to defend themselves against negative publicity or wanting to generate goodwill in the regions in which they are operating often choose to engage in such dialogues.” This incentive is essential element for those corporations that realise that their existence is dependent on growth and wellbeing of society.

Finally, the approach argues that there is a need for alternative regulatory mechanisms. Utting (2005a) suggests the establishment of complaint mechanisms where stakeholders can complain about specific incidences of corporate misbehaviour and possibly be redressed for its impact. Businesses would then see the economic benefit of operating responsibly and at the same time save costs associated with reporting and independent auditing. Furthermore, it would address the lack of legitimacy often associated with auditing companies or NGOS which might have a hidden financial or political agenda. It would also increase accountability as it gives the “affected” a voice and the decision to react is not solely left in the hands of the company.

Few corporations wholly embrace the ideas of corporate accountability because the idea seems to oppose the neo-liberal foundations on which the modern corporation is built.

However, some companies might find that there is a business case for soft-regulation, because it will affect all suppliers and competitors on an equal basis, and those who have previously not bothered to act responsibly due to little perceived risk or public relations will now have to share the cost (Bendell & Kearins, 2005). In terms of development impacts, it might also help address macro-level issues and structural root causes of underdevelopment which require collective action as opposed to the “mainstream agency-focused CSR” (Utting, 2005a: 385). Nevertheless, it is important to bear in mind that although it can hardly be classified as a responsibility, economic growth, wealth-generation and employment-creation constitute important spin-off effects from business to society, and destructive attempts to control corporations and destroy the competitive environment in which they thrive, will serve neither the global economy nor help advance development.

The above discussion outlines the main contemporary debates and approaches to CSR. The views and approaches that companies, international agencies, governments and people adopt are influencing how they individually define the concept of CSR. I will now look at some of the challenges in terms of defining CSR as it is used today and simultaneously attempt to develop a working definition of CSR for my thesis.

3.3. CSR – Arriving at a definition?

Providing a definition of CSR seems at first glance to be a straight forward task. The three words themselves indicate that the concept deals with corporations’ responsibilities towards the social sphere. Nevertheless, dwelling further into the extensive literature reveals that it is indeed a more complicated concept. The vast amount of related terminology such as “corporate citizenship”, “corporate social performance”, “triple bottom line”, “corporate accountability” that often appears in the same headlines indicate different perceptions of CSR, but the overlapping makes the distinction even more blurry.

First of all, the term CSR is interpreted differently by different people, NGOs, institutions and companies (Blowfield & Frynas, 2005). While several NGOs hold a positive view of CSR and regards it as a means of joining efforts for the purpose of society’s well, being, other take a more critical stance (Hamann & Acutt, 2003), such as for example the NGO Christian Aid which looks at CSR as “an entirely voluntary, corporate-led initiative to promote self-regulation as a substitute for regulation at either national or international level” (Christian Aid, 2004: 5). This perception of CSR can be interpreted as a process which serves mainly corporate interests and aims at preserving the status quo of the global economy. When it comes to corporations, there are usually similar elements in their way of defining CSR, but most have their own subjective interpretation of what CSR should be.

Xstrata’s definition of corporate responsibilities is provided by its sustainable development policy. It states that:

“We are committed to the goal of sustainable development. We balance social, environmental and economic considerations in how we manage our business. We believe that operating to leading standards of health, safety and environmental management, contributing to the development of sustainable communities, and engaging with our stakeholders in two-way, open dialogue, regardless of our location, enhances our corporate reputation and is a source of competitive advantage. We comply in full with the laws and regulations in each country where we operate. In

addition, we operate in accordance with Xstrata's sustainable development framework, aspiring to achieve the highest international standards regardless of location and without exception" (Xstrata, 2009c).

Put shortly, this means responsibly towards all its stakeholders, society and the environment, at the same time not neglecting the overall economic motive nor hiding its operations from public scrutiny. It also highlights the legal and regulatory aspects, thus addressing the complex issue of corruption to which extractive industries often are vulnerable.

Companies' subjective interpretations of their responsibilities have significant impact on which CSR activities they choose to embark on. The lack of a "common understanding" of the concept is evident by looking at the different reporting systems, certifications and performance indicators. As David Franklin puts it "it spans everything from volunteering in the local community to looking after employees properly, from helping the poor to saving the planet" (Franklin, 2008: 3). This indicates a need to distinguish between CSR and other "philanthropic activities". While CSR is concerned about the integration of responsibilities into the core-business strategy in an attempt to address negative impacts of business behaviour, philanthropy are usually ad-hoc donations and social projects that corporations engage in, which do not require a shift in thinking or behaviour (Jenkins, 2005). Given this, philanthropy can have developmental impacts, but CSR has a larger potential for *sustainable long-term impacts* because it addresses the root causes of negative social and environmental impacts of business activities.

The above discussion leads to a second characteristic of CSR, namely that it is a highly contextual concept both with regard to the corporate culture and the national and local environments in which it is being implemented (Moon, 2004: 2). The way CSR is defined by an American corporation is likely to differ from how an Asian firm would define its responsibilities towards society. Employee welfare for example, is high on the agenda of many Scandinavian companies, and while a Brazilian company might be preoccupied with environmental protection, a Chinese company might not consider human rights issues as part of its responsibilities. This poses significant challenges for multinational corporations in integrating a coherent internal CSR strategy, for international organisations working to streamline reporting or legal CSR mechanisms and for the wider public in judging what right and wrong business behaviour is. Moreover, it makes it challenging to define what CSR is or should be.

Finally, it is worth noting that the concept of CSR is still evolving and this further complicates the task of arriving at an appropriate definition. Several institutions and corporations have changed their interpretation of CSR over the last decade. In 1998, the World Business Council for Sustainable Development (WBCSD) defined 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" (Blowfield & Frynas, 2005:501). Today, the WBCSD emphasises the need for economic development to be carried out *sustainably*, hence underlining the importance of not pursuing economic growth at a price that is destructive to the environment or society (WBCSD, 2009). Moreover, it stresses the need to work *with* stakeholders, rather than for them, which indicates the importance of partnerships and dialogue. The change might seem small, but it clearly has significant implications.

Given the above account of the different views on the concept of CSR, a universal definition is impossible to adopt. However, I have found two definitions particularly useful with regards to my thesis and the assessment of Xstrata's CSR impacts. One is the view adopted by Carroll who argues that "the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time" (Carroll, 1999:283). This definition places importance on the perspective of society in defining business' responsibilities and it suggests that these may change as society develops. The other definition is one adopted by Porter and Kramer who argue that CSR needs "to be understood through the interdependency of society and business" and that CSR must benefit society and business equally because a "temporary gain to one will undermine the long-term prosperity of both" (Porter & Kramer, 2006:83). This view suggests that CSR should lead to mutual benefits for both business and society. By addressing negative impacts of business behaviour, companies are taking responsibility for its actions at the same time as there are both tangible and intangible gains from doing so. Sustainability is a key issue in this respect. If a business benefits from a CSR initiative, then it is more likely to continue with this initiative (Economist, 2008). Similarly, if the community feels that it is benefiting from a company's presence, it is more likely to create an enabling social context in which the company can grow (Porter & Kramer, 2006). These combined definitions offer a perspective where CSR can avoid some of the criticism it is often prone to, notably engagement in "doing-good for society" without simultaneously integrating this idea into their corporate culture and change their behaviour accordingly. Moreover, by recognising the needs of addressing stakeholder expectations, the potential for sustainable impact is high.

The debate on CSR is not expected to end, and the interplay between new definitions, new responsibilities and new theoretical approaches to the concept is likely to affect future definitions. Nevertheless, using the two definitions provided by Carroll (1999) and Porter and Kramer (2006) as a basis, I will now examine how corporate-community partnerships can serve as a link between CSR and community development.

3.4. Corporate-community partnership: Linking CSR and community development

The last decades have experienced a huge growth in partnerships between public sector, business, and civil society. One reason for this is the decline in official aid (Goddard, 2005) and the increased interest of the donor community in involving private sector in development as demonstrated at the World Summit on Sustainable Development in Johannesburg (Goddard, 2005; Pedersen, 2005). Moreover, there has been an increased focus on attracting business investments by states, as argued by Noreena Hertz (2004) who claims that today's main preoccupation of governments is to create an enabling environment for private sector growth, and accordingly, fundamental tasks of governments such as ensuring society's well being, have become much less of a priority. This continuous privatisation and deregulation of the public sector have led the private sector to become more involved in service provision traditionally performed by the state (Goddard, 2005). Lacking developmental expertise, this has necessitated the creation of partnerships between states, international and local communities and private sector. Idemudia (2007:1) notes that

"the inherent consistency between the logic of win-win and the appreciation that business, government or society alone cannot solve today's complex social and environmental problems, allowed for the promotion of partnership formation and

stakeholder engagement as a useful strategy for business to meet its social responsibility” (Idemudia, 2007:1).

Furthermore, several corporations have realised that to maintain a license to operate and continue to grow they would need to do so in tandem with the communities in which they operate. Hence, there has been a shift in thinking from focusing solely on maintaining a good relationship, to an emphasis on structural and macro-policy issues affecting both community development and the business itself (Goddard, 2005).

I will now look at how partnerships between communities and corporations have the possibility to make CSR work for development in terms of causing meaningful development impacts and creating shared-value for both society and business.

3.4.1. Community Development

Amartya Sen’s defines human development in terms of enabling people to expand their freedoms so they can live the life they value the most (Sen, 1999:19). His view of freedoms involves both “the *processes* that allow freedom of action and decisions and the actual *opportunities* that people have, given their personal and social circumstances” (Sen, 1999: 20). This freedom is therefore influenced by structural societal factors such as public policies and participatory capabilities as well as the capacities that people have to make changes for themselves. This means that the agency of a person is related to social factors, for example, the ability of a person to live a healthy life is affected by the health system in that given context. Or the ability of a person to make changes in his/her community is dependent on the interpersonal relationships of the people in that community. Development thus has an individual and a collective side.

In a country like the Dominican Republic, characterised by huge social inequalities and a state that does not ensure equal civil rights, there is little access to opportunities for the majority of the people. The freedom is thus restrained both by *processes* and *opportunities*. Rather, it “depends more on access to power than individual rights” (UNDP, 2008:26). Empowerment, both individual and collective, thus becomes an integral part of development as it is a means for people and communities to enhance their capacities and change the processes that inhibit freedom. By providing people with opportunities in terms of basic education, health and protection while simultaneously strengthen social bonds within a community, a process of empowerment emerges which lays the base for community development. Idemudia (2007:5) provides a useful definition of community development: “the process by which the effort of the people themselves is linked to those of other agents and actors to improve the socio-economic conditions of the community, generate capacity building and community empowerment”. Applying the concept of CSR to these definitions, the people’s collective effort within a community group is linked to “other actors or agents” which in my study is the Foundation and its involvement in community empowerment, capacity-building and improvements in the social, economic and environmental situation of the host-community. This combination of corporate involvement and community effort can have a potential for community development.

To facilitate this process, partnerships based on mutual recognition of the value of society and business and the interdependency between the two can be created. However, as Pedersen notes, “partnerships are interesting only if there is some potential for a fruitful exchange of values; without an element of converging interests, there is no rationale for partnerships”

(Pedersen, 2005; 73). I will now, firstly, turn to examine how such partnerships can benefit community development and maximise the impact of CSR upon them. Secondly, I will analyse how such partnerships can benefit business and their management of CSR initiatives. Finally, I will outline the critical success factors in organising such partnerships.

3.4.2. Benefits for community development

Corporations have the power to influence people's lives and interaction between people in a community (Goddard, 2005). Sometimes this influence has had negative effects in terms of dividing people across ethnic lines or across social status. Competition for corporate-funded projects in regions characterised by several "opposing" communities can easily destroy social bonds and relationships between various host-communities and equally between host-communities and the corporation itself. Hence there is a need to strengthen social capital and interaction among people. The idea behind social capital is that human interaction builds trust and networks among people and should be attributed value because it increases people's incentives of doing something good for each other (Collier, 1998). Corporate-community partnerships have the potential for creating social capital by focusing on aspects that connect people and communities to each other and implement community programs that enforce this social glue (Idemudia, 2007). Moreover, shared norms and values can facilitate cooperation and legitimacy of stakeholder representation which will enable CSR initiatives to have meaningful impacts on the community as a whole. For example, the Falcondo Foundation's programs for health and education are, as I perceive it, not only generating skills and improved health among the people directly involved, but require the effort of the community as a whole, augmenting the levels of social capital among the people.

Closely linked to generation of social capital is the potential of partnerships to address unequal power structures in the community and between the community and the corporation (Goddard, 2005). As trust builds up between different social groups in a community, better representation of weaker segments (e.g. women, indigenous people, and youth) can be ensured and included in the social and environmental issues addressed by partnership initiatives. Corporations are often powerful both economically and in terms of access to decision-making, while communities remain marginalised in both (Garvey & Newell, 2005). A partnership between the two can therefore benefit the community especially under developing-country circumstances where the state is often weak and fail to respond to poor-community needs. It can also help communities negotiate with weak state institutions, especially in cases where more affluent communities are given priority, as the community gains a more powerful voice when it is allied with business.

Furthermore, partnerships can help increase the feeling of ownership of a CSR initiative to the host community, and decrease the feeling of dependency (Idemudia, 2007). Initiatives will be influenced by the community's needs and desires, and ensure its participation in every stage from design to implementation and monitoring. Attempts to address negative social and environmental impacts of business activities on communities have often taken the form of philanthropic gestures such as donations for infrastructural improvements, building of hospitals and schools. Although such projects have good intentions for community development, they have often proved to be unsustainable because the host community has not been directly involved in the design and implementation of the projects, nor have such projects necessarily addressed the priority needs of a community (Frynas, 2005). Hence, the lack of feeling of ownership has led communities to expect such projects to be run by the business and they have failed to address the capacity-building needs of the community which

could have ensured sustainability and real impacts. This both undermines a company's CSR initiatives and hampers community development.

Finally, corporate-community partnerships can help build capacity and expand people's knowledge, skills and capabilities. Rather than taking a top-down approach, partnerships can focus on capacity-building and self-help which can cause development and economic growth that will be more sustainable in the long-run (Jones, 2002). In the case of my study, villagers are the "managers" of the projects in partnership with the Falcondo Foundation, and knowledge and skills are therefore developed and maintained within the local community.

The above discussion shows that there are indeed many benefits of corporate-community partnerships for community development. However, given that meaningful CSR should benefit both business and society and create shared-value between the two, there also have to be incentives for business to engage in such partnerships.

3.4.3. Benefits to companies

A main benefit of corporate-community partnerships is increased business opportunities and competitive advantage (Porter and Kramer, 2006). By investing in training and local capacity-building focusing on health and education, companies can reap future benefits from a well-skilled workforce. This requires long-term visions and investments and also need to be based on local knowledge and expertise to ensure continuity and alignment with local standards. Furthermore, incentives directed at the effective use of natural resources and energy can lead to significant cost reductions while at the same time decrease detrimental environmental impacts of a company's operations (Porter and Kramer, 2006). For mining companies this is of particular importance as extractive industries are often prone to criticism in these areas. For example, the Falcondo Foundation has assisted in re-vegetation of areas previously mined by involving employees and the community in growing tree seedlings. These are important steps in ensuring water retention and prevent soil erosion in the community while at the same time being valuable activities to Xstrata's CSR strategy in addressing negative impacts of its operations.

Another potential benefit of corporate-community partnership is increased accountability and legitimacy (Idemudia, 2007). A corporate-community partnership establishes a direct channel of dialogue between the business and society, and complaints and concerns about business activities can be made without having to opt for demonstrative action. If the partnership is working optimally, the business will respond to community complaints and negotiations or mechanism for compensation can be sought. The company can also provide information to the community prior to designing new project and engage them in consultation so that the needs can be mapped and negative impacts be forecasted before the operation begins (Newell, 2005).

Partnerships can also enable corporations to gain a better understanding of how to design CSR initiatives that will be more meaningful to a community (Hamann & Acutt, 2003). For instance, it can ensure better stakeholder dialogue which can form the basis for a number of benefits to the firm. As an example, Xstrata states that it's emphasis on a two-way and open dialogue with all its stakeholders

“enhances our corporate reputation and is a source of competitive advantage. This enables us to gain access to new resources, maintain a licence to operate, attract and

retain the best people, access diverse and low-cost sources of capital, identify and act upon business opportunities, and optimise our management of risks” (Xstrata Plc, 2008b:14).

This is particularly important for multinational companies which might find that expectations towards CSR vary across political and cultural context. Their approach to CSR in one country might therefore not be the same as towards their operations elsewhere. Recognising this is of vital importance for an effective CSR strategy, as a universal and one-size-fits all approach will most likely fail to recognise contextual issues that enable or disable CSR initiatives to succeed (Newell, 2005). CSR strategies have to be locally tailored and partnerships can help corporations in achieving this.

3.4.4. Critical success factors

The above discussion demonstrates that corporate-community partnerships as part of a CSR strategy can provide a number of mutual benefits for both business and society. Nevertheless, there are some critical success factors that should be addressed both with regards to the CSR strategy and the organisation of partnerships:

- There is a need to address macro-policy and structural issues and anticipate future needs and impacts of both community and business (UNRISD, 2003; Goddard, 2005). The former refers to balances of power and “destructive” economic patterns such as e.g. tax evasion. Partnerships are not useful in advancing development if such issues are not being questioned and dealt with. However, if addressed adequately, progress in community development can eventually be “scaled up” and contribute to overall national development progress.
- Partnerships need to address negative externalities of business behaviour, not only community desires in general. “No social and environmental initiatives can make up for the damage caused by a company’s behaviour if the root causes of these impacts are not being addressed” (Idemudia, 2007: 20).
- An effective CSR strategy that has real community development impacts requires a shift in business thinking of CSR from a “fragmented and defensive posture to an integrated and affirmative approach” (Porter & Kramer, 2006: 91). This can be done by integrating CSR into the corporation’s organisational culture by engaging employees at all levels. Furthermore, the company needs to acknowledge weaknesses and rely on the host-community’s knowledge to help solve critical contextual issues. Partnerships built on knowledge-sharing can ensure maximum output in terms of bridging weaknesses and strengths of both communities and corporations.
- Issues of legitimacy need to be addressed. When organising a partnership it is important to ensure accountability in decisions on who is representing the local community (Newell, 2005). Mapping community needs through thorough stakeholder dialogue can make the decision on which CSR activities to embark on more legitimate.

3.5. Theoretical application

In this section, the analytical framework for the thesis will be presented. It builds on the theoretical assumptions presented in the literature review, and the findings of my thesis will be analysed according to this framework. Figure 6 is a diagram of how the theories will be applied to the specific case study of this thesis:

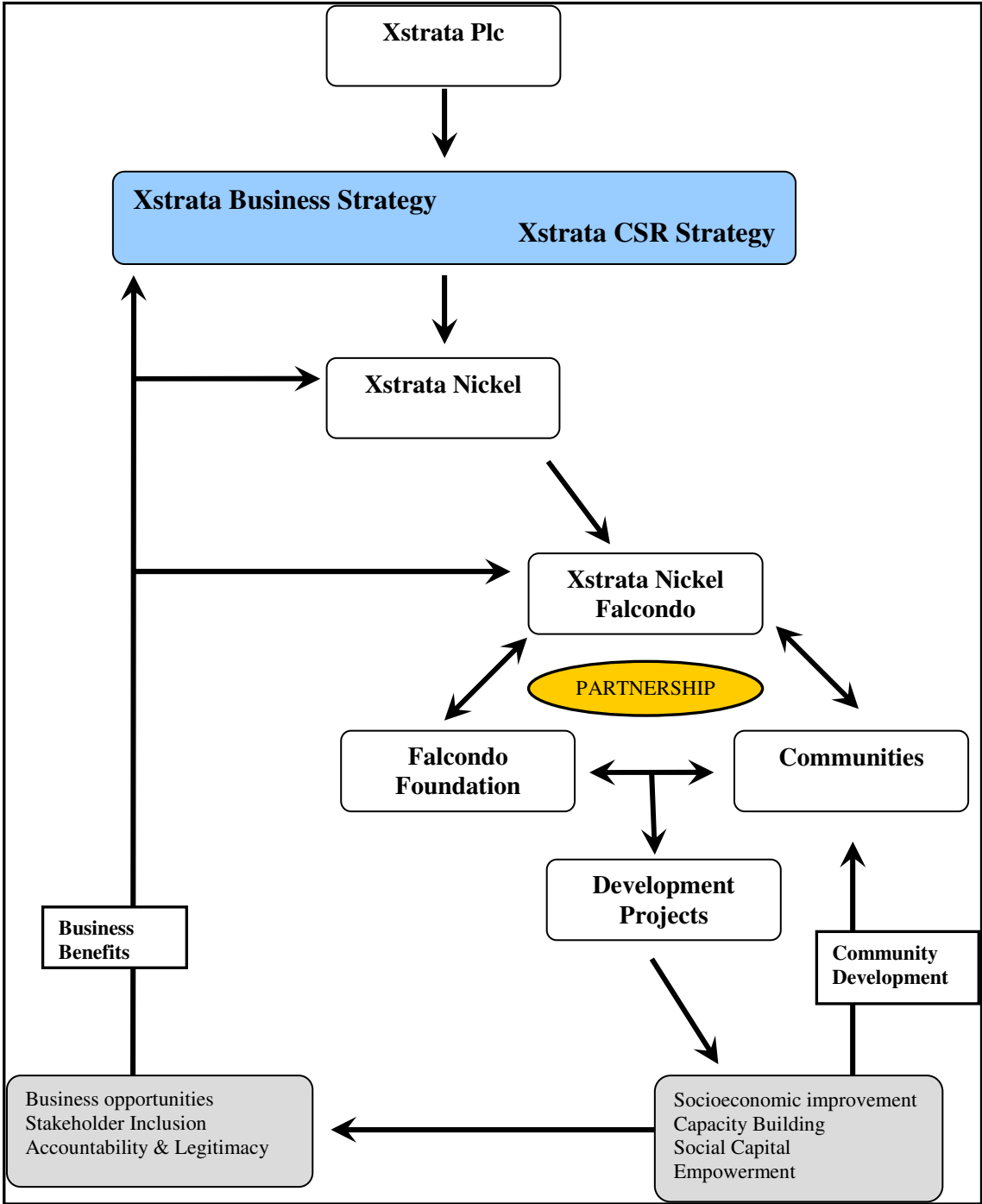


Figure 6: Theoretical application.

Source: Author.

The diagram seeks to illustrate the cycle of Xstrata's CSR strategy implemented through a partnership at the local level, and the flow of benefits from this partnership to both host-communities and the different levels of the Xstrata corporation. The CSR strategy is an integral part of the business strategy, and the two are therefore presented together. These are developed at group level and then implemented at commodity levels, in this case Xstrata Nickel, and finally to site/operational level, Xstrata Nickel Falcondo. At this local level, a partnership is established, linking the strategy to the local realities. A number of development projects are evolving from this partnership. These are mostly jointly developed by the communities and the Foundation, but also need to respond to Falcondo's expectations and Xstrata's CSR strategy. The outcomes of the partnership are twofold. On the one hand there are a number of benefits for the communities in terms of community-development. These can be illustrated by improvements in socio economic conditions, capacity-building, social capital creation and empowerment, all resulting from the development projects. On the other hand, the partnership generates vital gains to Xstrata, e.g. a range of business opportunities, management of stakeholder relationships and increased legitimacy of the operations. These are direct benefits to Xstrata Nickel Falcondo, to Xstrata Nickel and to Xstrata Plc.

Carroll's (1999:283) definition of CSR as "encompassing the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time" will be the guiding-definition for CSR applied to this research. It attributes the definition of responsibilities to society and is thus a context-sensitive approach. It also recognises that these expectations towards business behaviour are dynamic rather than static. In addition, I have chosen to apply Porter and Kramer's view that CSR must acknowledge "the interdependency between business and society" (Porter and Kramer, 2006:83). This view adds a sustainability aspect to CSR as it indicates that the two need to grow in tandem. The partnership established through the Foundation is essential in this respect because the Foundation as an independent third party can ensure that the interest and power between the parties are balanced.

The following concepts will be guiding the analysis of the findings:

For a corporation to be willing to invest in CSR there must be some tangible or intangible incentives making up the "*business case*" for CSR. These expected outcomes are intrinsically interlinked to the motivations for why they embrace CSR in the first place which call for a broader assessment of whether these can be consistent with society's expectations. Theories suggest that important factors in the business argument for CSR are competitive advantage, risk management, improved corporate reputation and a license to operate (Broomhill, 2007; Porter & Kramer, 2006; Bryane, 2003). The findings for what drives Xstrata's motivations and what they obtain by their CSR in terms of business incentives will constitute the basis for this assessment.

Literature demonstrates that for CSR to benefit both business and society is dependent on an appropriate and inclusive stakeholder dialogue as this adds legitimacy to a company's actions and responsiveness to the stakeholders (Bendell, 2000). In this respect, the partnership's ability to include the communities, which are the stakeholders of interest to this thesis, will be assessed. The *levels of engagement* (information, consultation, participation) will be an important indicator in this respect, as will the *responsiveness* to stakeholder concerns and consideration of normative aspects.

Finally accountability theories suggest that CSR initiatives should aim at increasing the transparency of a company as this will enable people to hold the company to account, which can then increase overall legitimacy of the company's operation (Bendell, 2004; Utting; 2005a). This can be evaluated by looking at the levels of *acceptance by the community*, and the degree of *disclosure and transparency* of the Falcondo operation.

Equal as to business, there should be a "development case" for CSR in the sense that when corporations state that their aim is to contribute to sustainable communities, these initiatives should be of a nature that cause just and community-driven development. To assess whether the CSR initiatives have benefited the host-communities, I will use four guiding concepts: *improvements in socio-economic conditions, capacity building, social capital creation and empowerment*. These are not strict stages of development, but rather an interplay of elements that together can give an indication of the type and level of development of a community.

Improvements in socio-economic conditions will be assessed in terms of peoples' individual capacity to access education, health and basic infrastructure such as water and sanitation. The economic situation will also be an indicator here. The partnership has a potential for making the CSR activities driven by the socio-economic needs identified by the host-communities themselves, as well as incorporate nationally defined development challenges.

Capacity-building takes an individual or collective form in the sense that skills, training and understanding is developed individually, but can also be acquired collectively such as in participation processes where sharing tasks and collective management develop capacities (UNDP, 2008). This latter is particularly interesting as it is the development of the community as an entity that is the concern of my research. Nevertheless, individual capacities are often important fundamentals for collective capacities, and hence both will be assessed.

Social capital creation can be both an outcome of, and a prerequisite, for capacity building. It refers to the process of using individual capacities to reach collective gains through participation, and the outcomes are mutual confidence and a sense of belonging (Collins, 1998). Strong social ties can increase the legitimate representation of collective community concerns, and collective participation can enhance ownership of the development process. Moreover, social capital is a base for collective empowerment of the community. People's feeling of unity, interpersonal confidence and traditions for mutual help will be used as indicators for social capital in the communities together with cooperation patterns.

Empowerment of the community implies that the community has the power to voice its concerns, and that people have increased ability to make own choices for their life and reduce their vulnerability (Idemudia, 2007). A partnership can help collective empowerment of the community as it provides a channel for expressing and representing community needs and concerns.

The impact of Xstrata's CSR strategy and the partnership in creating mutual benefits for business and communities will clearly depend on how well the partnership integrates and balances both business and community concerns and expectations. Moreover, to be sustainable, it must address the negative externalities of Falcondo's operation as well as target the root causes that constrain development.

Chapter 4: Methodology

4.1. Research strategy

A research strategy refers to the overall directions for how research will be conducted (Bryman, 2004). The choice of research strategy for a study is influenced by several factors which will be briefly outlined in order to explain the choice of strategy employed for this thesis.

Research strategies are influenced by how reality is being perceived (Ryen, 2002). Some see reality as dynamic, subjective and socially constructed by the actors involved (*constructivism*), while others perceive reality as being objective and external, meaning that there is an existing reality which is not being influenced by the entities that make it up (*objectivism*) (Bryman, 2004). Rather, it is shaping them and their behaviour and is thus static and independent. The choice of research strategy also depends on the epistemological position, meaning the perception of how knowledge is generated (Ryen, 2002). For example, it can imply explaining human behaviour against an external reality (*positivism*) or understand human behaviour from the point of view of the actors and entities of study (*interpretivism*) (Bryman, 2004). Finally, Bryman (2004) highlights that the choice of research strategy depends on whether the research is being carried out to test a specific theory or to construct a theory. The former is a deductive approach where knowledge about a certain topic is used to formulate a hypothesis. The hypothesis then guides the empirical investigation in order to test the theory (Bryman, 2004). The latter is an inductive approach where theory is the outcome of research (Bryman, 2004), meaning that once the findings of a study have been analysed, the researcher ends up with a theory about that particular concept.

A researcher's stance on these positions with regards to a particular study will have implications for the choice of methodology. It is common to separate research strategies into two camps; qualitative and quantitative. The quantitative is usually concerned with measurements, explanations and testing of theories from an objective point of view (Bryman, 2004). Qualitative research is normally preoccupied with interpreting words and behaviour and understanding reality from the point of view of the entity being studied (Bryman, 2004). However, literature suggests that the distinction between the two is not so black and white. Despite these two strategies having different approaches to research in terms of how reality is being viewed and knowledge acquired, the methods employed by the two are autonomous and there are elements which make a combined strategy possible (Greene *et al.*, 1989). When adopting elements from two different approaches, the research is thus conducted using a multi-strategy approach. This is the approach that has been used for this thesis.

4.1.1. Multi-strategy research

Multi-strategy research “integrates both qualitative and quantitative research within a single project” (Bryman, 2004:452). Qualitative research is the “leading” approach used for this study because of its epistemological and ontological underpinnings. The study is primarily concerned with gaining an understanding of people's perception. It departs from the point of view of the villagers, and the context in which these people live. Therefore, it can be classified as *interpretivist*. It is to a certain extent concerned with establishing causal explanations, however these explanations are sought only within the reality where the social action takes place (Bryman, 2004) and not in relation to an external reality as in positivism.

Furthermore, it assumes that this reality will vary between all actors involved. As this reality is shaped by people's interaction and beliefs, it is dynamic rather than static, and the study thus has a *constructivist* orientation.

When using a mixed methodology, one research strategy might be dominant and the other complimentary or they can be equal in weight (Creswell, 1995). Furthermore, the objective for the use of mixed strategy usually determines which strategy precedes the other, or whether they are carried out simultaneously (Creswell, 1995). The main approach used for this study is qualitative, followed by quantitative data collection, and then again complimented by qualitative methods to clarify new findings. This allows for cross-checking the results obtained from the qualitative methods with results obtained from the quantitative method, a process often referred to as triangulation (Greene *et al.*, 1989). Qualitative methods can provide in-depth knowledge about the social setting which later can be used to appropriately design surveys to obtain information from a larger sample, or to develop hypotheses that can be tested. It can also be of help in terms of interpreting relationships between variables and establish causal explanations for the qualitative findings (Bryman, 2004). Similarly, data gathered from a quantitative survey can shed light on concepts that needs to be explored more thoroughly through qualitative methods (Bryman, 2004). Hence, methods from the two strategies complement each other, increasing validity and reliability of the results.

4.2. Research design: Case study

A research design is a way of structuring a research project in order to answer the identified research problem and research questions (Trochim & Land, 1982). It thus guides the choice of framework for the collection and analysis of data (Bryman, 2004). The design chosen for this study is a case study of a partnership involving various actors, and is an in-depth investigation of how the partnership is being used as a mechanism that ensures benefits to both business and society. It thus involves three groups of actors: The Xstrata Falcondo mining company, the Falcondo Foundation funded by Xstrata Falcondo, and the local communities within which Falcondo and the Foundation operate. Bryman (2004) states that in a case study, "the case is an object of interest in itself (...) and the research aims to elucidate the unique features of the case" (Bryman, 2004:50). In this thesis, the benefit of conducting a case study is that it enables an examination of the impact of CSR on a specific social setting where it is deployed. Moreover, the case study not only allows for an investigation of the perspectives of the various actors, but also their interaction. As mentioned, CSR is highly contextual and therefore, this case study will not necessarily yield the same findings as a similar case study in another social setting. Nevertheless, as Bryman (2004) notes, the purpose of the case study is not to make generalisations, but rather to generate theoretical assumptions on the basis of the findings of that particular case.

In addition to this, the study involves a comparative component as three communities form part of the case study. Because the CSR initiatives are being implemented in several communities, it has been necessary to look at more than one community to investigate the overall impact. As Yin notes, "by comparing to or more cases, the researcher is in a better position to establish the circumstances in which a theory will or will not hold" (Yin cited in Bryman, 2004: 55). This comparison can help theoretical generation, however it is important to bear in mind that although the communities have similar features, one should not overlook their specific individual realities.

4.3. Sampling

According to Bryman (2004), *purposive sampling* is recommended when the research is based on qualitative interviews. This is a strategic approach where respondents are selected according to their relevance for the topic of study. Such sampling usually takes two forms, *snowball sampling* and *theoretical sampling* and both types were used in this study. It started off as a snowball approach where I established contact with key informants in the Foundation. This included staff involved in the daily management and operation of the Foundation as well as field workers/facilitators and board members. On the basis of this I obtained an overview of the different communities in which the Foundation is working and the type of projects implemented. The Foundation is involved in a large number of communities due to its extensive school-sponsorship program, however I identified ten communities with a higher degree of involvement across a wide range of projects. Only one of these communities is located in La Vega, and this community is situated far from Falcondo's mines. Hence, I chose to focus on Monseñor Nouel where the impact of Falcondo is mainly being experienced. Although I visited all of the communities where the Foundation works several times (apart from one), time constraints combined with the importance of conducting an in-depth study, forced me to limit the study to three communities for data collection purposes. Several factors influenced the choice such as time of involvement, type of projects, location and history of relationship with the Foundation and Falcondo. Hence, the outcome was a choice of two communities which have worked with the Foundation since its very beginning and one that has worked with them for the past 9 years, but only with limited involvement until 2005. A range of both similar and community-specific projects have been implemented in all of them. Two of them are small rural agricultural villages, while one is a larger peri-urban community, and all three are located either near Falcondo's main property or a mining front.

Sampling of respondents within the communities took place using a theoretical sampling approach. This means that people were interviewed and new respondents identified as theoretical ideas began to emerge (Bryman, 2004). Interviewees were therefore selected on the basis of their relevance for a certain topic within the investigation. However as the partnership is established mainly between community associations and the Foundation, these associations were my point of departure as it was these groups that were of primary interest for my study. In this respect it should be noted that the majority of the groups involved with the Foundation is women's groups, and this is thus reflected in the study.

Regarding respondents at Falcondo, the snowball technique was used. Informants would refer me to other people who had additional information on a topic. The majority of the informants at Falcondo are part of senior management.

The following table outlines the research methods employed and the size of the sample.

Table 1: Overview of method, sample size and number of interviews

Sample overview				
Method	Actor	Codes	Sample size	Number of interviews per respondent
Semi-structured / Open ended interviews	Falcondo	A1-A6	6	1-2
	Foundation	B1-B4	4	Several
	Communities	C1-F2		1-3
	Palmaritos		5	
	Hato Viejo		7	
	Peñaló		6	
Focus groups	Palmaritos Women's Association	G1-G5	8	1
	Hato Viejo Women's Association		12	1
	Peñaló Women's Group		10	1
	Hato Viejo Men's Association		9-10	2
Self-completion questionnaires	Hato Viejo		26	1
	Peñaló		21	1
	Palmaritos		24	1
Household survey (Foundation)	Hato Viejo		34	1
	Peñaló		34	1
	Palmaritos		35	1

Notes to table 1:

1) The men's association in Hato Viejo consists of seniors in the village with very limited literacy skills. They thus preferred discussing these issues rather than partake in the self-completion questionnaire, and therefore two focus group interviews were held.

2) The size of the focus groups were rather large due to the excitement such a meeting provoked in the village, and the eagerness of the people to participate in and observe the ongoing discussion. Rather than prohibiting people from joining, I chose to take an inclusive approach where those who wanted could participate.

3) The selection of sample for the survey conducted by the Foundation was a random probability sample where 35 samples were picked out of the total for each village.

5) Interview guides and quantitative questionnaires can be found in appendix 1. The interview guides used were mainly in Spanish, but the versions that are appended are translated into English. As separate interview guides were prepared depending on who I was talking to, I have only summarised the main questions in the appended interview guides. For example, when talking to a villager involved in a specific project, questions were also posed regarding that project in addition to more "general questions". Not all questions were posed to all interviewees as many interviews were unstructured and open-ended. Regarding the household survey, I have only appended and translated the questions that were relevant to my study.

4.4. Data collection

The data collection took place over a period of five months from November 2008 to March 2009. The first month was spent in the Foundation's office in Santo Domingo conducting document analysis. The remaining time was spent in Bonao and the surrounding areas where the Foundation is implementing its projects and Falcondo's main facility is located.

All data collection was carried out in the natural setting of the subjects of study, meaning either in the communities or at Falcondo's premises.

4.5. Qualitative methods for data collection

The main methods for data collection within qualitative research are participant observation, qualitative interviewing, focus groups, discourse and conversation analysis, and document analysis (Bryman, 2004:267-268). Ryen (2002) emphasises that the topic of the study should guide the selection of data collection methods for a specific research project. Moreover, Bryman (2004) suggests that for case studies, qualitative interviews and participant observation are especially relevant methods as it allows for an in-depth understanding and profound investigation. Therefore, these methods have been employed in addition to focus group interviews and document analysis.

4.3.1. Interviews

In this research, both semi-structured interviews and unstructured open-ended interviews have been employed. Both types of interviews were conducted with respondents from Falcondo, the Foundation and the communities. Semi-structured interviews were conducted with the help of an interview guide which was developed to cover the areas that were relevant to each individual respondent. This was particularly applicable to the respondents at Falcondo, where the different interviewees had their area of expertise. However, the respondents were free to answer in their own way, without much interruption by the researcher. As this sometimes evolved to include topics outside the main focus of the study, the interview guide was used as a tool to make sure all areas of interest were covered. As this study is concerned with people's perception and thoughts, it was important that the respondents could take their time to tell their stories the way they wanted. Hence, many of the interviews that took place with Falcondo staff, Foundation employees and community members were of an unstructured and open-ended nature. These can almost be regarded as conversations about the topic. As Bryman (2004) notes, unstructured interviewing can have the disadvantage of generating much data that is not relevant for the study, and it is also time consuming. However, the conversations provided valuable contextual information about the history, lives and interpersonal relationship, as well as personal opinions regarding the different projects, group interaction and perceptions on own and community development. This proved to be beneficial for gaining a profound understanding of the factors shaping a respondent's beliefs and behaviour. Moreover, the conversations allowed for new and emerging concepts to be discovered which otherwise might have been disregarded. I was lucky to be able to talk to my respondents several times and at least two interviews were held with the majority. Hence, the first meeting could be used to establish confidence and embark on the topics of investigation, and the second meeting to explore remaining issues and follow up ideas emerging from the first conversation. In the aftermath, I have also been able to obtain additional information by either going back to the interviewees or clarify issues by e-mail correspondence.

4.3.2. Focus groups

The use of focus groups as a research method was originally not planned for this study. However once in the field, it became apparent that this would be suitable for exploring the interaction between members within the community associations. As Palmer *et al.* (2005) notes, the natural setting of focus group interviews allows people to express opinions and ideas freely and the participants can explore underlying (possibly unconscious) influences on their actions and behaviour. This method was used particularly for exploring topics related to people's vision for the future, the various development projects as well as the group's relationship with the Foundation and Falcondo. Guiding questions and probe questions were prepared for each topic. However, it was important that the discussion could develop and evolve freely, hence the participants were not interrupted in their discussion and a new topic was only introduced when there were no further ideas emerging from the group. When conducting focus group interviews, it is important to remember that some people might not express opinions that they deem to be inappropriate (McQueen and Knussen, 2002). In addition, some participants might be shy about talking freely about their opinions than others (Krueger, 1994). Regarding the first aspect, a wide range of opinions on a certain issue were voiced. However, individual interviews later revealed that some people were more reluctant to express unfavourable opinions about the cooperation with their fellow associates than others when discussing openly in the focus group. This was especially evident in the focus groups conducted with women. Concerning the latter aspect, I chose not to hold focus groups with mixed gender as women in rural areas in the Dominican Republic are often regarded as subordinate to men. I therefore feared they would be less active in mixed-gender focus groups. Furthermore, in most groups, the "leaders" talked more confidently than others, and some equally assumed the role of encouraging the other participants to voice their opinions. These observations in themselves were valuable, as the aim of the focus group is not only to collect information on perceptions of a group in its entity, but also to study the interaction between the participants (Bryman, 2004). As a result, information on participation patterns and power relationships within the groups as well as an insight into how they discuss and solve disagreements within their group was obtained. In total, four focus groups which lasted for approximately 1,5 hours were conducted.

4.3.3. Participant observation

Participant observation is a method where the researcher actively engages in a group's activities over some time in order to see through the eyes of the people living in a specific social setting (Bryman, 2004). It involves listening and partaking in conversation, observe behaviour and interact with the subjects of study (Bryman, 2004). In this research, participant observation was used as a complimentary method to the interviews. It involved working with the community associations on their projects, for example by partaking in their daily routines in the greenhouse and in the bakery. This was active participation, carrying out the same tasks as the community members. The community associations' weekly meetings were also attended, though as a more passive observer. In addition, participation took place during activities held by the Foundation such as visits to communities to follow-up projects, participation in workshops with facilitators from the Foundation as well as observation during project inaugurations and press conferences. The participant observation enabled for gaining an understanding of how the community groups work together on their projects, interaction between members, problem-solving techniques and negotiations. Moreover, the Foundation's staff interaction with the communities could be observed. Several visits to the mine also took place including tours of the mine together with staff in order to gain knowledge about the

various aspects of Falcondo's operation, as well as participation in Falcondo's annual HSEC week.

Bryman (2004) notes that in participant observation particular attention should be paid to the fact that changes might occur in people's normal behaviour because of the researcher's presence. As participant observation was used as a complimentary method, most participation took place after having spent some time with the people being studied. Although it is not possible to guarantee "genuine behaviour", the general impression is that the actors behaved as they would normally do in their proper environment, and seemed to enjoy sharing their experiences with me.

4.3.4. Document analysis

The main type of document analysis used in the research is based on documents produced by private sources, notably documents related to Xstrata's CSR strategy and the work of the Foundation. The former are documents available to the public such as Xstrata annual reports, sustainability reports, CSR strategy and policies and other public relations material. Regarding the work of the Foundation, both publicly available reports as well as internal documents were analysed. This included annual reports since its initiation, work plans, independent studies and evaluations carried out by third parties and reports from meetings. The portfolios containing internal information on the specific initiatives carried out in the three selected villages were also examined and upon request the Foundation provided a detailed overview of the annual inversions in the three communities. The aim of applying this method was to obtain a base of knowledge before conducting interviews. It enabled me to identify possible topics to address as well as an understanding of how the three actors in the partnership work together. According to Bryman (2004) "documents are particularly useful for researchers conducting case studies of organisations, but needs to be evaluated using Scott's 4 criteria which are *authenticity*, *credibility*, *representativeness* and *meaning* (Bryman, 2004:287). The issues of *credibility* and *representativeness* were the issues of most concern to this analysis. The former refers to the fact that authors of such documents usually express certain perceptions or messages through this type of medium and do not necessarily provide "an objective account of state of affairs" (Bryman, 2004:388). The information can also be distorted by the position of the author within the organisation. This must be noted as both Xstrata's documents and the Foundation's annual report are published in order to document what they are doing in certain areas. Therefore, the documents are prone to represent the two organisations in a favourable light. While this was taken into consideration during the reading, I also paid attention to what was not written, notably what could possibly be missing and why. As these documents to a large extent provided the background for the study, I was able to cross-check the issues during interviews and participant observation to establish whether these documents corresponded with information gathered through these methods.

Representativeness refers to whether access is gained to all documents, providing a comprehensive understanding of the organisation. Regarding the Foundation, I had access to the archives which provided all the information necessary for this purpose. Time restrictions prevented the ability to thoroughly analyse all documents related to the organisation, however the amount that was analysed provided a good understanding of how the Foundation works. When it comes to Falcondo, this was more difficult as I was unable to access internal documents of interest with regards to Falcondo's reported CSR targets and performance on Xstrata's CSR standards. However, several interviews with key informants at Falcondo were conducted where I was able to pose questions related to these issues.

Finally, information about Xstrata, Falcondo, the Foundation, development issues etc. in newspapers and television have been a way obtaining data. Although information in the press should always be read with a critical eye, it was an interesting way of following the developments especially after the shut down of Falcondo in December. Various media sources were consulted to explore different points of view. Although this information has not been directly employed in the thesis, it has formed part of the “knowledge base” guiding the research.

4.6. Quantitative methods for data collection

Quantitative research usually employs methods like structured interviewing, questionnaires, structured observation and content analysis (Bryman, 2004). As quantitative strategy was used as a complimentary methodology in this study, self-completion questionnaires were the method used for data collection.

4.4.1. Self-completion questionnaires

Self-completion questionnaires were designed on the basis of the research questions and informed by observations and interviews done in the field. The purpose was to be able to explain some of the qualitative findings as well as cross check the theories that were emerging from the qualitative data. It was also employed to obtain answers from a larger sample on issues where it was difficult to explore the opinions of all members through interviews and conversations. The questionnaires were distributed to all members of the community association in the three communities studied and completed on spot. A pilot questionnaire was distributed to one community group, which revealed that the participants faced problems in understanding all the questions and equally the questionnaire proved to be too long. It was thus redesigned with the help of a native Spanish speaker and carried out again. Due to limited literacy of some community members, the questions had to be formulated in a simple manner. The complete absence of interviewer effects could also not be ensured as I was present during the activity and had to clarify issues as the participants went along. However, this can also enhance the quality of the outcome of the activity as the respondents could make sure they properly understood a question before answering. For those who had no literacy skills, the questions were posed orally, and thus almost resemble a structured interview. The selection of answers was fixed and the respondents had to choose from the available alternatives.

In addition to this self-completion questionnaire, I also gained access to a household survey conducted by the Foundation which included data aimed at establishing a baseline for the socio-economic structure of the communities. This survey includes an extensive range of questions, and only the information that I found useful for my research objectives was being taken into consideration. The collection was carried out by third parties during 2007 and 2008, and I can therefore not ensure full validity and objectivity of this data. It was only in the final stages of my research that I got hold of this information and for this reason, I was unable to cross-check it in the field. The information has therefore mainly been plotted in SPSS and used for highlighting specific issues of interest to the study.

4.7. Interpretation of data

The analytical approach in this study has included inductive, deductive and iterative stages. It is mainly inductive in the sense that data has been collected to theorise about the interrelationship between CSR and development. This approach draws on the framework of grounded theory which entails the steps of sorting and classifying data collected, place it in categories that emerge as common “themes” from the various sources of data, and use these to make comparisons and explore relationships that in the end generate theoretical assumptions (Bryman, 2004). This type of analysis is the most widely used in qualitative research (Bryman, 2004). However, the analytical approach in this study also entails a deductive element because established theories about these concepts are used for developing a guiding theoretical framework. It thus follows Yin’s explanation of analytic generalisation where “previously developed theory is used as a template against which to compare the empirical results of the case study” (Yin cited in Tellis, 1997). Furthermore, it is an iterative approach where the data has been collected and analysed, and then on the basis of the emerging theoretical assumptions, new data has been collected to complement the theories, hence entailing another deductive element.

Quantitative data analysis has mainly been done by using SPSS, and has taken the form of univariate and bivariate analysis to generate descriptive statistics. The former refers to the analysis of one variable at the time and has been used in this study to establish frequencies for the number of respondents belonging to each category within a certain variable. The latter refers to the analysis of two variables simultaneously and has employed to investigate relationships between different variables. The analysis is presented in tables and figures in chapter 5. The sample size x is indicated by $n = x$, and applies to the number of *individual persons* in all cases unless *households* is indicated. In addition, one calculation has been done manually in an attempt to measure social capital in the communities (table 9). Due to the complexity of measuring social concepts in terms of numbers, this calculation draws on a methodology used by UNDP (UNDP, 2008:401). The method for calculation can be found in appendix 5. It does not include measurement of statistical significance, and its validity must therefore be seen in light of the qualitative findings that the calculation seeks to compliment.

A large amount of data emerged from the data collection process, however only the data that were pertinent to answering the specific research questions and research objectives have been analysed.

4.8. Ethical considerations

When conducting research it is important to pay attention to ethical issues that might arise. According to the ethical guidelines of the Social Research Association researchers have obligations towards the subjects of study and should

“(...) strive to protect subjects from undue harm arising as a consequence of their participation in research. This requires that subjects’ participation should be voluntary and as fully informed as possible (...)” (SRA, 2003:14).

During the research, I always introduced myself and was open about the topic and reason for the study. In addition, I explained that the information collected would be used as material for the thesis. Close attention was particularly paid in order not to raise false expectations among community members as to why they were selected for the study. This was done because

discussing the various projects and future visions could otherwise have deceived people to believe that they would gain some benefit from their participation. It was therefore important to emphasise that I was not there to represent the Foundation, but that this research was carried out independently.

To protect informants, anonymity and confidentiality are ensured by the use of name-codes rather than real names in this thesis. Issues that have been discussed with informants under confidentiality have not been included as part of the findings, nor statements that I have been asked not to quote.

4.9. Limitations and challenges

Ensuring a relationship based on trust and confidence was important in all stages of the data collection because of the issue I was exploring, and the potential reluctance of subjects to reveal their honest opinions. Special attention was paid to this issue in the communities as respondents otherwise might have been reluctant to reveal both negative and positive aspects in fear of damaging their relationship with the Foundation, Falcondo and fellow community members. Without building trust, people could have been afraid of pointing to negative factors fearing loss of future support, or they could have avoided mentioning beneficial outcomes if this would portray them as well off and not in need of further collaboration. Moreover, I had to be sensitive to the fact that Falcondo had just laid off a large amount of its workers when I initiated my study, and that this might have shaped people's opinions, especially if they or their family members had been directly affected.

Bias in respondents' way of behaviour or answers can never completely be ensured in qualitative research. However, I attempted to address the issue by emphasising that the study would not affect anybody living in the village and stress the importance of honesty. Also, a large amount of interviews and time spent together with the villagers demonstrated that I was genuinely interested in their lives and histories, thus increasing confidence. Being a foreigner in the field could also influence people's perceptions of me as a researcher, and to ensure limited bias in this respect, it was important to stress that I was carrying out an independent study of the partnership. The fact that my first meeting with the communities took place when I was accompanying staff from the Foundation, inevitably made people associate me with the Foundation's work. However, all data collection was carried out independently without assistance or presence of either Falcondo or Foundation employees. I also tried to emphasise my independence by always introducing meetings by explaining my role and purpose for the investigation and ask whether the respondents had any questions or preoccupations in this respect. Regarding informants at the Foundation and Falcondo, I had to pay attention to their agenda and objectives and be aware that their answers could be biased accordingly. However, my impression was that the informants in both organisations were open about both negative and positive aspects of their activities, the history and nature of their relationship with the communities. They did not portray a defensive or hostile attitude when discussing any matters related to community concerns or negative perceptions.

Conducting research in a national and cultural setting that was foreign to me posed challenges with regards to interpretation and insensitivity to certain cultural aspects. Apart from a couple of English speaking informants in the Foundation and at Falcondo, all conversations and interviews were held in Spanish without interpreter or research assistant. This choice was made consciously due to the nature of the topics of this study, and the necessity to both avoid the distance and subjectivity that the use of a translator often implies. However, there was a

risk of misinterpretations which I attempted to overcome by asking people to speak slowly, and by using a recorder for most of the interviews held in Spanish. This enabled me to transcribe the conversations and although this was a time consuming task, it ensured that I had properly understood my respondents and allowed for detecting uncertain issues which I would clarify in preceding meetings. Transcription also enabled me to gain valuable knowledge of terms and words specifically used by the locals in the area which facilitated my understanding and daily interaction. Language is not always expressed in words, and Dominicans use a lot of body language. For example, during some conversations I observed that people were wrinkling or turning up their noses and I quickly learned that this was a sign of not understanding or not hearing what was being said. Equally, they would use their lips to point to people or directions.

Finally, it is worth noting that the research was carried out with limited time and resources. Therefore, a thorough investigation of all communities benefiting from the CSR initiatives was not possible. However, as explained, the selection of the three villages that were used for data collection was carefully done. Their characteristics both compliment and distinguish one village from the other, and villagers' experiences within the partnership vary. This increases the validity of the findings and the representativeness with regards to the assessment of the overall outcomes of the CSR initiatives in the province.

Chapter 5: Findings and Analysis

This chapter will present the empirical findings and analyse these in the light of the literature on CSR and development. The chapter is divided into four main parts. The first part deals with Xstrata's CSR *policy*. It responds to research question one by outlining the justification and motivations explaining why the corporation has a CSR strategy, and the factors influencing the content of the strategy. The second section looks at Xstrata's CSR practice in the Dominican Republic. It explores how the corporate strategy is *implemented* at local level through the partnership with the Falcondo Foundation and the local communities, and the manner in which the CSR interventions are tailored to the local realities and development challenges in the host-communities. It thus answers research questions two and three. The third section presents the process of *interaction* and participation within the partnership, answering research question number four. All these three parts combined offer an answer to research question number five, together with part number four which is a discussion of the *outcome* of the partnership and how it bridges business and society's interests and concerns.

Part 1: Policy – Xstrata's CSR strategy

A study on how CSR can be used to create mutual benefits for both business and community development must explore the key reasons for why multinational corporations choose to invest in and develop CSR strategies and initiatives. The social responsibilities that a corporation decides to take on are usually tailored to their overall corporate profile and strategy, as well as formed by external pressures and society's expectations. This section will outline the empirical findings for why Xstrata has a CSR strategy. First of all, I will look at the industry-specific negative externalities of the Falcondo operation and the specific challenges in this respect. These externalities are integral parts of the company's operation, and are direct and indirect consequences of extractive industries. In other words, they are the issues that society will expect a company to take responsibility for, and might be looked at as "root causes" for why a mining company would need to implement CSR. Secondly, a number of business incentives will be addressed as these make up the "business argument" for CSR in the case of Falcondo. Finally, external international and national pressures in terms of multi-stakeholder initiatives, international hard and soft laws, national regulations and global watch dogs are other explanatory factors for creating CSR policies.

Figure 6 below presents the factors that I have identified as having an impact on Xstrata's justification for their CSR strategy. Some of these pressures are internal in the sense of being either direct consequences of the business activity, or directly related to Xstrata's corporate culture and business strategy. Others are external factors in terms of indirect impacts of the operations, or pressures from society both internationally and nationally. Each of them will be discussed in the following sections.

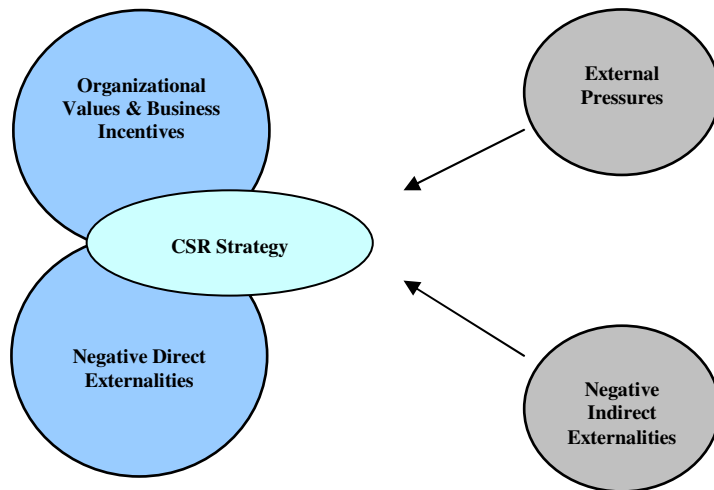


Figure 7: Factors influencing Xstrata’s CSR Strategy

Source: Author (Based on an analysis of Xstrata Plc documents)

5.1. Justification: Addressing industry-specific negative externalities

There are environmental and social challenges inherent in the extractive industries, and Falcondo regards it as their responsibility to reduce or mitigate these effects. Two broad areas of indirect and direct impact were identified:

“Equal to any other activity carried out by the human being, the mining industry has associated risks that are characteristic of its operations. In today’s world, companies world wide have a compromise to search for the best alternative in order to reduce their impacts. The mine creates positive and negative externalities, and we have to minimise the impact of the negative once. On the environment, this includes air, water, soil, flora, fauna and biodiversity. Equally there is a socioeconomic component of impacts on the region and the neighbouring communities of the mine.” (A1 [interview]).

The impacts on the environment are mainly on biodiversity, air, waste generation, water- and energy use (Xstrata, 2008b). The impacts on communities are “social disruption from an influx of people, health and safety risks in the workplace and surrounding communities and the ethical issues and conflicts that can accompany economic development” (Xstrata, 2008b: 14). The severity of these impacts varies from one country to another in which Xstrata has its operations, but compliance with the 17 sustainable development standards should ensure that all the externalities that call for mitigation are covered.

5.1.1. Environmental impacts of surface mining



Figure 8: Surface mining at Falcondo.

Source: Adrian Rütter-Hessel (2009)

The impacts on the environment take place during two phases of the Falcondo operation, the extraction phase and the processing phase. The type of mining that is being done at Falcondo is called surface mining or open-cast mining. This implies that when the company wants to extract mineral, they first need to gain access to the laterite ore which is located under the surface. This ore can be anything from 2 – 30 metres thick. In this process, the entire vegetation cover from the area to be mined is removed, including all forest, rock and soil, all having an impact on biodiversity. According to Xstrata’s sustainability reports, the Falcondo mine is not considered to be located in or adjacent to areas of high biodiversity value (Xstrata, 2008b:86-87). However, informants at Falcondo acknowledge that they consider biodiversity impact as a challenge, and that they do monitor own impact (A1; A2 [interviews]). The people who had lived for a long time in the villages nearby, had seen a remarkable change in the surrounding nature. One man specifically pointed to “*trees having dried out*”, and “*avocados growing smaller than usual*” (G2 [focus group]). Although the villagers linked these changes to Falcondo’s operations, several biodiversity studies have been done over the years and none of them have revealed severe impacts on the ecosystem because of Falcondo. Rather, the studies so far have shown that the environment can return to its natural state once the company has finished mining (A4 [interview]). This might indicate that the villagers’ perceptions in this respect might be coloured by other factors which will be explored later on in the thesis. However, these perceptions are important in the broader picture of how the villagers experience living in the proximity of Falcondo.

One of the most visible impacts of the mine on the environment has been the deforestation that took place when Falcondo started its operations and obviously had to open up several mining fronts.

“There were years when we did a lot of deforestation. People living close to us saw this just becoming worse and worse and started asking “when is this going to end?”(A4 [Interview]).

One informant confirmed that the visual impact is very strong when conducting this type of mining, and these open mines generate a lot of negative comments and attention from the host-society (A2 [interview]). To make up for its impact, the company started a rigorous reforestation campaign several years ago. Reforestation is done by a special reforestation team at Falcondo, and the company also arranges Reforestation Days where employees and community members gather to take part in the reforestation process. According to my

informant, this has a positive impact on Falcondo because it shows that they are transparent about their impact on the forest. It also demonstrates that they compensate by reforestation not only in the mines, but also elsewhere. Moreover, their approach has a wider impact on the communities because it demonstrates the importance of forest management (A1 [interview]). Falcondo has reforested more than 31% of the mined areas so far. In addition, the national average of vegetal cover is 32% while the Bonao area is 80% (A1 [interview]). The reforestation process is continuous and an integrated part of the closure plan for the mine.



Figure 9: Newly planted trees inside Falcondo main mine.
Source: Author (2009).

An environmental issue that was frequently mentioned in the communities is the impact of Falcondo on the river Yuna. One man who had lived in the village his whole life confessed that

“When I was young, I had water up until my arms when crossing the river. Today, my son can cross it and still have dry feet” (G1 [Focus Group]).



Impacts of surface mining on water levels are evident, but are generally caused by large extraction for the processing of the mineral or take place due to sedimentation (MMSD, 2002). At Falcondo, I was informed that their activities have very little impact on the water in the river (A1; A4 [interviews]). They have constructed a separate channel from the river from which they extract 6000 gallons/minute while simultaneously discharging 5072 gallons/minute.

Figure 10: Sedimentation dam. Source: Author (2009).

The water is being reused 17 times in the operation process and then runs through a natural filtering process in the sedimentation lagoons. During this process the particulates sink to the

bottom and avoid sedimentation of the river once the water is discharged. This recycling process is one of the most efficient of all Xstrata's operations and is a direct compliance with their water conservation policy (Xstrata, 2008a). There is also a large sedimentation dam higher up in the mine. This dam is placed at an angle ensuring that particles coming from the hillsides inside the mining area are being captured by the downward water streams and end up in this dam, preventing sediments from continuing down to the villages.

Environmental negative externalities also occur as a consequence of the processing phase of the metal. In this phase, the rocks that contain mineral are being crushed into tiny particles before they move on to the smelting phase where the mineral is extracted and then processed. All this is energy consuming and the power plant that creates energy for the system is oil-run. Hence there are GHG emissions in terms of the carbon dioxide (CO₂) and mono-nitrogen oxides (NO_x) from the process of combustion, sulphur dioxide (SO₂) from the metallurgical smelter and particle emissions (micro-solids). The main consequences for the environment are the contribution to global warming from release of GHG, and acid rain from SO₂ when it is released into the air and reacts with water (MMSD, 2002). The latter is a local phenomenon and several of the respondents in the communities expressed that this had been a problem for them earlier:

“If you had your clothes hanging out for drying and it would start to rain, you would have to wash them again because the rain carried yellow water that damaged everything. You could forget about taking a bath. Still, some is coming down but not like before” (C1 [interview])

Several of the farmers also indicated that they thought the decline of agricultural production was due to this contamination: *“If you put your hand on the platano leaves, it would be black”* (G2 [focus group])



Figure 11: Falcondo Power Plant.

Source: Author (2009).



Figure 12: Heavy truck. Source: Author (2009).

Despite these worries, informants at Falcondo could demonstrate that they were within the limits both for GHG emissions and SO₂. SO₂ were exceeding limits a couple of times annually during heavy rains (A1; A2 [interviews]). This is because Bonao is the region in the country with most precipitation and the emissions can be difficult to control in this period. However, on average, the company is well below the set limits. One informant remarked that if they were causing much acid rain, it would not be possible to have the current vegetation cover in the area (A1 [interview]).

Regarding dust in the air, Falcondo recognised that this is a nuisance for people living in the villages where big trucks pass several times a day (A2 [interview]). The traffic generates a lot of dust as the roads are unpaved, and the dust can have health impacts on the community. The mitigation measure that is put in place is to water the roads in order to suppress the dust and reduce the impact.

A final negative environmental externality is the generation of waste from the mining process. This includes soil and rock that must be removed to gain access to the ore, waste rock which do not contain enough mineral to be processed, tailings and slag (by-products that are left after the metal is extracted) and other hazardous and non-hazardous waste (MMSD, 2002). At Falcondo, they have constructed an impenetrable area for biodegradation of hydrocarbons with special bacteria that eat the chemicals. After this process what remains is pure soil, which is used as cover for recuperation of mined areas. Other types of waste such as filters from machines and equipment is being treated and then sold as scrap. Some of the members in the community closest to the mine complained about “*bad smell*” and “*red glowing light*” from the mine (G3 [focus group]). Falcondo explained that this was the liquid slag that they disposed for cooling at the tailing dump and that they have now designed a new storage method (A5 [interview]). The slag is otherwise being used for many road constructions in the area.

In addition to own waste management, Falcondo has designated an area on their property where waste from the entire municipality is disposed. Before, people used to dump the garbage in the rivers because the authorities did not collect it. In the areas where they did collect, it did not make much of a difference environmentally because the local authorities had nowhere to put it. To avoid continuous pollution of rivers and water bodies, Falcondo therefore offers this service, and is also helping the authorities find an appropriate area for the municipal land fill (A2; A3 [interviews]).

5.1.2. Socio-economic impacts of mining

In addition to the environmental impacts there are also inherent socioeconomic effects of mining on surrounding communities. The history of Falcondo’s relationship with society is an example of such negative socioeconomic externalities. There are several explanatory factors for the conflict such as the influx of workers from different backgrounds, alterations to peoples’ usual way of living, poor handling of corporate-community relationships and fights over employment.

CASE: “Falcondo was in the DR, but not part of the DR” – Alvarez, *Editor*

In the 1970s, Bonaio was a traditional city living mainly of agriculture and a few commercial un-modern fabrics. It had a small upper class dedicated to agriculture and livestock keeping on large estates, a small middle class and an extensive poor lower class. The latter was occupied with agriculture and small commercial activities. After Falcondo started its operations in the 1970s, Bonaio has changed in many respects. One indicator is the territorial expansion that took place during Falcondo’s 20 first years of existence. From 1970 - 1990 the municipality passed from 187 km² to 609 km² indicating an average pace of 21 km² per year. Since 1990 it has continued growing, albeit at a slower pace. This territorial expansion points to an inward migration of people looking for jobs or seizing opportunities to set up own businesses in an area where industry was expanding. In the 1960s, the city had a population of

12 090 people which grew to 45 161 inhabitants by 1981. By 1993, the number had risen to 69 672 and currently an estimated 89 902 people live in Bonao (Corral *et al.* 2000:9).

The area was growing and people coming from various places with diverse backgrounds led to a mixture of people from different social strata. In addition to this Dominican migration, Falcondo in the initial years hired expatriate workers due to the need for special skills and competencies for running the mine, as well as well-educated engineers from other parts of the country. To a large extent, these expatriates and upper-class group isolated themselves from the rest of Bonao. They constructed their own neighbourhood – the *Barrio Gringo* – with their own private leisure club and school for their children. This class and hierarchic difference was reflected within Falcondo too, where there was a distinction between “blue collar workers” and “yellow collar workers”, thus dividing the company from within and causing discontent among the locals:

“People began to see how well they [the foreigners] lived with the country’s resources” (B1 [interview]).

Simultaneously, the left-wing political wave which was sweeping the continent also reached the Dominican Republic, and the fact that Falcondo was a foreign multinational company did not improve its relationship with society. Several demonstrations took place based on demand for jobs as well as against the environmental impact of the company. At this same period of time, the Trade Union at Falcondo (SUTRAFADO) became very active, fighting for labour rights and launching several demonstrations against the company. In 1986, Falcondo’s operation was paralysed for 37 days due to strikes. According to SUTRAFADO, the company claimed that these strikes had been illegal and hence fired a majority of the people who had been active participants in the demonstrations (David, 2003).

Despite showing dissatisfaction with the company, everybody wanted to work at Falcondo. One informant told me that huge expectations had been created in the communities while constructions were taking place. The company thus faced a challenge when an estimated 20 000 people living in various communities around the plant wanted jobs (A6 [interview]). To resolve this, they put in place a policy of employing local people for three months at the time and give them nine months off. These job quotas were assigned to the different community associations and were popular because most people gained more in those three months than they would normally do in a year (B1 [interview]). As a result, there was an upsurge of such associations in the 1980s and tensions were no longer only between the company and their workers, but also divided people within the communities who were forced to fight for the same jobs.

“A lot of the confrontations between the people and the company were due to the way community relations were handled and the expectations that were not met. People attacked the company from all fronts for example by attempting to divert the river so that we couldn’t run the power plant, intruding into the plant’s premises to steal a lot of things, burning tyres, throwing rocks and threats at senior people” (A6 [interview]).

Community relations at this time was handled by the Public Relations Department, and consisted mainly of hand-outs and donations. One informant explained that it was a humiliating process where people stood in line to ask for help, and this lack of respect and dignity for local villagers added to the tensions (B1 [interview]). Moreover, the company felt that their social contribution in terms of job generation and tax payments should be enough. Instead of opening for direct dialogue with the communities, the company used intermediaries

who functioned as “*brokers*” between the company and the communities, giving people compensation and transmitting community demands. According to Falcondo, these intermediaries “*did not do their job*”, and parts of the compensation never reached the communities (A3 [interview]). In addition, they were often either politicians themselves or politically influenced, and found opportunities to turn the people either against or in favour of the company when politically strategic decisions were being made in the province. Hence, Falcondo became part of a wider political game where the company’s conflict with the people was used as a tool for political pressure (B1 [interview]).

The more protests there were, the more donations were given without this improving the corporate-community relationship. In 1989, tensions escalated and in one of the demonstrations a young man was killed. As a response to this situation that had become unbearable for the company and a real threat to its existence, they decided to change strategy with regards to community relations and communication. Hence, the Falcondo Foundation was created as an attempt to respond to community concerns and improve dialogue (A6; B1 [interviews]).

This history gives an indication of how a socioeconomic alteration can become a negative experience for the people. Although CSR was a “non-existent” term at that time, initiatives were aimed at satisfying people’s demands. However, as the case shows, the root causes for these demands were not properly addressed, and the company had little knowledge of what kind of “compensation” would be suitable. It is even possible that people’s situation worsened as subsistence farmers, through the job quotas, were suddenly introduced to a monetary lifestyle with which they had little or no experience. Moreover, the upsurge of community associations motivated by self-interest and for which the leaders were not representative of the collective interest of the community, can have broken traditional social ties and increased feelings of distrust between people. These community structures will be more explored in the third part of this chapter.

Now, Xstrata’s approach to these issues is different than how Falconbridge handled community relations in a time when CSR was not “in fashion”. Xstrata’s policy seeks to mitigate the impact through continuous social investments and social involvement plans developed and implemented across all operations (Xstrata, 2008:18). A minimum of 1% of group profit before tax is set aside for this purpose. At Falcondo, these resources are mainly channelled through the Foundation’s projects. The figures below give an indication of community members’ perceptions on Falcondo. Figure 13 shows the impression among villagers about the impact Falcondo has had on their community. Figure 14 displays people’s opinions of how the corporate-community relationship has changed over the last 10 years.

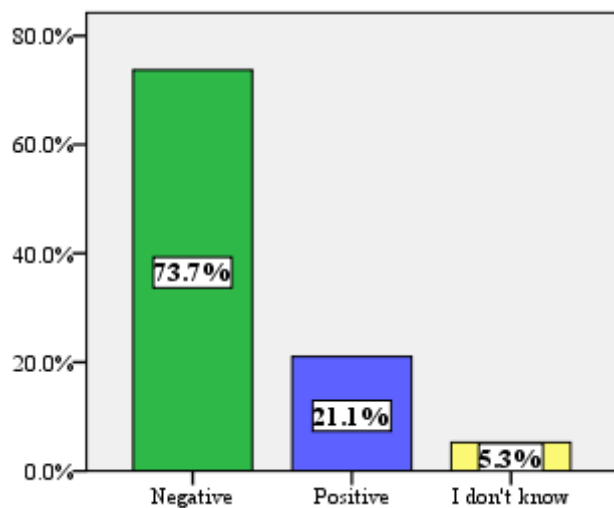


Figure 13: Community perceptions on Falcondo's Impact (n = 65).

Source: Fieldwork returns (appendix 1).

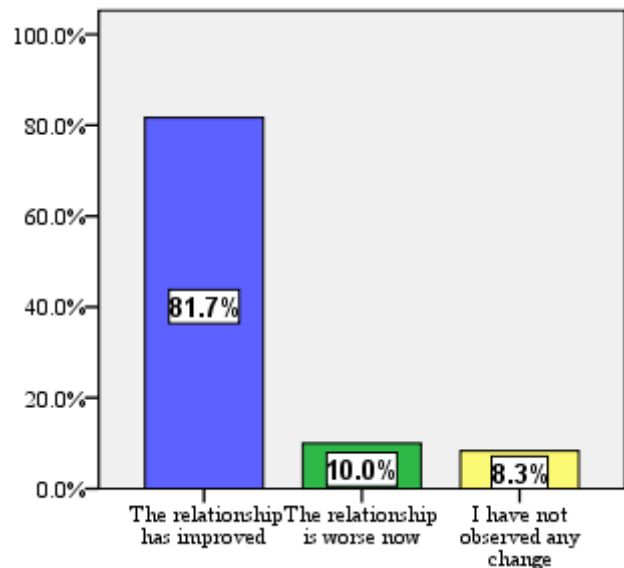


Figure 14: Community perceptions on changes in the relationship over past 10 years (n=65).

Source: Fieldwork returns (appendix 1).

When the villagers were asked about Falcondo's impact on their community, a large majority answered that this impact had been negative. The main explanations were environmental such as "damaged river", "air pollution", "deforestation", "impact on agriculture", but also lack of available employment for community members was frequently mentioned. Regarding the corporate-community relationship, people felt that this had improved considerably over the last 10 years. This improvement was explained mainly by statements such as "the company shows more interest in us now" and "the Foundation has done a lot for us" which is one indicator for successful response to community concerns by the Foundation. The main justification given from those who thought the relationship had become worse were related to the recent lay-off, and the general lack of employment opportunities in the mine. It was also possible to observe a change in perception according to the time of living in the communities as shown in table 2:

Table 2: Perception of Falcondo versus time of living in community, %

Perception of Falcondo vs. Time of living in community, %			
What kind of impact has Falcondo had on your community?	Time of living in the community		
	Less than 30 years	More than 30 years	Total Valid %
Negative	64,7 %	90,9 %	75,0 %
Positive	26,5 %	9,1 %	19,6 %
I don't know	8,8 %	0,0 %	5,4 %
No response	0,0 %	0,0 %	0,0 %
Total (n =65)	100,0 %	100,0 %	100,0 %

Source: Fieldwork returns (appendix 1).

The respondents who were unsure, or had not observed a negative impact, were generally people who had lived in the communities for less than 30 years. There is hence reason to believe that the negative impacts were felt more thoroughly during the initial stages of Falcondo's activities than during the recent years, and that the corporate-community partnership has improved people's perceptions.

Another indirect negative socio-economic externality of Falcondo is the dependency that a big company in a poor province creates. In the aftermath of the operation’s closure in December 2008, several community members expressed worries about the future. Some of these were fears of job losses, but most of them were fears of not receiving assistance.

“This day [04.12.2008], Bonaio died (...). It affects us because they [Falcondo] stood by our side and we wonder what will happen to us now? (E2 [interview])

Moreover, all of the communities expressed that they could not progress without the help of Falcondo or the Foundation. Table 3 demonstrates the level of dependency felt in the villages.

Table 3: Community members’ feelings of dependency on Falcondo

Dependency patterns			
	Frequency	Percent, %	Valid Percent, %
We need the help from Falcondo/ the Foundation in the future	59	90,8	93.7
We can progress on our own or with help from another institution	4	6,2	6,3
Total	63	96,9	100,0
No response	2	3,1	
Total (n=65)	65	100,0	

Source: Fieldwork returns (appendix 1).

These percentages show that only very few believed they were strong enough as a community group to either make it on their own or find other sources of assistance. Comments like *“Falcondo and the Foundation are the only one that helps”* and *“Falcondo is the institution we turn to”* were common phrases heard in all villages.

Falcondo recognised that dependency is a difficult issue they are facing and admitted that if they were to stop their support now, gaps would remain unfilled (A4 [interview]). Their thoughts around this issue reflected a hope that the income-generating activities would be a means of reducing dependency, and that the school programs would leave behind a larger share of the population in the region with educational background (A4 [interview]). It is expected that the social investment will help avoid dependency of the society on the company with *“the ultimate aim is leaving behind stronger, sustainable communities once operation ceases”* (Xstrata, 2008b:18). The Foundation is working on these aspects through its projects focusing on socio-economic transformations, as will be explored in section 2 of this chapter.

Safety for surrounding communities is also a priority issue at Falcondo because the operation not only includes the facility in Bonaio, but equally a 75 km oil pipeline passing through more than 70 communities. Several informants pointed to the failure to manage risks related to the pipeline can have potential disastrous consequences (A1; A2; A3 [interviews]). Falcondo has an internal management systems and training program for its workers, but the information is also being spread externally to raise awareness among the communities about the risk of living near a mine. Finally, another safety risk is the traffic of heavy trucks through communities in order to access mining fronts. Villagers cross the roads used by Falcondo trucks by feet, motorcycles or cars. This risk was acknowledged by one informant who explained that in order to reduce the risk the staff is trained in defensive driving. He also stated that they had passed on the road every day for 25 years without there being an accident (A2 [interview]).

5.2. Motivation: The strategic effect of CSR on business value

The outcome of a CSR strategy that successfully addresses negative externalities is a number of satisfied business objectives for Xstrata. Xstrata believes that their sustainability strategy generate a favourable climate for conducting business, and achieving their corporate mission is therefore dependent on a sustainability strategy which encompasses three main pillars: 1) Health – Safety – Environment 2) A contribution to sustainable development of communities, and 3) stakeholder engagement (Xstrata, 2008b). To make this more comprehensible, I have presented these linkages in a diagram below:

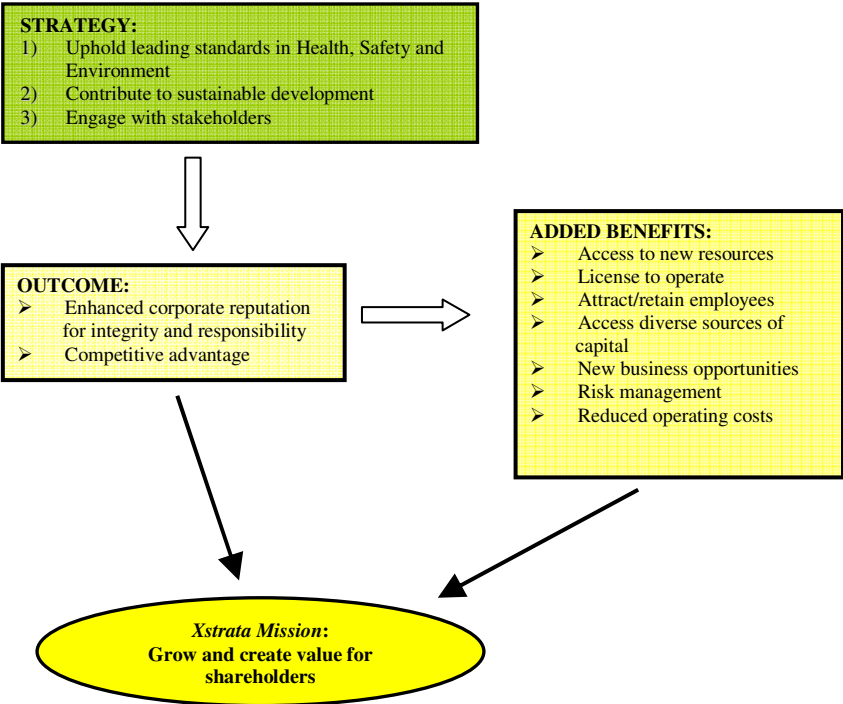


Figure 15: Xstrata’s rationale for CSR.

Source: This figure is based on information from Xstrata documents (Xstrata, 2008b)

The diagram shows that by implementing CSR initiatives within the three main pillars identified by Xstrata as essential to their activities, the outcome expected is an enhanced corporate reputation and a competitive advantage within the industry. These two outcomes directly contribute to the achievement of Xstrata’s mission, however the outcomes can also bring along additional benefits that enhance the possibility of this achievement. All together, these factors resulting from the implementation of the CSR strategy in the first place, ensure Xstrata’s ability to grow and create value for shareholders. The CSR strategy therefore creates a “chain” of added benefits to Xstrata, and failure in the implementation or design of the CSR strategy weakens the corporation’s ability to achieve its overall goal. I will now turn to look at the empirical findings for these possible positive contributions to the corporation in the case of Falcondo.

5.2.1. Managing risk through dialogue and transparency

Xstrata believes that being perceived as a legitimate and accountable actor that takes responsibility for its actions can give the company a competitive advantage that brings along other business benefits (Xstrata, 2008b). Xstrata's Policy for stakeholder engagement is reflected in the Business Principles "We work together and with others" and in the Sustainable Development Standard 4. It states that "proactive communication and engagement occurs with relevant internal and external stakeholders" (Xstrata, 2008b:30). At corporate level, they have a broad identification of stakeholders which includes the investment community, employees and unions, governments and regulators, NGOs and development partners, business partners, communities and suppliers/consumers (Xstrata, 2008b:30). Methods for engagements ranges from face-to-face meetings, reports and audits, impact assessments, visits, grievance mechanisms, websites etc. (Xstrata, 2008b:29).

At Falcondo, the Public Relations (PR) department handles information and communication strategies and relationships with stakeholders on the issues that are associated with the operational aspects of the mine. This includes communities, authorities at local, provincial and national level, as well as press and media. One informant justified the reason for this engagement by its contribution to the company's reputation:

"We belong to a corporation that has international prestige. Therefore we have to manage all these aspects so that what we do here do not negatively affect the corporate image" (A3 [interview]).

Therefore for Falcondo to contribute positively to the international image of the Xstrata corporation, they have to handle their own image locally. After the period characterised by a poor corporate-community relationship, it was evident that the company had to open for dialogue and direct the public opinion in favour of the company. At Falcondo, I was explained that this strategy consists of maintaining direct contact and include as many stakeholders as possible; community members, community leaders, politicians, the church, media, academia and private sector actors.

"We interact with them in order to create a relationship of mutual confidence and mutual interests" (A3 [interview])

One type of interaction that has played a major role in bringing the company and society closer together has been their Site Visit Program. This has been in place for many years. It is open for everybody and about 3500 people visit the mine annually. The program seeks to raise people's awareness of the various aspects of the mining process, the mining culture and what surface mining implies. One informant explained that it has helped a lot in managing the relationship with society because when people visit the mine and see how Falcondo operates, their perception of the company changes positively (A3 [interview]).

This added transparency is needed. In several communities I found indications of perceptions that might be shaped by a lack of awareness about the practices and activities taking place on the other side of Falcondo's security wall. As pointed to earlier, there is a belief in several communities that Falcondo is responsible for the decrease of water levels in the river Yuna. However, there is a private company which has for years been digging sand at the riverbank for commercial purposes. This practice is probably the real cause of the dried-out river (B2; A4 [interviews]). Another example is a statement by a man who has lived in Bonao since the 1960s. He insisted that in addition to mining nickel, Falcondo was *"extracting gold from the*

streams on the property” (E4 [interview]). More transparency can help alter these perceptions that might otherwise affect Falcondo’s image. It can also improve legitimacy if awareness and information is widely dispersed in the host-society (Idemudia, 2007). As noted above, some perceptions have already changed and it is clear that the partnership has had considerable impact in this respect. One informant pointed to the fact that their focus on openness and provision of information to everybody has proven beneficial company when large changes occur in the operation:

“Despite just having laid off 900 workers, our image today continues to be strong because we have included the people in the whole process, giving them access to the information they are entitled to and maintaining a close relationship with society” (A3 [interview]).

The benefits of this transparency were visible in the aftermath of the recent closure. The company was in continuous dialogue with authorities, employees and the trade union, explaining their reasons for having to shut down. Falcondo ensured that their social programs would continue as usual, hence demonstrating a long-term commitment that is both beneficial to the communities as well as strategically sound in the light of future operation. As a result of this transparency, I observed that most of the frustration that came about was directed towards the government because of the contributions the company makes to the country in terms of tax payments as well as government profit from their 10% ownership of Falcondo. It is important to note here that a special Commission for the development of Monseñor Nouel was established in 1995. This Commission receives the profit of the 10% shares that the government holds in Falcondo with the aim of channelling these resources for the benefits of the communities surrounding the plant. Although some of these resources have been used for infrastructural improvements, the prevailing belief voiced by people and in the media was that the majority has disappeared in corruption. This has provoked anger among people and demands have been raised for the Commission to be investigated by the National Commission for Ethics and Corruption Combat (Mera, 2008). It has also raised demands for the State to take its share of the responsibility for the social challenges in the province. If Falcondo had not enjoyed the acceptance that it has in Bonao today, it is reasonable to believe that the lay off could have resulted in considerable protests against Falcondo.

The dialogue with the people has also proved beneficial to Falcondo in terms of raising the company’s awareness about the challenges faced by the host-society (B1 [interview]). By identifying these, the company has been able to resolve pressing issues in the surrounding communities such as repairing water systems, improve roads, construct proper irrigation channels for rice production, and give relief after tropical storms. It was further explained that Falcondo has offered this assistance for years because generally, the government fails to provide these services to the communities. My informant regarded it as necessary for the company to take on this responsibility because of the risk of protests in the surrounding areas if nobody would help improve people’s life conditions (A3 [interview]). These acts have generated a lot of good-will towards Falcondo and helped strengthen its image. It has also become a tool for risk management:

“It is a significant cost for the company, but a great support to the communities. The potential cost and consequences of these protests could be greater than the expense incurred by the execution of these projects” (A3 [interview]).

My informant indicated that these “extra responsibilities” had been induced by the State as an expectation towards them (A3 [interview]). Although Falcondo is meeting the expectations of two stakeholder groups - community members and the state – the lack of involvement of government authorities in these initiatives risk making CSR a head rest for the State, which is another weak point often pointed out by critics of CSR (Blowfield & Frynas, 2005). This situation can be unfortunate for the company in the sense that their CSR can contribute to upholding weak governance, but it is also unfortunate for the communities as the responsibilities are not clearly defined. For example, one lady pointed out that in their village the people had been fighting with the authorities because the road to their community is in a very poor shape. According to her, the response from local government officials had been that this was Falcondo’s responsibility, so the authorities did not feel obliged to help. When the lady then approached Falcondo, Falcondo had, according to her, claimed that this was a task for the Commission or the municipality (E2 [interview]). In cases when a government do not assume responsibility for a service because of an active private sector actor, theories suggest that companies can use their power to pressure governments to partake in initiatives so that responsibility is shared (Bendell, 2004). This would be beneficial as it would reduce dependency on the company and enhance people’s view of a responsible State. In some of the development initiatives carried out by Falcondo and the Foundation, particularly infrastructural projects, local authorities have been involved. However, the particular example above demonstrates how CSR can have negative effects for all parties engaged.

5.3.2. Competitive advantage: A means for corporate growth

Xstrata believes that a good CSR performance gives the corporation a favourable reputation which transforms into competitive advantages for their business (Xstrata, 2008b:14). Having this competitive advantage is essential for the company to live up to its mission in a world where companies compete for access to markets and resources. The competitive advantage takes several forms, and Falcondo identified obtaining and maintaining the licence to operate as the main one:

“(...) the corporation realises that in the future the mines that exist around the world, none of them are in an easy place. Every single mine that the company has to develop, has a certain challenge. The challenge could be environmental, technical, social, political or a mix of several of these factors. So, the corporation’s philosophy is to invest in social responsibility meaning different things in different areas, in order to acquire a base of credibility work-wise (...) We do want to help the people around us because it makes our life easier having a good relationship with those people and the communities have real needs, but the business strategy reason is achieving the licence to operate (...)” (A4 [Interview]).

The historically poor corporate-community relationship demonstrates that without support from the communities, Falcondo would have faced problems maintaining their licence to operate. The threats to the security of the workers and plant would have increased, posing further constraints on the company’s operations. Informants at Falcondo also explained that in the beginning they perceived the community initiatives as serving mainly to calm down the crowds and allow the company to run without business interruptions (A6; A4 [interviews]). However, the company later realised that if they invest in initiatives that make the communities stronger, they would not have to worry about losing their licence to operate and would even obtain future business opportunities (A4 [interview]).

This possibility to expand and undertake new developments is important to extractive industries which are dependent on access to new resource-rich areas once one mine has been fully exploited. In the competition for resources and people's acceptance for further expansion of mining activities, CSR can be a determinant factor as it is believed that CSR enhances business' competitive advantage (Porter & Kramer, 2006). As one of my respondents argued, the ore deposits in the world are finite and often it is not only about money: *"Governments, people and NGO look at the record of your social and environmental performance before they grant you concessions to mine"* (A4, [Interview]). Much of the ore that Falcondo is exploiting comes from the mine in La Vega where exploitation started about 12 years ago, and one informant claimed that:

"If there had been really strong protests against us, we could have been stopped because they did it in the past. The fact that we don't have any problems with these communities means that the programs [CSR] are working" (A4 [interview]).

Theory suggests that a corporate-community partnership can help engagement of communities in consultation before new developments take place with the aim of forecasting negative effects and agree upon mitigation (Newell, 2005). Presently, Falcondo's future is much dependent on access to a new nickel ore in Loma Miranda, La Vega. Access to this ore is given by the government in terms of mining license and from the community in terms of land. It also involves a conversion to a coal-fired power plant and resettlement of a community. Several of my informants confirmed that Falcondo's social profile has made such developments and changes easier, pointing to the fact that they already have a good relationship with the government and a Foundation which is recognised for serious social work (A2; A6; A4; B1 [interviews]).

Xstrata Plc is listed on the London and Swiss stock exchanges. Attracting a diverse range of investors is therefore of primary concern for the company (Xstrata, 2008b). Socially responsible investment is an investment strategy which implies making investments that are both financially *and* socially/environmentally viable. An increasing number of potential shareholders therefore look at the social and environmental performance in addition to the financial bottom-line when making decisions on investment (EIU, 2008). Having a good record can therefore turn into a competitive advantage for Xstrata. Xstrata was awarded "industry leader" on the Dow Jones Sustainability Index (DJSI) in September 2008. DJSI is one of the leading indexes for sustainable investments in the world. Although this is not a direct competitive advantage to Falcondo, Falcondo is still dependent on the corporation's ability to attract capital to keep all site-level operations running.

5.3. External pressures

External pressures and motivational factors can also be considered as explanations for Xstrata's CSR strategy. These are mainly Multi-Stakeholder Initiatives (MSIs) that Xstrata take part in, and international and national legislations that the company has to comply with. In addition, there has been an increase of global watchdogs forcing companies to revise their corporate accountability which also puts external pressure on Xstrata's CSR performance.

5.4.1. Legislative and regulatory frameworks: "hard"/ "soft" laws

It is believed that a CSR policy that includes the "highest ethical standards" helps companies comply with national and international law, and be better prepared to meet new legislations

(Hopkins, 2004). At the national level, Falcondo has to comply with the Mining law administered by the Mining Department within the Ministry of Industry and Trade. This legislative framework set out the rules for exploration and exploitation concessions for mining, processing, contracts with the state and society, protection of the environment and taxation (DGM, 1971). When the law was issued in 1971, the tax rate for mining was set to 40% of net profit. In 1987, a tax dispute was going on between Falcondo and the State as the agreement in place was not profitable to the latter (B1 [interview]). Falcondo had been losing money until mid-1980s, hence neither the company nor the State had gained much. When nickel prices rose in 1987 the government imposed an export duty of 25% which Falcondo claimed illegal (A6 [interview]). Hence, the shipments of nickel were suspended and Falcondo was forced to stop production. The two parts reached a settlement after months of discussion, and Falcondo now pays 50% of net profit in tax (A1, A2, A3, B1, B2 [interviews]), despite the fact that the taxation clause in the mining law was changed to 25% in 1992 (DGM, 1992).

Additional laws that are relevant to Falcondo's CSR practice are environmental laws specifically directed at the mining industry, as set out in the Law of Environment and Natural Resources dating from 2000, which is regulated by the Ministry of Environment (SEMARN, 2000). The clauses mainly obliges Falcondo to "adequately eliminate hazardous and non-hazardous waste, both during operation and post-closure; rehabilitate areas affected by mining and/or carry out other activities protecting the environment; periodically inform the Ministry about monitoring and results of the effects upon the environment; and conduct Environmental Impact Assessments before new developments" (SEMARN, 2000: Art.162-164, pp.92-93). At Falcondo, all of the above are included in the environmental policies of Xstrata. One informant told me that they were submitting reports on air quality, water quality and emissions to the Ministry twice a year (A2 [interview]).

Although the Stockholm Declaration outlines that "states have the sovereign right to exploit their own natural resources" (UNEP, 1972: principle 21), international laws increasingly guide the mining industry and exert pressures on governments. International laws that affect mining include conventions, protocols, declarations, treaties, standards, codes, and recommendations in relation to environmental, social and economic norms (Pring *et al.*, 1999). Examples of some of the most known conventions are "hard laws" such as the World Heritage Convention, the Ramsar Convention, the Kyoto Protocol and the Basel Convention on Hazardous Waste. Although these laws are not always enforced, they can pressure mining companies for example by prohibiting operation in an area that is protected by such conventions (Pring *et al.*, 1999). Xstrata for example states that it obeys the World Heritage Convention by not mining in the vicinity on any World Heritage sites. They also aim to comply with the Biodiversity Protocol in terms of preservation, not mining close to areas of high biodiversity value, nor near protected areas (Xstrata, 2008b).

Increased pressures for demonstrating CSR performance has led to the creation of a wide range of MSIs, international guidelines and industry specific codes of conduct. These codes are normative standards for business behaviour and include recommendations for implementation practices. Xstrata participates in several such initiatives, among others the UN Global Compact, GRI, EITI, ICMM and ISO. Falcondo has also been certified by ISO 9001 and 14001 standards for quality management and environmental management systems since 1994 and 1999 respectively, and was the first ferronickel operation in the world to become certified by these ISO standards (A1 [interview]). Membership in MSIs requires incorporation of principles and guidelines into the corporate CSR strategy and compliance with these

(ICMM, 2009, UNGC, 2009). At Xstrata these “soft laws” are compiled and integrated into the company’s 17 standards for sustainable development, thus contribute to informing the scope and content of the policies of their Sustainability Framework.

Participation in such initiatives has become “common practice” among leading corporations, and being a leading business on CSR within a specific industry is an important motivational factor for participation in MSIs. As a member of initiatives specific to the extractive industries, Xstrata has the ability to influence the agenda for what this “soft” legislation should be comprised of. I was informed that Xstrata’s take-over of Falcondo had not made a huge difference to how Falcondo was carrying out CSR before, apart from being more systematic in its reporting systems (A2 [interview]). Another informant expressed that in terms of scope, Falcondo now focuses a lot more on safety and human rights than before (A1 [interview]). All of this point to the influence of MSIs in setting the agenda for what responsibilities a company should take. This calls for a reflection upon how the CSR agenda is influenced by a wide range of actors with competing interests, and how this affects people at the local level. As the MSIs are to a large extent a Western construct, the ethical considerations on which the “universal standards” are based, do not always match the ethical norms that exist in the contexts that these standards are going to affect (Hamann & Acutt, 2003). One example of this is the minimum working age. The Dominican law sets the minimum age for work to 14 years (SET, 1992, Chp.2, Art.245), while Xstrata’s standard is 18 years (Xstrata, 2008b). Falcondo is complying with Xstrata’s standards, hence a 17 year old cannot be employed by Falcondo although this is recognised as morally right in the Dominican society. People with “westernised” mentality probably perceive such employment standards a duty to protect children’s rights and avoid exploitation, while a Dominican might look at it as discrimination or violation of a right. On the other hand, such standards can have a positive contribution in the sense that it can exert pressure on governments to alter their legislations and implement initiatives that make this change positive for the segment of the population affected (Utting, 2005b).

Due to the fact that international legislation tends to lack regulatory mechanisms and enforcement, MSIs also include reporting mechanisms where business “self-regulate” their performance by reporting on progress and results. The main motivation for this practice is to satisfy stakeholder requirements for openness and transparency of a company’s operation and enhance legitimacy (Utting; 2005b). For example, Xstrata participates in the Carbon Disclosure Project and their carbon footprint is publicly disclosed at the website, thus adding integrity to the company. The same goes for EITI where Xstrata obliges itself to disclose all payments made to EITI member governments in which they operate. This initiative aims at reducing corruption and conflict over resources (EITI, 2009).

5.4.2. Global watchdogs: Pressures for compliance

This growing recognition that companies also have to “walk the talk” is much due to the role of NGOs and CSOs that devote their resources to investigate and report on the reality of corporate practices on the ground. These actors’ direct individual effect upon global companies is questionable. Together, however, these groups have the potential to do substantial harm to a corporate image if unsustainable practices are discovered and their reports receive media attention. Such reputation damage can also cause investors to withdraw their money from companies. An example of this is the recent pull-out of the Norwegian Government Pension Fund from two of the world’s largest global mining companies after the discovery of poor corporate practice (Norwatch, 2008). There is a vast array of such

“corporate watchdogs” across the globe. Several countries also have their individual national watch-groups that overlook the performance of their national companies domestically and abroad. Most of them closely monitor the CSR performance of the big giants in the extractive industries, and there are also mechanisms for “abuse reporting” by outsiders who discover irresponsible practices. The groups usually carry the voice of marginalised communities that cannot reach out on their own. Although their role is important, it is worth noting that the quality and objectivity of their research on corporate practices vary greatly from one group to the other.

Xstrata as the world’s fifth largest mining group with operations in 19 highly different countries is naturally prone to such criticisms. At Falcondo, on the other hand, the main pressure groups are social and religious associations together with political and environmental groups. These groups are small in scale and outreach, but they have the ability to generate media attention and influence public opinion locally and to some extent nationally. Some of them played an active role in the historical protests against Falcondo, especially on environmental issues. Falcondo pays attention to these groups in the same manner as to other stakeholders. During changes to the operation, extra attention and communication with CSOs might be required. One informant thought that the main thing Falcondo could do when facing external criticism would be to act transparently and provide information, confirming that *“the people have the power to stop anything so we have to work with the people”* (A4 [interview]).

5.5. Summary

The empirical findings outlined in the above section demonstrate that Xstrata’s motivation for socially and environmentally responsible practice is driven by several factors. In consistency with literature claiming that a company has the minimum moral responsibility to make up for any negative environmental or social effects of their operations on the host-society (Simon *et al.*, cited in Idemudia, 2007), Xstrata’s CSR initiatives at Falcondo aim to mitigate and reduce both the direct environmental consequences of surface mining as well as the indirect social consequences its operation has on the surrounding communities. These responsibilities are incorporated into the core corporate culture and business strategy of Xstrata, and are thus consistent with Porter and Kramer’s (2006) call for a need for business to think about CSR as an integrated part of their activities rather as a corporate defence mechanism. Xstrata’s recognition of having a “duty” to operate responsibly corresponds to both local and broader national and international expectations towards business responsibilities, expectations which are handled by stakeholder engagement. Trying to incorporate all stakeholders is important, but nevertheless becomes a challenge for a global corporation like Xstrata. Too much focus on what other actors in the industry is doing and what the international society expects business to do, risk directing attention away from the specific context and ethical norms in which each of Xstrata’s businesses is operating. Although CSR policy at corporate level is informed by this “international consensus”, the ability for each operation to autonomously decide upon which CSR initiatives would yield best result according to local stakeholders concerns, is a key for addressing contextual issues. Following sections of this chapter will further explore this issue.

Another of Xstrata’s motivations has been to manage risks to the company. Findings demonstrate that a poor public image and failure to include stakeholders in decisions that are affecting them are risks that threaten the company’s license to operate. Falcondo realised that conducting business in a manner that was inconsistent with society’s wider expectations, placed the existence of their activities at risk. Their way of managing these risks is through a

focus on stakeholder dialogue and transparency regarding their operation. By engaging in stakeholder dialogue, a company can gain an increased understanding of host-society's concern (Ajayi & Otuya, 2005). This was clearly visible as Falcondo shifted its approach from primarily trying to calm protests through hand-outs, to actually engage with their stakeholders and listen to the reasons for their discontent. Moreover, Falcondo has been careful to provide host-communities with the information that they as stakeholders deserve, and has also tried to spread knowledge about what their operation entails. This can be seen as an attempt by Falcondo to increase transparency, which increases people's ability to hold Falcondo to account for what it is doing. Falcondo no longer struggles to obtain its licence to operate, but it even has the support of the community, demonstrating that wider public acceptance and legitimacy is an outcome of CSR. However, at the same time it is important to note that this information and transparency is not reaching everyone as the findings still point to a confusion about Falcondo's practices, both with regards to the operational aspects and the benefits it generates to the society.

Improvement to corporate image as an outcome of CSR also depends on stakeholder relationships. Newell (2005) argues that although many companies state they are engaging with communities, few actually do it in practice. However, according to him, if the criticism against companies is strong, they might engage in dialogues to improve their image. At Falcondo, improving the company's image was integral to altering the corporate-community relationship and there is clearly more support towards Falcondo today. One lady expressed that "*at first we fought, but then we became married*" (C1, [interview]), which is a descriptive statement of how a perception of a company can change dramatically when stakeholders feel included and their voice is taken into account. Several authors claim that CSR is just a tool for a good corporate image (Broomhill, 2007; Fig, 2005). Concerning Falcondo, it is possible to say that their CSR maintains the public image in check and is a means of portraying the company as responsible. However, the main purpose of their CSR is rather that the company has understood the numerous additional business benefits that can come about when the host-society is stronger and more prosperous (A4, [interview]). Despite that Falcondo's image has improved significantly, perceptions about Falcondo still vary across the communities. Some authors have pointed to the fact that in many host-communities, the villagers' historically negative experiences with a corporation has generated a profound distrust which severely limit the possibility for a partnership to work (Hamann and Acutt; 2003). In the three communities investigated, two of them had very conflictual relationships with Falcondo in the past (B1 [interview]). While one has changed positively, the other still has negative perceptions of the company, believing that "*we could have been better off today if Falcondo wasn't there*" (G1 [focus group]). Furthermore, the communities varied significantly in terms of their expectations towards the partnership with Falcondo and the Foundation. While some did not take collaboration for granted and rather expressed a hope for assistance (G5 [focus group]), others did not only expect collaboration, but also expressed that "*compared to what we have suffered, Falcondo has not given us what we deserve*" (G2 [focus group]). This can be attributed to historical traumas as Hamann and Acutt suggest, and which was also supported by Falcondo respondents (A4; A3 [interviews]). However, it can also be related to structural issues within the community, or a failure in the consideration of the type of initiatives that would make a change for this community. As authors have claimed, partnerships can be well designed, but are nevertheless sometimes constrained by contextual issues (Idemudia, 2007; Frynas, 2005). These will be explored in the third section of this chapter.

In addition to meeting external expectations, Xstrata responds to internal motivations. They perceive CSR as generating a wide range of business benefits, often referred to as the

“business case” for CSR. The business case argues that companies that operate responsibly can reap fruits in terms of gaining a license to operate, attract and retain customers and employees, use their reputation as a brand strategy, gain beneficial access to new business opportunities and attract investors (Broomhill, 2007, Jenkins, 2005; Porter and Kramer, 2006) In other words, CSR performance becomes a competitive advantage. In the case of Falcondo, several findings satisfy these business motivations for CSR. First of all, the company has shifted from having a licence to operate that was in peril, to having one that not only keeps the business operating without interruption, but which equally enables the company to expand and undertake new developments at their operation. Their CSR profile also contributes positively to the corporations’ international reputation which can have an impact on shareholders and potential new investors. All together, these benefits become a competitive advantage for Xstrata which enables the corporation to pursue its corporate mission of growing and generating profits.

Having outlined the motivation behind Xstrata’s CSR strategy and gained an understanding of how their CSR performance pays back to Falcondo and the corporation, it is timely to investigate more profoundly *how* this is being done in practice. In this respect, an understanding of the role of the corporate-community partnerships (established via the Foundation) in satisfying both business and society’s expectations, is needed. Therefore, the following section will outline the findings of how the CSR strategy is being implemented in practice.

Part 2: Practice – Implementing CSR at local level

The local implementation of Xstrata’s CSR policies at Falcondo is done both by Falcondo itself, and through the partnership with the Foundation. The PR and HSEC departments at Falcondo implement initiatives that are directly related to the operational aspects. These include internal health, safety and environmental issues, as well as additional activities in the areas of their core competencies. The Foundation is in charge of the relationship with the communities. As the focus of this study is the corporate-community partnership, the CSR part that is handled solely by Falcondo’s departments will not be discussed in this thesis.

The “attractiveness” of partnerships is its potential for ensuring that the CSR initiatives are aligned with both business and society’s interests (Hamann & Acutt, 2003; Idemudia, 2007). In other words, the CSR practices should respond to the concerns of the host-society, and should also be aligned with the policies and the strategy’s objectives. This double-alignment is essential for the expected corporate outcomes of the strategy to take place, and equally for the strategy to contribute to development. Looking at Xstrata’s policies regarding community engagement, I find three guidelines particularly applicable to the case of this study (Xstrata, 2008a:17):

- 1) “Our community strategies and social involvement plans focus on enhancing the *socio-economic capacity, prosperity and sustainable development* of the communities in which we operate in a manner that *avoids dependency* on the Xstrata site/operation after closure. Where *appropriate*, this includes:
 - Development and use of appropriate skills and technologies
 - Support for community educational initiatives and health programmes
 - Providing employment opportunities for local people
 - Sourcing and purchasing from local companies
 - Support for community projects
 - Promoting local enterprise development”
- 2) “Plans are established through *engagement with communities* and relevant organisations”
- 3) “Identified community concerns, needs, opportunities, and the risks and impacts of site and project operations and activities are prioritised – in close consultation with the communities concerned”

This policy does not specifically outline the type of initiatives that should be implemented as these depend on the operational context and location. However, the policy requires that all operations contribute to sustainable development in one way or another. The following section will explore how the initiatives emerging from the corporate-community partnership correspond to community needs and concerns.

5.6. The Falcondo Foundation: Addressing development challenges

Throughout my study of the work of the Falcondo Foundation, I observed that their strategy for contributing to sustainable development is driven both by the concerns of the specific communities in which they work, and by the structural and nationally defined development challenges. In order to present the findings of this interplay in a comprehensible manner, I have chosen to separate them into the different project areas of the Foundation. These are education, socio-economic transformation, health, environment and culture. Each area will be introduced by a brief overview of the issue in the national/local context.

5.6.1. Education

The educational system in the Dominican Republic is characterised by low quality and poor attendance. There are high drop-out rates in primary levels, low secondary enrolment, and the performance of Dominican students is lower than most other Latin American and Caribbean countries (Falcondo Foundation, 2008b). According to Dominican law, 16% of GDP should be allocated to education, however the current annual expenditure is only about 11 % (SEE, 2008). As a result, the public schools remain in poor physical shape, lack material and equipment for teaching, and offer little training opportunities for teachers. Moreover, the system is highly centralised, which contributes to inefficient monitoring and follow-up of the schools. The poor quality has led most parents with financial capacity to send their children to private institutions, and the public schools retain only the poorest segments of the population (UNDP, 2008:171). Education is one of the main possibilities for people to escape poverty, but in the Dominican Republic, the low quality makes it a service to which the poorest have the least access. The high levels of inequality in the Dominican society are thus reinforced through the educational system. Given the state of the school system, the Foundation has since its very start allocated the majority of its resources to improve the quality and access of the public schools in Monseñor Nouel and La Vega. Approximately 70% of the total expenditure since 1989 has been allocated to education (Fundación Falcondo, 2008a).

In order to reduce drop-outs and encourage enrolment, the Foundation has looked to the root causes inhibiting children from attending school. One informant pointed to the fact that historically, and even today, Dominicans place little value in education. The Foundation thus faces the challenge of “*offering what people don’t want*” (B1 [Interview]). They have therefore found it necessary to focus on strengthening the bonds between the schools and the communities in order to increase parents’ recognition of the importance of education. This integration is done through adult literacy training, evening “high-schools”, and by encouraging increased participation in parents associations. These are attempts to give parents the necessary skills and confidence required to appreciate education.

For the school and society to come closer together, the teacher also plays a major role:

“The teacher can be an important agent for development due to his influence in society” (B3 [interview]).

Illiteracy rates are high among adults in the countryside, and villagers often seek help from the teacher when something needs to be read or written. Hence, authority-wise, the teacher generally has a leading status in the communities together with other community leaders.

This, the Foundation believes, can be used to project the school towards society (B3 [interview]).

A teacher in one of the villages explained that at his school, the Foundation had encouraged the establishment of a parent's association with which he holds regular meetings. During these reunions, he encourages the parents to participate in their children's education. The school he works at only offer the four basic grades and afterwards the children have to travel to Bonaio. There, the schools are bigger and the children can easily drop out or "*become badly influenced*" if the parents do not follow up (C5 [interview]). The teacher identified the lack of support from home as a key reason for why it is difficult to keep children in schools. He thought that the problem is grounded in the fact that many parents have not received education, and therefore cannot help or understand what their children are doing (C5 [interview]). However, he had observed a change:

"I believe that the parents are placing more value in education nowadays. Some children who are born now, are children of parents who themselves have been educated and thus take more responsibility (...) And people are more aware that when a family doesn't support their child, the child fails in school, doesn't work and do the wrong things" (C5 [interview])

One facilitator believed that the parent's associations help parents feel that their role and contribution is valued although they have not been to school themselves. He explained that



children's education has traditionally, and still is to a large extent, the women's territory. In order to change people's mentality towards education, men have to be included as they are often the chiefs of the households. He confirmed that

"Still today if you go to a parents association meeting, you will see more women than men, but there has been a great increase in the interest and involvement of fathers in their children's education" (B3 [Interview]).

Figure 16: Falcondo sponsored school.

Source: Lise Johannesen (2009).

Improving the physical conditions of the schools through the Foundation's school-sponsorship program has been another attempt to reduce drop out rates and increase people's value in education. The schools participating in this program have decent classrooms, sanitation facilities and security. While the Foundation provides the necessary financial resources, material and equipment, the parents need to put in the work force for construction and maintenance. There are also additional requirements that the school, students and community have to comply with to participate in the program. Hence, the "ownership" of the school and education is placed in the hands of the whole community, increasing people's

value in education. In addition, the sponsorship program reduces parents' fear of sending their children to unsupervised, ill-equipped schools, sometimes far away from home. In one community, before the school became sponsored, even the youngest children had to walk 5 km to the next village in order to attend school. This was dangerous and almost impossible during the rainy season when not even the horses would be able to cross the river. Now, the school offers at least the four lowest grades, preventing the youngest from having to commute (F1 [interview]).

Another root cause preventing children from going to school is economy. According to the Foundation, Monseñor Nouel is the third province with the highest levels of child labour in the country (Fundación Falcondo, 2008d). As children grow older, parents expect them to contribute to the income of the family if their living conditions are difficult, help with the daily running of the household, or look after younger siblings (B3 [interview]). However, child work is not necessarily regarded as negative in the rural areas because the mentality and tradition is that children are born to help their parents (B3 [interview]). One teacher confirmed this, but equally explained that it had become less common in their community:

“Almost all the children between 5 and 9 years in this community attend school. Last semester, two children left in order to work in the finca” (C5 [Interview]).

To reduce the pressure of taking children out of school for economic purposes, the Foundation is providing vocational training courses to the parents, especially women, to increase the opportunities for both parents to make an income. Combined with a changing mentality towards education, a decrease in drop-out levels has been observed:

“Nowadays, almost all students finish school and some even go to university. When I finished school, it was not like this. But it was a different era (...) There were more difficulties” (C5 [Interview]).

Girls are particularly prone to drop out due to early marriage and pregnancy. This is deeply rooted in the Dominican traditions and “machismo” culture, where men are the ones that work while women attend the household. This tradition is difficult to change, but by emphasising continuity in education, the Foundation hopes that youth's motivations for education can increase and prevent them from seeking family commitments at an early age (Fundación Falcondo, 2008a). To encourage enrolment at an appropriate age and avoid “over-aged” students, the Foundation has therefore channelled resources to the creation of pre-schools and training of teachers in pre-school pedagogy. In addition, the Foundation issues grants to higher education to enable students to continue their education. Thus, even students with scarce resources see a possibility for gaining access to higher education, an important incentive for completing school.

Increased attendance and enrolment in schools do not automatically yield improved student performance and educational quality. Therefore, the Foundation also seeks to improve teachers' capacities. Despite the teacher enjoying a certain authority in rural districts, the profession itself has not been valued by the Dominican society for many years (B3 [interview]). This unappreciated role of the teacher is closely tied to the mentality of education having little value. The Foundation therefore runs a teacher training program to raise teachers' self-esteem, encourage reflective and critical thinking, and improve pedagogic practices. About 1900 teachers are undergoing continuous teacher training in the two provinces (Fundación Falcondo, 2008a). One teacher expressed that these courses had

“complemented his academic background”, enabling him to better manage a multi-grade school with children of various age groups and needs (C5 [interview]). Changing traditional thinking about discipline is also an integral part of the training. There has been a tendency to resort to physical violence in schools

“We used to say “Las letras con sangre entran - the words enter with blood”. If this is what children are taught, then how can we expect mutual respect and cessation of other problems in our society like domestic violence or crime?” (B3 [interview]).

The Foundation also runs programs directed towards the students. The main one is the “Education for Democracy and Public Participation”. The aim of the program is to teach democracy through practice. All schools participating in the program have established student councils, hold workshops on participatory and democratic practices and arrange visits to public institutions. The observed outcomes of the 16 years of program implementation are changes in mentality of teachers and students, increased tolerance and responsibility, students assuming higher levels of leadership, greater self-confidence and increased motivation for continuing education (Fundación Falconbridge, 2002:10). This program can also have had a wider positive impact on the governance in the communities as children bring these values back home. During one of the community meetings I observed this in practice. A young girl who disagreed with one of the elder community leaders voiced her point of view in front of the whole assembly. She was careful to address the old man in a respectful and appropriate way. As a result, her opinion was taken into consideration, which should not be taken for granted in a society where both gender balance and the adult-youth relationship is one of inequality. During a conversation after the meeting, the girl revealed that she had been part of the student council in her school.

Teachers and facilitators had also observed a positive impact highlighting that *“students graduate with greater knowledge and manners than before”* (B3 [interview]), and stating that *“when I was studying I didn’t finish school with the same level of knowledge as the students have today”* (F1 [interview]). The outcomes of the Foundation’s school programs have been widely appraised by several institutions. The USAID did an evaluation of the program in 2001 and recommended it as *“a model for private sector involvement in public education”* (USAID, 2001:6). The Foundation also rated it as the program with the most impact on development in the region, highlighting the program’s contribution to creation of values, commitment and civic responsibility:

“You can lose a fortune, a family and everything else, but nobody can take away what’s inside you. Knowledge is also transportable, so one can almost say that we are preparing citizens of the world. To me, this is sustainability” (B1 [interview]).

5.6.2. Health

In 2001, the Dominican government embarked on a reform of the public health system. Despite being in the process of implementation, lack of agreement and conflict of interests between the different actors of the system, problems in the decentralisation process, inefficiencies due to limited staff and resources combined with high bureaucracy and little transparency with regarding expenditure have prohibited a change in the public health system (UNDP, 2008). In addition, public spending on health is low, about 9,5% of the overall annual government expenditure (WHO, 2006). The deficiencies in the Dominican health service are not only institutional. Quality and effectiveness of service provision is much characterised by

a focus on treatment rather than prevention (UNDP, 2008). The current main health concerns are high levels of mortality and morbidity, cardiovascular illnesses, respiratory illnesses, cancer and diabetes. HIV/AIDS is also a growing challenge in the country (UNDP, 2008).

93,9% of the people in Monseñor Noel and 91,5% in La Vega have access to water and sanitation in or near their household, making them the two provinces with best access to these services in the whole country (UNDP, 2008). This is a good base for a healthy community, but other factors such as practices and awareness play an important role in making sustainable health changes. Prevention of illnesses and awareness rising are therefore the two main components of the Foundation's strategy in addressing health concerns. The first step has been to give villagers access to people with knowledge of health issues, and to build this capacity within the communities. The program of the *health promoters* was established for this purpose. Health promoters are representatives from the communities who attend a 5 week training program on matters such as hygiene, preventive medication and nutrition. When the course is completed, they return to their villages to look after the health situation there. In total, more than 100 people have become health promoters through the program, serving 40 communities in the two provinces (Fundación Falconbridge, 2006).

CASE: Caring for Others – the Work of a Health Promoter

“Maria” is living in Peñaló and has been a health promoter for seven years. Earlier, she was studying in La Vega, but had to stop because she became married and had to move. Now she goes from house to house giving people help when they need, or people come to see her at her home. In this way, she gives basic advice and keeps track of the health situation in the community. Sometimes it can be a month without anybody needing help and other times she has a lot of people to care for.

Maria's work in Peñaló is important. The village is situated far from public health services and the nearest clinic is more than 8 km away. That is a long walk for poor families who cannot always afford transportation.

“One time, a man in the village was very sick in the afternoon. He decided to wait to go to the clinic until the next morning because it would be dark before he would get there. The next day he was so ill that he had to be hospitalised in Bonao. Therefore, it is important that people avoid becoming sick if possible.”

Whenever children in the school become ill, Maria talks to the teacher and the parents telling them that they should not let their child out of the house until it has recovered. In this way the community avoids that many members become ill simultaneously.

Her work is not only about caring for the sick. She also holds workshops in the school for the children to gain consciousness about health at an early age. Then, she uses posters with pictures because it is easy for the children to understand and remember. Sometimes Maria can see them sweep and pick up garbage outside the school, and she thinks it is because they have learnt about the danger of dengue. Raising awareness is also important among the adults in the community. Maria explains that because it is a poor community, appropriate nutrition is not so easy to ensure:

“When we have chicken or eggs I always give it to my children because I know they need it more than I. But not everybody do like I do. Not because they don’t want to but because they don’t know.”

The work of the Health Promoters is voluntary and there is no economic incentive for taking on this responsibility. Maria’s family in La Vega does not understand why she wants to do this for free. But Maria likes to help other people, especially in Peñaló where life can be difficult and not always easy for the people to maintain a good spirit. According to Maria, not so much effort is required:

“I know from my experience that sometimes just talking to people can help raise their hope and make them feel worthy.”

(E4 [interview])

While the Health Promoters can help make up for the lack of access by being a source of knowledge, their ability when it comes to treatment is inevitably limited. In some communities lacking clinics, the Health Promoters are equipped with medical kits containing primary medical attention medications. Their work thus becomes a manner of alleviating the lack of medical assistance in rural areas. In larger communities, the Foundation has helped establish rural clinics to improve access. In Hato Viejo, the community expressed the need for a clinic and thus the community, Falcondo, the Foundation and the State co-operated for its establishment in 1995. While the company assisted in the construction, the community put in the workforce and the Foundation donated the majority of the equipment. The Ministry of Health is paying the salary of the doctor working in the clinic. With this dispensary, more than 300 families living in the zone have gained access to medical assistance. The doctor in the clinic estimated that about 60 people visit the clinic every week. They are mostly adults from the community, but people also come from other villages where they do not have clinics or Health Promoters (C4 [interview]).

The health promoters have assisted the Foundation in identifying the root causes of many of the health problems in the communities. This has enabled the Foundation to implement programs accordingly. One of these is a sanitation program where firstly, awareness is spread among the families about the gravity of illnesses that poor sanitation can cause. Secondly, each family has to dig the whole for the latrine. The Foundation then brings along necessary materials and the community provides the workforce for construction of the latrine itself. Another program focuses on construction of water aqueducts to provide villagers with a stable supply of potable water. Most *campesinos* use water from biologically contaminated sources. In one village, a lady confirmed that for the past 80 years, villagers had gone searching for water with barrels and horses: *“The water was dirty. We had to collect rain water and place our health at risk by drinking it”* (F2 [interview]). The construction of water aqueducts has been complemented by spreading knowledge about water treatment. In one of the workshops I attended, we identified health problems caused by water and how these could be prevented. *“Boil it”, “filter it”* or *“put a small spoon of chlorine in the bucket”* were suggestions proposed by the participants, demonstrating that their consciousness and practices have changed. Several other villagers mentioned sanitation and potable water as important improvements to their community’s health situation. In some villages, elder people expressed

that the most observable change in the health situation was that less children were dying of diarrhoea.

While some health problems are reducing, others such as HIV/AIDS and cervical cancer are on the rise. The Caribbean is the region with the second highest HIV/AIDS prevalence in the world, and an estimated 0.9% of the Dominican population is HIV/AIDS positive (UNAIDS, 2007). Given the traditions for early marriage and pregnancy in rural areas as well as the “sensitivity” surrounding the issue, the Foundation has identified it as an important risk that can only be prevented by raising youth’s knowledge in cooperation with schools. Earlier, it has collaborated with the Ministry of Health on a Program of Control of Sexually Transmittable Diseases, but the program is currently on hold due to lack of resources (B1 [interview]). Cervical cancer is the second most frequent cancer among Dominican women (Fundación Falcondo, 2008b). Early detection can prevent deaths from this disease, but diagnosis often comes too late and adequate treatment is unavailable. The Foundation has therefore initiated prevention programs where the Health Promoters encourage women to attend checks on a regular basis and attempt to reduce fears and taboos among women about PAP Smear Tests. One woman expressed that these tests had caused a major change in the village as “many young women were dying of this [cancer], without us knowing why” (C2 [interview]). Finally, many *campesinos* expressed gratitude for the Foundation’s facilitation for treatment of specific health problems at medical institutions. These include eye problems, dental services and cancer treatment.

Table 4 outlines the illnesses that community-members say are frequently or currently affecting themselves or members of their household.

Table 4: Health issues frequently or currently affecting villagers

Main health concerns, %		
	Frequency	Percent
Flu	61	59,2 %
None	13	12,6 %
Respiratory Illnesses	9	8,7 %
Problems with blood pressure	6	5,8 %
Other	6	5,8 %
Heart problems	4	3,9 %
Skin disease (leptospirosis)	4	3,9 %
No response	0	0,0 %
Total households (n=103)	103	100,0 %

Source: Fieldwork returns (appendix 1).

The table demonstrates that potentially fatal illnesses such as like diarrhoea, tuberculosis, malaria and dengue are not mentioned by the villagers. The main health concern is flu, an illness that can be reduced by an increased focus on hygiene and awareness. “Other” diseases are mainly diabetes. Diabetes can, depending on the type, be prevented by focusing on proper nutrition, however, this can be difficult in poor rural communities. Despite these persisting health problems, several people confirmed that general health conditions have improved in their villages. A doctor in a rural clinic expressed that people seek consultation for illnesses such as flue, diabetes, infections and gastro-intestinal problems: “It depends a lot on the season as most illnesses come with the rain, but generally people are less sick (C4 [interview]). The health promoter in Peñaló also confirmed that people are healthier, claiming that there had not been any cases of dengue or tuberculosis over the last couple of years (E4 [interview]).

5.6.3. Socio-economic transformation

The main income generating activities in the rural villages in Monseñor Noel and La Vega are agriculture and livestock keeping. In addition, some people find work in the rice fields and jobs as watch-men, motorcycle drivers and small sales jobs. These areas of work are all typically male-dominated. As is tradition in the rural Dominican culture, women contribute little to the household's income. The level of unemployed women is three times higher on the national level than unemployed men (UNDP, 2008). The national rate of unemployment is 18,8 % (BCRD, 2009:14) and in Monseñor Noel and La Vega the numbers are 16,9 % and 13% respectively (UNDP, 2008). Lack of employment was one of the main preoccupations frequently mentioned by villagers. The Foundation is trying to address unemployment issues by establishing micro credit funds to promote small enterprise development and amplify the agricultural cultivation techniques to increase the yield of production. Through this approach, capacity-building and skills development within the communities are also encouraged, with the overarching goal of creating self-sufficient communities and reduce dependency on assistance in the future.

One of the main challenges that the Foundation is targeting is the lack of participation of women in productive activities. The Foundation believes that when women generate income, this has a wider impact on development:

“When women are in charge of financial resources, the money is spent on the family. Often, education for children and appropriate nutrition are priorities in women's expenditure” (B1, [Interview])

The Foundation has therefore provided the women with access to and knowledge about micro credit and economic management. People from poor and rural communities seldom fulfil the requirements normal banks set out for loans, interest rates and repayments (Fundación Falcondo, 2008a). In some of the communities the Foundation has therefore taken the place as a guarantor and provided financial resources for the establishment of micro credit funds.

Case: The Foundation's Micro Credit Program:

The Foundation's Micro Credit Program was introduced in 1990 through a partnership with ADEMI Bank. ADEMI has a long experience in offering microfinance services to low-income clients since its creation in 1983. The system that banks use to lend money to people was adapted to suit the personal circumstances of the people living in these remote and poor villages (Fundación Falcondo, 2008a).

The Foundation's initial support to the program was 500 000 pesos in order to get the ADEMI-Falconbridge Rotary Fund started. The Fund would serve as an opportunity for community members to gain access to credit at an affordable interest rate. To begin with, the ADEMI Bank administrated and supervised the loans, and gave training, consultation and follow-up to the micro entrepreneurs. Later, as demand grew, it was necessary to expand the project in scale and scope. Thus, small funds of 50 – 60 000 pesos were established under the responsibility of women's community associations in order for them to administer their own funds, and generate savings from the interest rates on loans issued to the villagers.

The first group to establish its own fund was the women's association in Palmaritos. The Foundation provided 50 000 to start the Rotary Fund, and loans were issued to members only. The women underwent training in basic accounting, budgetary and revenue administration, management of credit portfolios and literacy training, all supervised by ADEMI and the Foundation. The group also elected five members to form a Credit Committee responsible for solicitations and approval of loans. Two women are in charge of the daily administrative work. As the fund grew stronger, it became obvious to the women that the fund had the potential to benefit the entire community. In 2001, it was therefore opened for all people in the village. By 2006, the Fund had grown to reach 1,800 000 pesos and 900 loans had been issued with a recuperation rate of 96%. This credit has been used to set up clothes shops, informal cafés, laundry machines for rent and other small businesses. Due to the success of this project, similar funds have been established in other communities. Today, the communities of Hato Viejo, El Yujo, El Verde and Los Dajaos all have own rotary funds.

(Fundación Falcondo, 2008a; Fundación Falcondo, 2007; Fundación Falconbridge, 1996)

One micro-entrepreneur informed me that her grocery store is both her job and a source of food for her family. Several years ago her husband had an accident and she had to start working. First she sold charcoal and bread in the streets, but ten years ago she took a loan and opened a shop: *“It is good to have the shop in my house because then I can work, look after the kids and cook at the same time”* (D1, [interview])

The loans are also issued for agricultural purposes and other pressing needs. One informant explained that the roof of his house used to be in a very poor shape. When it was raining, the roof was leaking and causing further damage to his house. He did not have enough money to fix it, but by placing the house as a guarantee he was able to obtain a loan from the fund. Three months later he paid back the loan with the income from his yucca-harvest which was then ready for sale (C7, [interview]).

For the villagers, the income generating projects were some of the most appreciated projects that the Foundation is running. Table 5 shows the Foundation-run projects that villagers felt had given highest benefits to themselves and their families.

Table 5: Project with highest individual /family benefit

Project with highest individual/family benefit								
Palmaritos			Peñaló			Hato Viejo		
Project	Percent %	Valid percent %	Project	Percent %	Valid percent %	Project	Percent %	Valid percent %
Micro credit	66,7 %	72,7 %	Educational workshops	29,2 %	36,8 %	Cow project	37,5 %	42,9 %
School sponsorship	16,7 %	18,2 %	Greenhouse project	25,0 %	31,6 %	Micro credit	16,7 %	19,0 %
Bakery project	4,2 %	4,5 %	Grants for higher education	20,8 %	26,3 %	Bus service	12,5 %	14,3 %
Health services	4,2 %	4,5 %	Sanitation program	4,2 %	5,3 %	Animal breeding	8,3 %	9,5 %
---			---			Agricultural assistance	8,3 %	9,5 %
---			---			School sponsorship	4,2 %	4,8 %
Total	91,7 %	100,0 %	Total	79,2 %	100,0 %	Total	87,5 %	100,0 %
No response	8,3 %		No response	20,8		No response	12,5 %	
Total (n=24)	100,0 %		Total (n=20)	100		Total (n=21)	100,0 %	

Source: Fieldwork returns (appendix 1).

People in Palmaritos rated the micro credit funds as the most beneficial project to individual community members and their families. In Hato Viejo, less people thought the micro-credit fund had been the most important. While Palmaritos is a peri-urban community situated close to the high-way and has a larger market for establishing various types of small micro enterprises, Hato Viejo is a much smaller rural agricultural community. The projects aimed at improving agricultural practices or assist livestock keeping are thus of higher importance to them. Equally, the lending that has taken place in Hato Viejo has mostly been to buy pigs for breeding or for agricultural purposes because the demand for micro-enterprises is small. For this reason, the community members in Hato Viejo also expressed that there have been difficulties with their fund:

“Our fund is currently in poor shape. When the tropical storm hit us last year, most crops were damaged or washed away and a lot of animals either drowned or died because of the plagues that broke out in the aftermath. As a result, people had nothing to pay back the loans with because their investment had vanished. Now they are not only poor, but also indebted” (C2 [interview])

Nevertheless, as administrators of own funds the women have built a range of skills that they can use to identify solutions to problems like the one mentioned above. As they themselves are in charge of the fund, they also have more flexibility to take decisions than in a normal bank. In Hato Viejo, loans are issued on the condition that the amount should be paid back within nine months, and interest rates in monthly instalments. The women’s group had discussed whether to change these conditions due to the problems they are currently facing. According to them, people want to pay back but it is not always that they can if their harvest or breeding projects do not yield the expected results:

“We have to accept the reality that we are farmers and lending for agriculture doesn’t pay back tomorrow or next month. We should therefore extend the deadline for repayment. After all it is our fund and over the 11 years that we have had the Fund, nobody has left without paying his dues” (C1 [interview]).

This difference in the purpose for which loans are issued, seems to have had an impact on women’s ability to make use of it for income generation. The table below shows income versus gender in the three communities:

Table 6: Income generations versus gender

Who generates the main income in the household?							
Community	The man		The woman		The woman only works when the man does not earn sufficiently		No response
	Percent %	Valid percent %	Percent %	Valid percent %	Percent %	Valid percent %	
Palmaritos (n=24)	28,8 %	21,7%	50,0 %	52,2 %	25 %	26,1 %	4,2 %
Penalo (n=20)	62,5 %	78,9 %	4,2 %	5,3 %	12,5 %	15,8 %	20,8 %
Hato Viejo (n=21)	58,3 %	70,0 %	12,5 %	15,0 %	12,5 %	12,0 %	16,7 %

Source: Fieldwork returns (appendix 1).

In Palmaritos, where many women have had micro-enterprises for a long time, their contribution to income is a lot higher than in Hato Viejo. This can be due to the fact that agriculture is mainly the men’s territory, and that agricultural projects yield less return and are

subject to greater vulnerability and changes in market prices than other types of commodities. In Peñaló, there is no micro credit fund and women hardly contribute to the economy at all.

These vulnerabilities of the current agricultural practices experienced by the people in Hato Viejo are common characteristics of the farming in the whole area. Studies carried out by the Foundation show that few people have access to large areas of land and their techniques are of limited use for large scale farming thus limiting the potential of the current agricultural practices for generating significant economic impact beyond subsistence farming (Berg & Teyssier, 2004). The Foundation is therefore working on improving agriculture by providing technical skills transfer and infrastructural improvements in order for crops to yield higher quantities and better quality. This is an interactive process where farmers get advice on use of fertilizers and adequate levels of water and where the Foundation has introduced species of staple food that are more resistant against plagues. The Foundation also learns about the challenges in the communities:

“People have not traditionally been used to cultivate products that they do not consume themselves. Hence, the market is flooded with one or two agricultural products which give little return. A more diversified production helps gain income and it also helps the villagers’ diets” (B2 [interview])

The Foundation has encouraged a more diversified production and introduced new types of species that can easily adapt to the climate and conditions in the villages.

CASE: Small Project, Big Visions for the Future

“Christina” and “Lucia” come from the rural village Peñaló and have lived here all their life. Every morning after breakfast they gather with the other women to work in the community greenhouse where they grow peppers. The greenhouse was constructed by the help of the Foundation in 2006 as a response to the community members concern about unemployment and lack of land to cultivate.

The greenhouse is big, giving room to a sizeable harvest, but the plot of land it occupies is small. Before, this was an empty piece of land that was not in use. Christina explains to me that all the women in the association worked to construct it, carrying materials and digging space. Now, in the morning they care for the plants, water them and make sure everything is growing well. After lunch they come back to clean and finish what they did not have time for in the morning

“It is hard work and a big change for us. Before I only used to cook and listen to the radio. Now I do not have time for that anymore and I never really liked the radio anyway”
(Christina)

Christina has her own greenhouse now, constructed by the money she gained from the community greenhouse. She works in her own before she goes to the community driven one, because she wants to contribute so that others also can learn.

Lucia was surprised about the project. She did not think it was going to be reality when they first discussed the project. In addition to the practical work, she is the treasurer and in charge of the income from the harvests. Still, they have not earned much because the prices have been low and they have mainly been selling to the communities nearby. But the fund is

growing slowly and now the Foundation will construct more greenhouses to increase the harvests and find a large-scale buyer for their products. She says that one day they hope it can be enough to start a micro credit fund for their community.

Even though Lucia doesn't have much more money, she has learnt a lot. Both from the greenhouse and about herself:

What you learn, you don't forget. Especially not in this group, through this group I can achieve my wishes. (Lucia)

(E2; E3 [interviews])



Other projects have been targeting cacao producers and coffee cultivators in the surrounding communities. Facilitators complement the farmer's knowledge on cultivation and ameliorate technologies in order to obtain a quality that is competitive on the market and can sell for a higher price. This is done through the farmers associations in order for the individual farmers to join forces for better results. The cacao program is currently under implementation, but the Foundation estimates that it will create employment and income for an additional 150 families (Fundación Falcondo, 2008b). The coffee project has, according to the Foundation, resulted in more than 300% increase in income (Fundación Falcondo, 2008b).

Figure 17: Greenhouse workers, Peñaló.
Source: Author (2009)

5.6.4. Environment

The inherent difficulty in advocating sound environmental practices in poor countries is formed by the moral question of depriving poor people of access to natural resources that can help them alleviate their *immediate* needs (WCED, 1987). In the Dominican Republic, most people live from one day to the other, not thinking about what their life will look like in ten years, and even less about the life of their children and grandchildren. Hence, sustainable environmental practices become even more difficult for people to accept when they do not foresee benefits within their own reach, and people rather fear that they will find themselves in a more difficult situation than they already are. However, the reality of the environmental challenges that the Dominicans face today is deforestation, soil erosion, low of water sources and frequent threats of natural disasters,- all of which are directly or indirectly caused by human activities and equally affecting all human beings (UNDP, 2008). In addition, poor governance and the culture of political clientelism has hampered compliance with rules and regulations, allowing much of the environmental degradation that characterises the Dominican

Republic today to go on (UNDP, 2008). This attitude to the environment from government institutions further discourage poor rural communities from changing their mentality and acknowledge the importance of environmental preservation.

One root cause for the environmental problems identified, are poor agricultural practises among the *campesinos*. Decades of slash and burn practice and over-cultivation of the soil has caused much of the deforestation and soil erosion that exist in the rural villages (Fundación Falcondo, 2008a). In addition, there is a lack of consciousness among farmers about how these practices are affecting the environment and making life more difficult for themselves. The Foundation has therefore tried to approach the environmental challenges from the viewpoint and context of the *campesinos*, and merge environmental education with tangible benefits to the villagers. To emphasise the importance of forest management and make farmers realise what that can do to their agricultural output, the Foundation started establishing plant nurseries in the various communities. The nurseries are managed by the community associations, which coordinate planning and arrange reforestation campaigns in the community. One woman explained that the nursery was the first project the Foundation started in her village. They planted a lot of *Acasia* because it was the type of tree that grew best and it kept spreading itself automatically. After a while, they could cut some of the trees and sell the wood. Now, they do not work there anymore because the plot of land where the nursery used to be is “*simply full of trees*” and they don’t have more land to grow on. But, she says “*we are better protected against the rain and we have a lot of shadow*” (C2 [interview]). Water management is also an integral part of the environmental programs, and drip irrigation techniques have been introduced by the Foundation to ensure efficient use of water.

CASE: Efforts to Protect Forests and Water Bodies

Bamboo is one of the non-native species that has been introduced to the communities by the Foundation. This plant is mainly grown for reforestation, but other uses such as construction, craftwork, combustible and sale are being encouraged. The Foundation has planted a large amount of bamboo along major riverbanks in the provinces to protect rivers and dams from soil erosion, and hence also prevent flooding and the impact of natural disasters which is a frequent threat in the area (Fundación Falcondo, 2008c).

Another major reforestation effort that the Foundation has partaken in is what is today called the “Falcondo Forest”. This area was more than 90% deforested when it was assigned to an organisation called Plan Sierra for reforestation. The Foundation joined in this reforestation effort in 1990. Participation of the owners and occupants of the land was essential to get the project going. The farmers dedicate a piece of their land to this program, and the farmers become forest managers, responsible for planting trees and look after the forest. Today, the forest covers more than 10 000 hectares and contains mixed types of trees together with agricultural products. This ensures food and forest preservation at the same time, demonstrating to the villagers that coexistence with the ecosystem can be beneficial. (Fundación Falcondo, 2008a)

Despite these efforts, some communities closest to the mine are still convinced that their traditional way of farming has nothing to do with today’s low agricultural output. They explained that in their community almost all agricultural production had decreased or

disappeared over the last 30 years. As mentioned earlier, they attribute the environmental degradation to Falcondo:

“Falcondo destroyed all our agricultural production. Here all the trees dried out and new wood had to be planted. And before they put in the filter in the chimney, the water streams and air was so polluted, it destroyed everything” (G1 [focus group])

Staff at Falcondo is aware of this preoccupation in the community. One informant told me that when the mine started up it was a big shock for everyone. It was something new and there was a lot of smoke that nobody anticipated.

“It is possible that the sedimentation dam we have now wasn’t always like that and that some of the sediments were going down to the village. One time I heard that one of the plants was sending out a lot of dust and that dust went on their crops. So yes, they probably had a reason to complain. But a lot has changed since that and I don’t think we affect them much anymore” (A4 [interview]).

Another informant at Falcondo equally supported this theory and believed it was a traumatic memory that had persisted in the mentality of the villagers ever since. He explained that in order to demonstrate that the company’s operations are compatible with agriculture they had supported a rice production project in the nearby villages. By changing the irrigation system and the conditions of the rice field as well as improving techniques, agricultural output had increased by 40% (A3 [interview]).

When the community members themselves identified the main environmental problems they are facing today, Peñaló and Palmaritos were quite similar in their answers rating deforestation as the main problem, river sedimentation as the second and pollution as the third. In Hato Viejo which is the community closest to the mine, their main environmental complaints were Falcondo-related, starting with smell from the slag, dust in the air as a second and then deforestation as a third. While Peñaló and Palmaritos were quite unified in their answers, the people in Hato Viejo were more divided.

5.6.5. Culture

The final area where the Foundation focuses its work is in culture. They believe that through culture, a common identity and a sense of belonging can be created (Fundación Falcondo, 2008a). The Dominican Republic has historically been shaped by racial discrimination and inequality, and these issues have persisted in society ever since. Hence, people lack a common identity and the values that existed were to a large extent ruined during the Trujillo dictatorship and equally in the aftermath, when North American influence and a focus on individuality penetrated the Dominican society (B3 [interview]). Although it requires time and effort, the Foundation believes that culture can be one way of uniting people and create common values (B2 [interview]). The most important contribution of the Foundation in this respect has been the facilitation for the establishment of the *Plaza de la Cultura* in Bonao. Here, children and youth come to attend various classes in theatre, music, fine arts and dance. Cultural activities are normally exclusively for the elite, but the *Plaza de la Cultura* is for everybody, no matter class or race (B1 [interview]).

The fostering of values through culture is also important for combating the increasing levels of drug and crime in the Dominican Republic. One informant expressed that there has been

remarkable negative change over the past five years, and that the increase of criminality probably has a lot to do with the lack of moral values (B3 [interview]). Several people in Palmaritos mentioned crime and violence as one of the most growing concerns in their community. The rural communities on the other hand, stated that one of the advantages of their communities was the lack of crime.

5.7. Alignment with community concerns

The Foundation’s various development programs are all responses to demands and concerns within the communities. These needs change over time and vary from one community to another. Table 7 outlines what the villagers considered to be the main problems or concerns in their communities today, when asked *individually*.

Table 7: Main concerns in the community, identified individually

Main concerns in the communities, identified individually,					
Palmaritos		Penalo		Hato Viejo	
	Percent %		Percent %		Percent %
Infrastructure	57,1 %	Infrastructure	64,7 %	Unemployment	52,9 %
Irregular electricity supply	20,0 %	Irregular electricity supply	11,8 %	Infrastructure	29,4 %
Drugs and crime	11,4 %	Unemployment	8,8 %	Pollution	8,8 %
Problem with drainage system	11,4 %	Pollution	5,9 %	Irregular water supply	5,9 %
-		-		Lack of education	2,9 %
No response	0,0 %	No response	0,0 %	No response	0,0 %
Total households (n=35)	100,0 %	Total households (n=34)	100,0 %	Total households (n=34)	100,0 %

Source: Fieldwork returns [focus groups]

The table shows that many villagers identified infrastructure as a main concern. The types of infrastructure mentioned were specifically roads in poor conditions, houses in bad shape, and in Hato Viejo, the bridge which remains uncompleted. These wishes for infrastructural important are of important, but it is interesting to note that several members would think of physical shape-ups as more important than education or health. Huge inequalities and differences in social class that exist in the country might be explanatory factors in this respect. Most villagers visit Bonaó frequently and the way of life there compared to the countryside is strikingly different. The Foundation has contributed to infrastructural improvements in the communities where this has had an “added value”: expansion and reparation of schools, construction of latrines, building of churches and community clubs for social gatherings, physical constructions necessary for particular projects, and reparation of houses severely damaged during storms. It has also contributed to building of rural clinics and construction of water aqueducts, however only in collaboration with the government institution responsible. Falcondo is also involved in these latter efforts, and in addition, has its own programs for road improvements, irrigation channels etc. When the communities have preoccupations regarding infrastructure, the Foundation either transmits these worries to the authorities responsible, or, depending on the issue, the associations make solicitations to local institutions themselves. Members in the women’s association in Palmaritos explained that they themselves had fought for the infrastructure they have today, without assistance from any outside institution (G4 [focus group])

Lack of employment opportunities was another concern frequently mentioned. In Hato Viejo, projects have focused on agriculture and livestock, and have taken the form of micro-credit funds and assistance in improvements of agricultural techniques. Falcondo also provides a

free bus-service from the village to Bonaó twice a day. The bus service was set up in order for children to attend school in Bonaó, but also due to pressure from the villagers who claimed that Falcondo’s negative impact on agricultural activities would force them to search for employment in town. Despite this, unemployment remains a large preoccupation for the people. Peñaló has much of the same characteristics as Hato Viejo, but is smaller in size and is situated further from the mine’s processing facilities. Unemployment is an issue in this village too, but many of the men work with farming and the women are now occupied in the greenhouse. Finally, in Palmaritos unemployment was not an issue of major concern. This is probably attributed to its peri-urban location, and the development of small-enterprises facilitated by the micro credits. However, crime and drugs is an increasing preoccupation for the villagers, a concern that is not found in any of the other communities. This can be an unwanted side-effect of economic development, but can also be due to the expansion of the community over the last years and its location close to the high-way.

During meetings with the community associations, the villagers were also asked to *collectively* discuss and identified what they would classify as the main concerns and wishes for the future. These are presented in Table 6 below. The concerns are not classified in terms of importance.

Table 8: Main concerns and wishes in the communities, identified collectively

Main concerns in the communities, identified collectively		
Palmaritos	Penalo	Hato Viejo
Poor house/road conditions	Improve road	Poor house/road conditions
Lack of permanent doctor	Medical kit for the community	Unstable electricity supply
Problem with drainage system	Construction of a community club	Problems with honey project
Unstable water supply	Pig and chicken projects	Food security
Need to do Pap Smear tests	Need for educational grants	Lack of Employment
Lack of bridge across highway	Extension of greenhouse project	Need for school beyond 4th grade
Wish for university grants	Construction of a church	Wish for new plant nursery
Wish for English course	More educational workshops	Wish for dairy production facility
Wish for Children’s program	Brick production facility	Need to extend the clinic’s services

Source: Fieldwork returns, (focus groups)

The concerns emerging from the collective discussion vary across the three villages, reflecting their specific conditions and lengths of involvement in the corporate-community partnership.

In Palmaritos, the villagers have worked together on collective projects for many years. Through these, they have developed skills and capacities. Their concerns today as a group reflect this. Apart from the infrastructural needs, they express a wish for more “advanced” skills in terms of activities for the smallest children and higher education for the youth and themselves. In Hato Viejo, the collective concerns are mainly related to employment. Although many of them expressed a wish to work in Falcondo, they also wanted to use their skills as farmers in a manner that could generate more income, either in terms of amplifying or improving existing projects or start new ones (G2 [focus group]). Finally, Peñaló is the community that has been involved in the partnership for the shortest time. Their collective concerns evolve around education, skills and capacity building for the members of their community. In addition they want to expand the greenhouse project because they have seen the benefits that the project has given to the community so far, and they regard it as a potential source of employment for more community members. The villagers in Peñaló also express wish for a social meeting place, either in the form of a club or a church (G5 [focus group]).

Regarding project compatibility with community concerns, the Foundation argues that all its projects are responses to demands that come from the communities. The Foundation stresses that “we do not impose projects or cooperation with any community. We look at the communities as our partners” (B1 [interview]). From their point of view, it is therefore up to the villagers to identify potential areas of collaboration that will assist them in the development process. This is visible from the annual expenditures on projects in the three communities since the initial stages of its collaboration (See appendix 3). Investments in the different program areas in the villages vary significantly from one year to another, indicating that there has not been a concrete development plan for each community. However, this does not mean that it has been an ad-hoc process. Rather, most projects are on-going and there are not major expenses every year as the projects mainly have initial costs such as infrastructural necessities and construction, but less costs once they have become operational. Moreover, capacities and skills are being built within the communities and the villagers manage the projects themselves, thus further reducing costs. Also, the expenditures on the ongoing programs in skills training, education and various workshops are relatively low (B2 [interview]).

5.8. Summary

Development theories suggest that people’s ability to live the life they value the most is influenced by the *opportunities* that people have (Sen, 1999). In other words, a person’s opportunities depend on the circumstances and the context in which this person lives and acts. It is thus shaped by a wide range of factors, and in the villages these manifest themselves in terms of for example vulnerability, access to education, health care, climate, economy etc. Opportunities can also be seen in terms of abilities for accessing knowledge and develop skills. These aspects influence people’s ability to use their agency for effective actions and desirable choices that can lead to development (Alsop, 2004).

5.8.1. Basic needs and socio-economic improvements

The findings demonstrate that the CSR initiatives have attempted to alter the opportunities that hamper development within the communities, for example by improving socio-economic conditions among villagers. Today, people in the host-communities live a healthier life, have access to water and sanitation and have increased possibilities for education. These are “basic needs” that are seen to be essential in eradicating poverty (UN, 1997). With these improved life conditions, individual capacities have increased in terms of consciousness about issues affecting their lives and how to confront these. Furthermore, although capacity-building and improvements in socio-economic conditions are mutually reinforcing, the latter has played an important role in enabling people to access wider opportunities in terms of capacity development. For example, improving children’s health has been critical to increase school performance and stable socio-economic conditions have also provided people with the ability of extending their focus from being mainly preoccupied with finding satisfying basic needs such as e.g. food to for example attend training and courses.

5.8.2. Individual and collective capacity building

Capacity building can be defined as “the process through which individuals, organisations and society obtain, strengthen and maintain the capabilities to set and achieve their own development objectives” (UNDP, 2008: 3). The focus on capacity-building is essential as “education and training lie at the heart of development efforts, and without which,

development cannot take place” (Crowder, 1996:1). The development projects evolving from the CSR initiatives have facilitated for acquisition of practical skills and access to information, which are important “enabling opportunities” that were not part of the villagers’ lives before. As a result, individuals have become empowered to act on the factors that either constrain or allow them to change their life for the better. This change manifests itself in different ways depending on what kind of change is desired. In the villages, it can be observed as access to employment opportunities, skills, a sense of belonging etc.

Furthermore, the capacity-building evolving from the development projects is also of collective nature. Team-work, collective management and learning from each other are outcomes of the CSR initiatives, and these skills are only acquirable through human interaction. By emphasising collective capacity development for the success of the projects, the development process in the communities do not only benefit individual community members, but rather, the skills are widely dispersed within the village. This enforces the recognition of human interdependency for social progress, creates a greater sense of ownership of all community members for own and fellow community development, and enhances sustainability.

These “enabling opportunities” in terms of socio-economic improvements, and individual and collective capacity building, have evolved from the CSR initiatives and correspond to Xstrata’s aim of “*enhancing socio-economic capacity, prosperity and sustainable development of communities*” (Xstrata, 2008b:53). It is therefore possible to argue that CSR, when placed within the development framework of a specific context, can provide people with opportunities for development.

Xstrata’s CSR policy specifically outlines that the company’s social involvement plans are “established through the engagement of communities” (Xstrata, 2008b:66). This implies a high level of inclusiveness and participation among community members. Although in this case, the corporate-community relationship takes the form of a *partnership*, the literature highlights that one should not take for granted that there is equal representation of interests and concerns (Goddard, 2005; Muthuri, 2008). It is therefore necessary to understand more about the interaction process and mechanisms for participation that exist within the partnership. In addition, the inherent features of the communities that might hamper or encourage participation as well as legitimacy and representation must be explored. These factors all influence the individual and collective empowerment processes, and hence also the extent and type of development that takes place. The following part will therefore look closer at the patterns of interaction within the partnership.

Part 3: Interaction – Partnering with the communities

The above two sections have demonstrated that the corporate-community partnership correspond to both development needs and corporate objectives. However, the partnership's ability to deliver beneficial outcomes both in terms of development and corporate gains is in peril if the most important stakeholders - the communities - are either excluded from the process or do not represent the true interest of the entire community. It is therefore necessary to look at the level of interaction within the partnership. Are all villagers included in the process that aims at improving their quality of life? Do they have a real ability to influence decisions? What are the inherent features of these communities that either motivate or prevent villagers' participation? How do these features hamper or encourage development processes, and how does the Foundation respond to these challenges or opportunities to make the partnership a two-way engagement? In the following section I will begin by exploring the factors that affect the communities' motivation for participation. I will then move on to look at the interaction patterns and mechanisms for participation within the partnership, and simultaneously explore how these mechanisms take into consideration the factors that limit participation.

5.9. Communities: Active participants in own development?

Participation of community members in the design, implementation and execution of projects enables them to play an active role in the process of own community development (De Beer and Marais, 2005). However, the incentives to participate in solving issues of collective concern are influenced by traditional, structural and cultural factors.

5.9.1. Community incentives for participation

Most of the development projects that the Foundation is running are based on partnerships with community associations. Many of these associations were formed in the 1970 and 1980s as a manner of organising and identifying collective interests within the communities. These associations have almost worked as “informal micro-governments” administering a wide range of communitarian issues. Most of the associations are institutionalised with statutes and governing committees, including president, vice-president, treasurer and secretary, rules for membership and weekly meetings. The majority also have weekly membership fees of RD\$5, which are gathered in a community fund. The fund covers the association's expenses which are mainly activities in the community, and expenses for medication or funerals when the members cannot afford such costs themselves. The associations thus work almost like social security networks for the people who join. Some communities have one or two associations and other have several, depending on the size and variety of interests that exist. The most common structures that I observed were women's associations, traditionally “clubs for the mothers”, and men's associations, “clubs for the farmers”.

Traditionally, the associations were established to make people join in a collective effort to make demands to local authorities for specific needs in the community. To a certain extent, this is still one of the purposes today, and many villagers said that their main incentive for joining is because they have a *genuine interest* in improving the living conditions within the community:

“Everything we have in this community has been achieved by fighting together. When we wanted electricity, the authorities first said that we didn't qualify because we were a small

community. But we didn't give up and now we have electricity. We know that when we fight together, we are stronger, and these are benefits for the whole community" (G3 [focus group])

Some community members choose to join because membership increases their *sense of belonging* in the community. This motivation is individual in the sense that it is a person's feeling of inclusion that is being strengthened, but it also increases levels of trust and social bonds between the members. Several people expressed the feeling of unity in terms of giving and receiving help. One respondent told me that if he had *platanos* in his garden and his neighbour did not, he would give to him. Equally if someone in the association is sick, the members will take turns to cook, clean and look after the animals until the person recovers. A couple of people also expressed the unity in terms of personal relationship with other people:

"I feel I have come closer to the other women in the association and as a group we are more integrated. We have spent a lot of hours together working in the greenhouse" (E3 [interview]).

Many villagers seem to participate because the associations run projects from which members obtain *some kind of reward*. This reward comes in different forms depending on the project, but is generally access to a certain service that the community is lacking. People said that they were happy to participate in these projects because it was for the community's good and would directly benefit themselves in the end (G2 [focus group]). I also found that since the Foundation works with the associations and participation in some of these projects are only for members, some people had joined solely to receive these benefits. The women's association in Hato Viejo grew substantially after the Foundation initiated a rotary cow project in 1994 where all new members receive a calf. The same applies to Palmaritos where initially only members could solicit loans from the micro credit fund. Money is another kind of reward. Several of the community associations pay an incentive to motivate people to work on the collective projects. In Peñaló's greenhouse, they have a rotating schedule of 6 women working for 6 months, and they are paid 10% each of the total income from the harvest. In Palmaritos, incentives are paid both to the credit committee members, administrators of the micro credit fund, and to the production team in the bakery. Only a few people specifically expressed a reward in terms of skills or capacity, such as reading or learning something new. One informant expressed her reward in terms of personal development:

"Some people feel that it is a waste of time. But for me, from the years that I have spent in this group, I think I have benefited. Even though you sometimes cannot see what I have gained, I have still gained. In this group I have learnt many things. I have learnt to speak without fear in front of other people and I have the ability to respond to questions now. I love this group like I love my own life" (E1 [interview])

5.9.2. Community disincentives for participation

Despite traditions for helping each other, people showed little interest in working on projects that do not have concrete individual benefits, or where a lot of collaboration would be required before they could reap the fruits individually. One of my informants linked this mentality to the influx of North American values and commercialisation. According to him, Dominicans used to have a more collective spirit before whereas now there is more individualism and greed (B3 [interview]). Another person believed that the *"Dominican psyche is very much geared to working for yourself"*. He had observed that even employees

who had worked 30 years in the mine with a stable income would look for an opportunity to start a small business upon retirement (A6 [interview]). The villagers had similar opinions on this issue. One respondent expressed that usually when their association planned something, plans were blocked by another person in the group, thus preventing the project from getting started (G1 [focus group]). Another informant told me that even when there are individual benefits they have problems because of conflicting interests:

“With the cow project we have had problems because some want to have a cow and some do not. What happens is that when the cow gets its first calf, people give it to the association and then they sell the cow they were initially given in order to buy other things. We still have some cows left to keep the project going, but not many. There are people who search for things, things that only are for themselves. When the situation is like that we cannot progress” (C2 [interview]).

Given these findings, despite that some people felt unity was an important incentive to participate for collective good, there is also reason to believe that this unity is somewhat “selective”. One person expressed that people are very united when they perceive a chance to obtain something through a collective bargain, but that *“once they have achieved what they wanted they forget about the other things the community needs to fight for”* (C1 [interview]). This indicates that the unity is being projected towards the external because this is the way they have been able to make their voice heard before. Another respondent confessed that unity existed in his community, but that it was mainly within the different associations. According to him, this unity was fragmented outside the groups because of a conflict of interests (C5 [interview]).

Staff at the Foundation confirmed that projects with individual benefit have always worked best. They started their work with the communities with collective projects, but these often failed because there would be four or five people who would work and then the rest would want to share without putting in an effort (B1 [interview]). Disagreements would arise over who was working and who were enjoying the benefits, thus bringing about conflicts between the villagers and become *“more a divider of the communities than a plus”* (B1 [interview]). This fear about unequal distribution of work and benefits was expressed by several villagers, acknowledging that within the associations, people have different attitudes towards work. One informant confirmed this, but also perceived an added value to participation:

“It is difficult to find a project where everybody will work. Somebody like to work and somebody like things that are easier. I think it is important to try. You place more value in things that you have fought for yourself than things that have been given to you. It is a sacrifice” (G2 [focus group]).

I found that this lack of belief in collective goods and fear of unequal benefits can be explained by several cultural and historically rooted factors that continue to influence the Dominican society. First of all, there is an expression called the Dominican *“complejo de gancho”* which refers to taking advantage of or exploiting one another. This creates distrust between people and fear of being abused, hampering the creation of social bonds. When I asked people whether they thought their fellow community members would take advantage of one another *if* they were confronted with an opportunity to do so, several confirmed that this was a possibility (see table 8, p.92).

Another disincentive for participation is a tendency of blaming “external forces” for a certain situation. I was explained that accusing one another and not take responsibility for own actions, is an inherent part of Dominican behaviour (B1 [interview]). This reinforces distrust and prevents people from understanding the consequences of own acts. On several occasions, I experienced this tendency, especially when I asked people why certain projects had not worked. For example, regarding a pig project the men had all kind of explanations for why it did not work ranging from “*bad race*” to “*sick*” to “*disappeared*” (G1 [focus group]). However, the women in the village were convinced that the failure had more to do with the poor management practices of the men. As one respondent put it “*this tendency prevents people from reflecting upon own actions and be accountable, hence constraining people from improving and society to move forwards*” (B1 [interview]).

Another structural factor that explains the disincentive for participation is the culture of “*political paternalism*” which is profoundly entrenched in the Dominican society. Put shortly, there is a “culture of giving” in order to satisfy demands in a short term perspective, neglecting the root causes for these demands. Several respondents believed that this tradition has led people to expect others to provide a certain service, or change an unfavourable situation (A3; B1; B2 [interviews]). Another respondent thought that *paternalism* had caused lack of consciousness, habit and self-confidence among *campesinos* in that they themselves can contribute to change:

“The communities have become used to being given things and have not been forced to plan and take own decisions. If there is a reunion where something will be given, being it milk or whatever, people will come, but not otherwise. This form of “political clienteleism” is very difficult to change in the communities” (B3 [interview])

These factors shed light on the causes for people’s reluctance to participate in associations or communitarian projects. In addition, people have become used to both politicians and other authorities making promises that do not become true. Although there are high levels of distrust in the political system, people do not want to take on responsibilities that they know should be carried out by the State. The figure below shows the community members’ responses when asked whether they had confidence in the political system: majority of the community-members have little confidence in the political system.

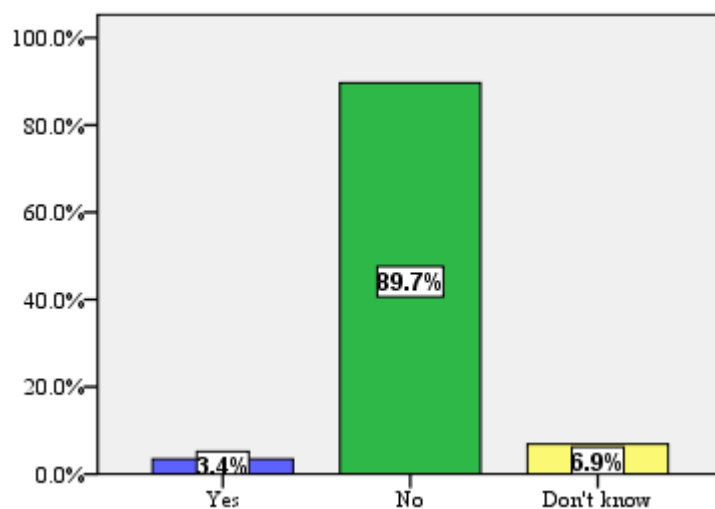


Figure 18: Villagers’ confidence in the political system.

Source: Fieldwork returns (appendix 1).

In all the communities, people pointed to an inability of politicians and local authorities to do what they promise. In Peñaló, the villagers have fought for improvements on the road for more than 10 years. They told me that they had received a visit from the governor prior to the last elections. He had promised them to fix the road if he won, however nothing had happened so far despite that the women have visited the municipal authorities, sent letters and complaints several times.

“We do not believe in the public institutions. They don’t remember us. They only come to visit us if they want votes. Next time we will not give them our votes because they have done nothing for us” (E2 [interview])

Finally, it is worth noting that some of my respondents thought religion might play a role in preventing people from taking a proactive stance to own and communitarian development, both due to the religious values and as another “exterior factor” on which to lay responsibility. The norms shaped by the catholic religion are widespread in the Dominican Republic and *El Cibao* is one of the most religious parts of the island (B3 [interview]).

“One of the reasons why it is difficult to escape poverty here is that everything needs to be done “Conforme con Dios – In God’s Will”. This means that people believe God is responsible for their faith and if they are poor, that is because of Gods will” (B3 [interview])

Although religion can contribute to unity and hope as people gather around religious values, it can also have a negative effect if it prevents people from doing what they want in life. One facilitator told me that often his workshops in the communities were not prioritised if other religious events took place at the same time (B3 [interview]). Furthermore, religious leaders have much power in the communities, and their recognition is an essential factor for being able to work in the communities (B3 [interview]). Another informant claimed that the importance of religious values has decreased, and that people were not refraining from gaining a way of life due to their religious beliefs. Rather religion is being used as a cushion or another “external force” to blame for peoples’ situation:

Dominicans have the tendency to blame things on others. Here you have three calls; You have God, the President and Falconbridge [Falcondo]” (B1 [interview])

Regardless of being based on norms or used as an excuse, religion can both positively and negatively affect people’s ability to improve their life situation, and during my visits to the villages I observed that religion plays an important part in the daily life of many rural Dominicans.

5.10. Mechanisms for partnership dialogue: Participatory activities

The structural issues outlined above clearly have an impact on villagers’ ability to participate in the partnership. The way the Foundation responds to these issues is therefore a key element, both regarding successfulness of projects and the long term sustainability. The ability of community-members to be included in the development process also depends on the levels of dialogue that exist within the corporate-community partnership, as well as the prevailing participatory mechanisms that stimulate and facilitate such inclusion. In all the communities I was able to identify a number of activities and channels for communication that exist between the Foundation and the villagers. I have compiled the different stages of interaction in a diagram which can be found in appendix 4.

5.10.1. Planning processes and needs assessments

In the community associations members discuss and identify the concerns that they wish to act on to make their communities advance. Various suggestions are voiced within the groups and the process typically ends with a voting session determining the outcome. Regarding the planning process, several people expressed “*we have to plan something for this year*” without there being any standard procedure for planning. However, the association in Peñaló stood out as having a more long-term perspective than others. They had made a work plan for the year with a wide range of issues on the agenda:

“We know that the list is extensive and that it is unrealistic that we will achieve everything. However, these are our objectives and long term goals. If we don’t have aspirations we will achieve nothing. Maybe we will not be successful in achieving all of our goals but we hope to be able to realise 2 or 3 of them this year” (E1 [interview]).

In this community there appeared to be great consensus over the challenges they were facing and how to approach these. This consensus might be explained by Peñaló being a small community where there are strong family bonds and few “outsiders”. In other communities, I observed little agreement over what would help them improve their life situations. In one association, the members identified lack of employment as the main impediment to development (G1 [focus group]). Different ways of addressing this was discussed, but despite suggestions popping up, there was considerable disagreement over who would be involved, who would gain a benefit and how to proceed. As a result, they were still discussing the same topic when I attended a meeting two months later, without seeming to progress on the issue.

One informant expressed that there is often a problem with negative leadership in the communities because leaders foremost promote their own wishes without sharing leadership with the other associates (B3 [interview]). This persisting hierarchy prevents many community members from voicing dissent, or in the case no one has authority, people still have problems taking decisions because they are used to having community leaders in charge of this task. “*In our society we still maintain very much the mentality of the boss. Not the leader, but the boss*” (B3 [interview]). This was confirmed by one interviewee who explained that she had previously been part of the credit committee for a long time. Now, she wanted to enter again, but the leaders refused to pay her the same incentive as before because she was now lower on the hierarchic ladle. She therefore decided not to join (D1 [interview]).

Furthermore, governance in the associations varies across the communities. In some, the president had been re-elected several times in a row. In others, the leaders confirmed that they had elections every year, but I noted that it was merely the same members who were in charge, only rotating on the positions. Education also clearly played a role. In most villages, those who had most schooling also occupied a leading position within the association. In an attempt to alter this tradition towards more legitimate practices, the Foundation has held workshops on democratic participation. This includes knowledge of administration, problem-solving, and negotiation capacities to improve efficiency, team work and a more dispersed leadership. The aim is to avoid having a vicious circle of the same people running the associations, and to encouraged youth to join in with their visions and opinions (B1 [interview]).

There is also a gender bias when it comes to community leadership. One informant explained that rural women traditionally have not had leadership positions nor taken part in decision-

making, at least not when men would have a say. “*Women in the rural areas have been educated to be very subordinated and dependent*” (B3 [interview]). According to him, women therefore lack the habit or culture to voice opinions and be proactive. The Foundation has therefore worked a lot on increasing women’s self-esteem, so that they can confront the machismo which persists in the rural society (B3 [interview]).

Although the communities discuss many challenges on their own, they also have formal meetings with the Foundation where they identify and prioritise development challenges together. In situations where there is a lot of disagreement between community members, the Foundation’s assistance can help community members identify alterations that will benefit the majority of the villagers. How the Foundation responds to community demands, varies according to the nature of the concern. Sometimes the communities come up with concrete wishes. Other times, the communities do not have suggestions for how to solve a particular concern. The Foundation then assesses the different alternatives that could possibly help solve this problem and which will be suitable for that particular community. For example, in Peñaló, people have little or no access to land and there is no market for establishment of micro-enterprises. However, the 50 families need a source of income. In an attempt to assist them, the Foundation took some community members to a village of similar social affinity where they were growing vegetables inside greenhouses. After having seen this, the villagers in Peñaló wanted to give it a try in their community. They decided to use a plot of the collective land in the community to construct the greenhouse where people could work.

5.10.2. Capacity building

An integral part of the Foundation’s work is to transfer technical skills and capabilities to the community groups. This process usually starts a while before the project is being implemented, but advisors also assist the villagers during the initial operational stages and upon request. Some of the capacity-building activities are specifically related to a certain project. Although the Foundation changed approach from having collective projects where the benefits were shared to have projects where the benefit is individual, most projects still require collective effort before the individual benefit can be obtained. With this strategy, the Foundation hopes that the skills are being dispersed to a broad segment of the villagers, encouraging team work and a “sense of the other” (B1 [interview]).

In addition to these technical skills, people mentioned that they had learnt how to “*deal with money, handle customers, distribute work, read and write*”. These are outcomes of the capacity building and collective efforts that aim to provide villagers with sufficient capacity for maintaining the projects once operational. The Foundation normally makes use of external facilitators for these workshops. Sometimes this skills transfer is also done by the help of other community associations that have a similar project. The women’s group in Palmaritos, who have acquired a lot of experience from administering their micro credit fund, have taught people in other communities how to set up and manage this kind of project. This has a wider positive impact as the women’s self-esteem rise when they are charged with the task of teaching others, and it can also enhance social relationships between communities as there is normally little interaction across “community borders”.

5.10.3. Implementation and operation

Implementation of the projects is done by the communities together with the Foundation. For “one-time” projects such as for example construction of water aqueducts, villagers mainly

contribute physically with construction and maintenance. Still, the process usually includes the whole community as the benefits are collective:

“To construct the water system, we worked together with Jengibres [neighbouring community] and teams from Falcondo. 70 men worked on this every day for several months. We, the women, cooked breakfast, lunch and dinner for all the men and brought it to the construction site” (E2 [interview]).

Although the Foundation supervises the communities in their projects, all of them are managed and administrated by the community associations themselves. Therefore, there is little day-to-day involvement on the part of the Foundation once the projects have become operational. For example, the cow project in Hato Viejo is managed by the women’s community association. They make sure that every new member of the association receives a cow. Then, when the first calf is born, it is being given back to the association for the benefit of a new woman. If there is no new member, the cow is being sold and the income ends up in the association’s fund. The women are free to do whatever they want with their cow, once they have paid back the first calf. However, if they opt to sell it, they have to give 100 pesos of the payment to the association. This system also applies to the pig breeding project in the same community. For continuous projects where not all of a association’s members want to participate or where not everybody can be involved simultaneously, special committees or rotary schemes are set up.

In some cases, the associations also contribute financially to the projects when the projects have become operational. This money is taken from the income of the project, or from the community fund. For example, the initial costs and equipment for the construction of the greenhouse in Peñaló was covered by the Foundation, but now the women buy fertilizers and other things they need with the money they obtain from the sales (E3 [interview]). The women explained that if they had large expenses which could not be covered by the fund, they would ask the Foundation for help.

5.10.4. Monitoring and follow-up

Once in a stable operational phase, the interaction within the partnership still continues as additional projects usually take place in the same community. Staff from the Foundation visits the different communities on a regular basis, depending on the need and the projects running. On these occasions, the community members have the opportunity to express concerns. Villagers also said that if something urgent happens, they can call for assistance. However, apart from discussing difficulties, I found that there is little systematic and documented monitoring of progress, or evaluation of results. For example, some projects have either stopped working or do not work that well anymore. The cow project in Hato Viejo had an excellent start, but over the last years fewer and fewer women want to keep cows and as a rotary project it risks dying out. The same goes for the pig breeding project which is also rotary. When I asked the people why it had stopped working, the answers varied from *“I ate mine”*, *“mine disappeared”*, *“my pig was of a bad race and wouldn’t grow enough to be worth selling”* to *“I sold the pig and bought a piglet which I gave back to the association and saved the rest of the money”* (G1 [focus group]). Some villagers also pointed to poor administration within the community associations of the various projects. However, the fact that I obtained so many differing responses to why projects had stopped seems to indicate that there is little real awareness about the reasons for “failure” among the villagers. It can also be

that the failures have not been discussed or evaluated thoroughly, which is why they demonstrate a lack of understanding for why things have gone wrong.

These findings indicate that more planning is required together with community members to ensure that responsibilities and requirements for the management of the projects are mutually understood. When it comes to monitoring and supervising projects, this is the area where the Foundation spends the least resources (see appendix 3), and it corresponds with the aim of the projects being self-managed. However, capacities take a long time to build and the problems of cooperation makes self-sustainability of projects more time taking. As De Beer and Marais (2005) note “the hard work of making a project self-sustaining only starts at the stage when training sessions and constructions are completed, and all actors involved should therefore be fully integrated from planning stage to evaluations”. Therefore, to avoid failure of projects and thereby also waste of resources and loss of self-confidence in community members, more monitoring and joint evaluations could be conducted.

A couple of villagers also expressed that the projects directly aiming at improving peoples’ income, had not done so yet. This was particularly mentioned with regards to the greenhouse projects and the bakery in Palmaritos. The women identified the lack of potential buyers and low prices as the main reason. Staff at the Foundation said that the groups often start out with a lot of willingness and motivation, but that they sometimes lose this motivation when things become difficult and results are not immediately seen (B3 [interview]). To avoid that this makes a project break down, the Foundation holds motivational workshops to raise enthusiasm and celebrate “small victories”.

“We have to motivate and inspire them continuously (...) tell them that their work is worth a lot and that the society can only be improved if we work together” (B3 [interview]).

One community member acknowledged that the work is tough. However, rather than becoming disillusioned, she found a great deal of motivation in the work: *“If you don’t have something sensible to occupy yourself with you become crazy. If you have work to engage your mind in, you don’t think so much about the difficult situation”* (E2 [interview]).

5.11. Summary

Sen (1999) suggests that not only opportunities, but also *processes* in society have an impact on people’s ability to live the life they want. In the villages, these processes can be participatory mechanisms, existing “political” processes and power relationships, and social norms and traditions that “govern” the communities. These processes must be seen as interlinked with opportunities in terms of development, as for example the opportunity of access to education cannot be grasped by everybody if there are processes of inequality or gender bias governing the social relationships in the communities.

5.11.1. Politics, power and participation

According to Ajayi & Otuya (2005), participation should equally enable all people to have their interests represented (Ajayi & Otuya, 2005). If all community members have equal opportunity to voice their concerns and be included, sustainable community development is more likely to come about (Orapin, 1996). The findings demonstrate that processes in terms of mechanisms for participation, both enable and hamper people’s ability to expand their capacities in areas where efforts of more than one person is required. Pearse & Stiefel (cited

in Ajayi & Otuya, 2005:191) note that “due to the unequal distribution of power, poverty and social status, there is a need for the villagers to unite for the purpose of bringing about development”. Findings show that a high level of unity and a belief in the notion that “together we are stronger” has encouraged participation in some of the villages where community members recognise the importance of all the individuals that make up the community. This has enabled collective work and acquisition of skills and capacities such as collective management, civic responsibility and interpersonal skills. According to Ajayi & Otuya (2005), when community members perceive that they have mutual interests and needs, they are generally willing to cooperate. Empirical evidences point to the villages being willing to put in an effort as long as they know that in the end there is an individual benefit. Cooperation is also motivated by the awareness that a demonstration of collective responsibility can lead to other projects in cooperation with the Foundation, and hence new individual benefits.

Structural processes also manifest themselves in terms of negative leadership and self-interested behaviour, which hamper equal participation and decision-making processes aimed at delivering change for the better. In this specific case, attempts have been made to prevent that the power does not remain in the hands of one or two community leaders. Also, broader participation has been encouraged, for example by including women and youth, and emphasise the importance of democratic principles. In this sense, the partnership contributes to increasing people’s abilities to take an active role in the process of own development by enabling participation and reducing unequal power balances or gender bias. It also strengthens the representativeness of the communities’ collective concerns.

These processes equally involve the other actors in the partnership. Practices that treat people as mere recipients of services rather than perceiving them as actors capable of taking responsibility for own life negatively affect people’s abilities (De Beer & Marais, 2005). The way Falcondo initially handled CSR did more harm than good by reinforcing the paternalistic mentality. However, the partnership enabled for a change in this approach, and rather than looking at the communities as subjects to be compensated, it treats the communities as partners with the respect and dignity they deserve. The “requirements” for assistance are cooperation between the members and responsibility for their actions, which has to a large extent contributed to uniting members around common goals. If CSR initiatives take these issues into account, they can have a positive impact on development processes, and contextually tailored CSR can help dismantle traditions and processes that hamper people’s abilities.

5.11.2. Social glue

In addition, *processes* in terms of socially constructed norms and traditions that exist in society both have an enabling and constraining effect on people’s abilities (UNDP, 2008). In the communities, findings show that traditions for mutual help and gathering around common values positively affect processes. Distrust and fear of being exploited hampers these processes. The mechanisms for participation and the inherent social norms and traditions have an impact on the creation and the strength of social capital in the communities. Social capital has the potential of generating collective effort among people to achieve development goals (Collier, 1998). It is also likely that development efforts will be more sustainable because people will acknowledge both personal benefits and reciprocal responsibilities through cooperation (Collier, 1998).

Table 9 presents six indicators which together provide an understanding of the level of social capital in the communities. It combines the following elements: the level of confidence in other community members; the level of willingness to help each other in the community, the degree of fear of being taken advantage of by other community members; the sense of pride of belonging to a community; the existence of common values within the community; and the level of individual contribution to solving community problems

Table 9: Social capital in the communities

Indicators of social capital in the communities														
Community	Confidence		Mutual-help		No fear of exploitation		Proudness		Common values		Participation in problem-solving		Total social capital	
	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank
Penalo	0,713	1	0,6	3	0,329	3	0,863	3	0,95	2	0,95	1	0,694	3
Palmaritos	0,62	2	0,773	1	0,69	1	0,989	1	1	1	0,87	2	0,796	1
Hato Viejo	0,583	3	0,671	2	0,579	2	0,938	2	0,882	3	0,826	3	0,721	2

Source: Fieldwork returns (appendix 1.1), methodological note appendix 5.

The indicators for social capital are calculated by a value attributed to each village, which seeks to determine the relative position of one community compared to another. 1 is the highest value obtainable and 0 is the lowest. However, the values only serve to compare the villages, and the value of an indicator for one community will not have any meaning if it is not seen in relation to the value of the same indicator in another village.

It is possible to discern that there is a correlation between people’s willingness to help each other and the fear of being taken advantage of. The communities that have the highest level of social capital, and the highest degree of pride of belonging to their community, are the villages that have worked the longest on common development projects. This indicates a positive impact of collective effort on social capital generation. Community members seem to make a distinction between confidence in each other and the willingness to help each other. For example, despite intra-community confidence in Peñaló, people have lower expectations of help and higher fear of being taken advantage of. Equally in Palmaritos, there is more willingness to help, but less confidence while in Hato Viejo, the three indicators seem to correspond. The respondent’s answers with regards to these issues might depend on how they define their community sphere; whether they think of the entire community or their closest circle of neighbours and family. The size and length of involvement in the partnership can also be explanatory factors. High levels of participation in problem solving and existence of common values also correspond with qualitative observations in the field in the sense that the communities with the highest values for these indicators, are also the communities that have experienced greatest success and benefit from their projects. Hato Viejo has experienced difficulties in collaborating on its projects, and it is also the community that scores lowest on participation and common values. This indicates that elements of social capital are also important requisites for collective effort, and the two are hence interdependent.

5.11.3. Community empowerment

Sen’s (1999) vision of human development in terms of *opportunities* and *processes* has informed further theoretical reflections on empowerment. According to UNDP (2008), empowerment has both an individual and a collective dimension, and for people to extend their possibilities and enjoy real freedom, both dimensions must be taken into account. This is because people have own capacities and abilities to do things, but they are nevertheless part of

the wider society and are hence dependent on the collective sphere to construct these capacities. Equally, the quality of the life conditions that characterises a society also affects a person's well-being. (UNDP, 2008). UNDP define individual empowerment as "the ability of a person to do or be someone" (UNDP, 2008:49). People can use these abilities to influence decisions and factors that have an impact on their lives. Collective empowerment is defined as "capacities that are being constructed and materialise themselves socially" (UNDP, 2008:49), such as the ability to establish relationships with others, partake in decision-making etc. Social, cultural and political forces affect people's lives, and collective empowerment is about understanding how these forces work and how their "movement" can be changed through collective actions.

According to the definition of community development being "the process by which the effort of the people themselves is linked to those of other agents and actors" (Idemudia, 2007: 5), collective empowerment is an integral part. The participation that takes place in the communities can bring about both individual and collective empowerment. For example, by partaking in a project a person can enjoy increased economic abilities, or obtain education, which contributes to individual empowerment and development. Equally, participation in the community associations can contribute to collective fight for a certain right, or other issues where the group achieves more than they would have done if they had operated individually. Since this participation takes place around projects that evolve from CSR initiatives, the latter indirectly contribute to both individual and collective empowerment of the communities.

However, it is further believed that for sustainable human development to take place, individual and collective empowerment should take place simultaneously and have "equal levels" within a given society (UNDP, 2008: 54). The findings have demonstrated that too much individual empowerment can be detrimental for the collective development in the communities. Several indicators points to the fact that once the villagers have become individually empowered in terms of having obtained a benefit, acquired skills or economic capacity, their interest in continuing working on collective projects is limited. This leads to a development that benefit individuals rather than ensure inclusion of the whole community, and risk leading to deepening of inequalities within the various villages as some have more abilities than other. This search for individual benefit also prevents communities from greater achievements that can have a large impact on their lives, such as collective effort to make claims towards local authorities. Too high collective empowerment can also be unfavourable to development if social norms that govern their society inhibit people from using own abilities and pursue own wishes. Persisting negative leadership in the villages or "consensus" about collectively blaming failure on external forces, are examples of how social ties can prevent people from confronting a certain situation or using own abilities for change.

The findings indicate that in some communities there is more individual empowerment than collective empowerment. People have improved individual capacities in terms of socio-economic conditions, improved health etc. On the collective side, social capital indicators show that social bonds exist, and that people do believe in unity and collective action. However, the individualistic mentality and behaviour which is widespread, weakens the social glue. Furthermore, the distrust in the political system prevents community members from using their collective abilities to confront political institutions, and when they do their effort is often not taken into consideration by local government. This negative response by authorities weakens villagers' motivation to collectively fight for their rights. Equally, the large dependency patterns on Falcondo also indicate that there is less incentive to collectively solve community concerns by looking to alternative means.

Part 4: CSR outcomes

5.12. Bridging corporate and community interests, a possibility?

The previous sections have given an indication of how Falcondo and the local communities both gain some benefits from Xstrata's CSR initiatives. Nevertheless, literature also highlights that there are inherent difficulties in reconciling the two, and it is therefore necessary to analyse the findings in this perspective to gain an understanding of the possibility of using CSR as a mechanism where both parts mutually benefit.

5.12.1. Short-term corporate goals versus long-term development process

A common argument often voiced by critics regarding CSR's potential contribution to development, is that the inherent logics driving business and development are incompatible (Henderson, 2005). The neo-liberal thinking and the focus on short-term corporate gains seem to detach corporations from a possible contribution to development as the latter requires long-term perspectives and an acceptance of outcomes that are intangible and not always measurable (De Beer & Marais, 2005). The possibility of bridging the two becomes even more challenging when the business in question is a mining company, which often implies short-term involvement due to its dependency on non-renewable resources as well as the social, environmental, political and economic complexity characterising mining activities (Kemp, 2003).

Despite this apparent incompatibility, the findings have demonstrated that matching Falcondo's interests with development needs of the surrounding communities has been possible. By engaging in a partnership with the local communities, and giving the Foundation the independence to operate in a manner that does not primarily focus on immediate returns to the company, Xstrata's CSR activities in the Dominican Republic are designed in a manner that targets medium and long term development challenges, rather than limiting them to a short time-span. More importantly, the partnership has enabled for the identification of the root-causes for the discontent felt among the people living in the host-communities, and has tailored the CSR initiatives accordingly. This is a profound process in the sense that it requires resources, commitment and knowledge about development issues. Hence, when CSR is carried out solely by business itself, the practice often takes an easier form which serve mainly to quell protests and satisfy demands, without getting involving in this more profound development process.

In the specific context investigated, much frustration was caused by unemployment. Attempts have been made to address this concern by giving adults the possibility to work on projects that either directly increase income, or build capacities that enhance villagers' possibility of finding jobs. However, the root cause for unemployment in the host-communities is much due to the lack of education. Therefore, it has been important to emphasise education for the youngest villagers to avoid that unemployment remains a persisting problem in the communities in the future. In addition, this recognition of the necessity to address root causes has enabled the Foundation to address macro-level and structural issues that constrain the development process. For example, if the aim of the CSR initiatives would be primarily to obtain maximised immediate results and benefits to Falcondo, this could easily have been achieved by constructing a private clinic and offer treatment for health problems, rather than take the longer way of raising awareness among community members. A private clinic would

have given people access to health services, but done little to change the practices and lack of awareness among people, which are the underlying causes for the health problems. The same applies to the educational initiatives where the focus has been on improving and strengthening the public school-system rather than opt for a private alternative that would have contributed to further deepen the divisions and inequalities in the host-society. Therefore, the strategy adopted obviously has a more sustainable and wider impact on the communities. This has been possible because Falcondo has acknowledged that CSR is an investment in future sustainability rather than a short-term gain, and has been willing to wait for “the payback” that the CSR initiatives give in terms of corporate benefits.

The findings demonstrate that although the CSR activities are designed with a long-term vision, Falcondo staff had experienced a wide range of benefits to the company. They highlighted that the focus on education and grants for technical degrees had contributed to securing a well-qualified work force for Falcondo. Furthermore, they mentioned that education would increase the possibilities for the coming generation to have a future independent of Falcondo. Hence, by allowing for the partnership to operate under this long-term vision, Falcondo has safeguarded its own future in terms of continued license to operate, expansion of the current operation and access to human resources. By the time the mineral resources are exhausted, the company will likely have been present for more than fifty years. This cannot be regarded as a “short-term involvement”, and it is therefore possible to reject the argument that CSR is incompatible with development because of the short-term vision of companies (Royle, 2005). Rather it is possible to argue that when companies recognise their interdependency on society’s well-being, CSR can expand a business’ opportunities, ensuring it a future beyond what was initially anticipated, and thus ensure long term profitability and growth, which is indeed compatible with business thinking.

5.12.2. Balancing stakeholder interests: Shareholders vs. Communities

Development theories on participatory development suggest that citizens should be able to express their opinions and be active participants in prioritising needs, thus ensuring involvement in their own development (Feeney cited in Kemp, 2003). Incorporating this into the CSR discourse makes community members a stakeholder group that should be devoted considerable attention as they are often the target-group for CSR initiatives. This seems to clash with the business logic which holds that the prime interest to which consideration should be paid, is the interest of the shareholders, and that engagement beyond this can damage return to investors as attention is drawn away from core business (Friedman, 1970). How is it then possible to pay consideration to the two stakeholders without marginalising one group at the expense of the other? The findings shed some light at the problematic of business versus development interests in this respect. First of all, in today’s society it is impossible to detach business from the socio-political sphere as it has become increasingly recognised that the challenges faced today, such as climate change or human rights violations, are not solely the responsibility of governments or international organisations, but rather span across all types of institutions, public and private (Bendell, 2004; Hamann, 2003). Secondly, the findings demonstrate that socially and environmentally responsible business behaviour attracts investors rather than damage shareholder relationships. In the case of Falcondo, the company had already been drawn into a socio-political conflict since its very beginning, precisely because it failed to meet the wider expectations of society. Moreover, it became apparent that limiting its attention solely to shareholders’ interest proved to be discordant with conducting business in the region, and a broader stakeholder focus was not only desirable, but necessary. It is therefore possible to reject Friedman’s argument on these two points.

Literature highlights that the lack of consideration for local realities is one of the main weaknesses of CSR (Hamann, 2003; Sharp, 2006). There was a clear shift in Falcondo's strategy from a fragmented stance that did not consider the villagers' perspectives, to a recognition that they needed a deeper understanding of people's perceptions. The findings demonstrate that there are considerable mechanisms in place for ensuring participation and dialogue within the partnership established, enabling communities to have a voice and a stake in decision-making over the CSR activities. One important point to bear in mind in this respect is that the communities are not homogenous. Rather, one community is different from another, calling for the complicated task of designing initiatives that corresponds to each community's specific realities. Failure to do so risks treating all communities as one single stakeholder group, which can severely limit a CSR strategy even though it aims at stakeholder inclusion (Jenkins, 2004; Muthuri, 2008). The partnership is essential in meeting this challenge for Falcondo. By allowing for concerns to be identified by the villagers themselves, and by recognising the differences distinguishing one community from another, the partnership ensures that the CSR activities incorporate local considerations in a more profound way than what Xstrata's CSR strategy would otherwise have been able to do. Although the corporation's lean structure allows for autonomy in how the strategy is implemented at local level, it is the partnership which enables the appropriate project design, allocation of resources and knowledge-sharing, thus assuring that the corporate CSR strategy moves beyond rhetoric and becomes reality in the particular context of this study. The partnership has also allowed for CSR to be a process of continuous learning for all actors involved. Some projects work in some communities, but when implemented in others fail. If CSR remains too business-centred with a focus on results and hands-on benefit, there would be no room for trial and failure (Kemp, 2003). Hence, the opportunities for exploring ways of conducting CSR in a manner that responds the most to individual community contexts could have been lost if other initiatives, less contextually tailored but more likely of securing immediate benefits to Falcondo, had been favoured.

Other findings also point to evidences of shared learning resulting from the partnership's facilitation of stakeholder inclusion. Falcondo did not only learn that its practice of "hand-outs" to the communities merely resulted in increased tension rather than satisfaction, but the company also learnt that it needed to be more transparent in terms of providing information and spread knowledge about how it conducts its operation. This implies a view of stakeholder management that does not primarily seek to "educate" stakeholders which Bendell (2003) dismisses as a defensive approach to CSR. Rather, it includes a admittance by Falcondo that they could learn from the community members' experiences and perceptions about how they could improve themselves on issues they were "poor" at, such as dialogue, and by doing this spread awareness about the issues they are good at. Although many community members still perceive Falcondo as a source of environmental destruction, the findings equally point to people's recognition of an improved relationship. In this manner, a stakeholder dialogue that goes beyond the shareholders has proved beneficial to Falcondo because the partnership has turned stakeholder inclusion into a source of opportunity for the company on which they can act to enhance their image and relationship with society. This transparency entails that Falcondo can be held accountable for its actions by community members, but it also increases the legitimacy of the company's actions.

5.12.3. Balance of power

When discussing stakeholder inclusiveness, the issue of power-relationships arises as this affects CSR practice and considerations, as well as the overall corporate-community relationship. Theories indicate that there is an inherent unequal power balance in favour of the corporation, and this inequality limits the potential of CSR to ensure mutual benefits for both business and communities (Newell, 2005). In addition, governments are often eager to attract or retain corporate investments, and are therefore prone to prioritise corporate concerns rather than protect community interests (Newell, 2005). This further constrains the possibility for equal representation of all actors involved. Communities thus often find themselves in a marginalised position with limited possibility for voicing expectations and concerns (Garvey & Newell, 2005). However, in the case of Falcondo the people found channels for pressuring the company. Since the communities did not from the outset form a political or third party “negotiator”, methods of resistance took the form of sabotage, barricades and demonstrations. Newell states that such “strategies of the poor” usually have an impact because media attention is generated and the company’s public image is being damaged (Newell, 2005: 549). In the case of Falcondo, these methods turned out to be an important tool for the villagers in redressing some of the power-inequalities during Falcondo’s initial years, and the methods were successful in gaining the company’s attention.

Nevertheless, until the partnership between the actors was established, these methods did little to change corporate practice in a way that resolved the real reasons for dissatisfaction among people. Thus, it is possible to argue that a power balance came about and is currently maintained because the Foundation ensures that one party is not benefiting at the expense of the other. Underlying this is the recognition by all parties involved that conflict can cause considerable harm while a power-balance can provide benefits (Covey and Brown; 2001). Falcondo can probably make decisions unfavourable to society, but they know that this might hit back on themselves and the corporation’s image. Equally, the communities can once again voice dissent if they feel unfairly treated, but they might not do so if they perceive the benefits they gain as a fair “compensation” for the company’s negative externalities. Power-balances within the partnership were actually “tested” in 1993 when the management at Falcondo felt that hostilities had been reduced to such an extent that CSR initiatives could be scaled down. This suggestion was perceived by the Foundation and the government as a betrayal of the communities, and their protests forced Falcondo to change direction and rather increase support (B1 [interview]). Had Falcondo not been engaged in the partnership, they might have reduced the support and hence placed their own operation and future at risk.

Power-struggles do not only exist between the company and the host-society, but equally emerge within the communities. Therefore, paying attention to the corporate-community power balance can still render CSR ineffective if the community interests that are forwarded by community representatives are not legitimate for what the wider population in the village wish for (Garvey & Newell, 2005, Kemp, 2003). CSR can then have a negative effect if the initiatives “unconsciously” oppress marginalised groups. This is pertinent to this study as findings indicate that there is a problem of democratic leadership and equal representation of interests within the rural communities. Villagers have different individual perceptions and needs. For example, for adult men, the main concern might be related to agricultural practices while women or youth would place importance on health conditions or school opportunities. If neglecting these factors, CSR can cause divisions and break social ties within communities. It is therefore essential that the partnership avoids limiting its focus to community leaders and includes all segments of the local population in its consideration of community concerns

(Kemp, 2003; Muthuri, 2008). Although it is difficult to alter traditional and cultural patterns of hierarchy and power in rural settings, the partnership has enabled for a more inclusive and participatory environment, encouraging rotation of power in the community associations and promoting democratic practices. Moreover, by empowering women's group it has helped increase women's positions and ability to influence decision-making processes. Machismo and negative leadership within both women's and men's associations still exist, but the effort to alter this situation should not be disregarded, especially since it also targets the youth. As a result, the communities are better equipped to voice their concerns in a way that is more inclusive and legitimate in the years to come. It is therefore possible to argue that in this case, CSR is being used to address structural issues rooted in unequal power structures that prevent the well-being and progress of communities.

5.12.4. Conflicting views of development

One weakness that is often mentioned when it comes to business' potential contributions to sustainable development is their instrumental and technical approach to solving development challenges (De Beer and Marais, 2005; Sharp, 2006; Wheeler *et al.*, 2002). Development is often seen in terms of what people have or lack, leading companies to constructing schools, water pumps or roads. While these initiatives might be well intended, the number of constructed schools and latrines tells little about community development, unless there is an understanding of how and in what ways these initiatives change people's lives for the better (Kemp, 2003). Donating a school helps little if the children are not able to attend for socio-economic or cultural reasons. This instrumental view has limited the impact of many CSR activities. Moreover, it has served to discredit and undermine CSR as a serious attempt to contribute to the well-being of host-societies, reinforcing the impression of CSR being merely "an excuse" for continuing corporate practice as usual (Hamann & Acutt, 2003). Therefore, it is essential that CSR initiatives incorporate an understanding of development being about people, rather than things (Kemp, 2003; Sharp, 2006). Corporations often lack this vision or local expertise, as demonstrated by the practices during Falcondo's initial years. However, the Foundation recognised that it would be "*presumptuous to think that we knew what would be right for the people*" (B1, [interview]), and after the partnership was established, development has been approached with the vision that it has to come from within the communities rather than being imposed from outside.

The literature offers several examples where CSR has caused conflict between neighbouring communities because villagers end up fighting over corporate-funded projects or infrastructural improvements (Fig, 2005; Frynas, 2005). It is interesting to note that although Falcondo is surrounded by several villages, none of the findings reveal tensions between communities that can be attributed to unequal distribution of CSR benefits. In one community, some villagers expressed unhappiness about their community having received help with construction of only four houses, while in other communities more houses had been built. However, these initiatives took place before the Foundation became involved. A reason for why tensions do not exist can be that now the communities are invited in as partners rather than recipients, and the initiatives outline requirements and responsibilities towards the communities instead of taking the form of donations. As a result, there is an increased feeling of ownership among community members. However, in order to allow for this to work, Falcondo has had to accept that although they fund the initiatives, they cannot take the entire credit for the advances in development within the communities. Rather, much recognition must be given to the community members themselves for their effort. Nevertheless, this acceptance is a part of an approach that recognises that development is a process rather than

an instrumental one-time intervention, thus allowing the communities to engage themselves at their own pace in a manner leading to more sustainable outcomes.

5.12.5. Dependency vs. Self-determination

Closely linked to the above discussion of development from within versus impositions from outside is the balance of self-determination versus dependency. The tendency of CSR to be paternalistic and create dependency rather than contribute to self-sustainable communities is often highlighted by sceptics of CSR's possible contribution to development (Blowfield & Frynas, 2005; Muthuri, 2008; Kemp, 2003; Sharp, 2006). This is because most initiatives are depending on external support rather than building on community resources (Ajayi & Otuya, 2005; Kemp, 2003). In the case of Falcondo, this issue manifests itself in two ways. On one hand, the findings have demonstrated that there are clear patterns of dependency of the communities on Falcondo and that there are few other institutions that pay attention to the villagers. Taking into account the history of Falcondo, one can from a business perspective argue that the more dependent the communities are on the company, the more favourable it is for Falcondo, as dissatisfaction can be held down and the operation continue as usual as long as they can afford "paying" for it in terms of community assistance. In addition, some of the CSR initiatives require follow-up and financial support assured by the Foundation, and would therefore not be self-sustainable if the communities were to run them on their own today. In a future perspective, this dependency is even more pertinent as there is an end to Falcondo's operations which equally implies an end to the Foundation and the partnership.

On the other hand, attempts have been made to reduce this dependency. According to De Beer and Marais (2005), participation of community members increases ownership and reduces dependency. This becomes particularly evident when looking at the emphasis placed on capacity building and generation of skills within the communities. These are abilities that remain with the people, increasing sustainability because people are left with something – they have put in an effort and developed skills that they otherwise would not have acquired. Moreover, the investments in education, micro-enterprise and more productive cultivation techniques aim at reducing the dependency on the partnership in the future. Findings also demonstrate that although some projects seem "external" in the sense that they have not been traditional activities in the communities (e.g. cultivation inside greenhouse, nurseries etc), the approach takes into consideration the capabilities and conditions within each village. For example, some initiatives focus on reducing the structural factors inhibiting progress towards development, there is a quick move to the phase where the community has to run the project itself, and with regards to maintenance, both physical effort and materials used for projects come from or are available in the communities.

One factor that deserves attention when reflecting on the issues of self-determination versus dependency is the involvement of local governments. A business perspective might advocate that the "deliverer" is the one who should be awarded for its effort. However, a business' preoccupation with gaining credit for its CSR should not be used to lead communities into the belief that the business is the only provider of services. This both undermines the power-balance as communities can be restrained from voicing real concerns due to the fear of losing out on important benefits that only a company is providing. Although contributing to alleviating poverty, it undermines the role that the local government has the responsibility to play (Ite, 2004). Ite (2004:8) points to several examples of multinational companies having become "quasi-governments" in their host-countries, and this dependency can in the long-term can politically and socially damage developing countries if governments are not included

as active participants. Findings demonstrate that community members lack trust and belief in the public system, and the partnership's limited cooperation with the local government does little to alter this negative perspective. Furthermore, the lack of pressure exerted on government institutions by the partnership, together with the lack of requirements set out for existing agreements between the partnership and public bodies, might constrain the ability to maximise sustainable outcomes. It will therefore be interesting to see whether Falcondo's preparation towards final mine closure and the actions that the company will take to limit dependency as much as possible before this date, will recognise the need to transmit some of the responsibility and equally the credit for development progress to local authorities in the region.

5.12.6. Clash of ethics?

In today's world it is impossible to detach business from ethics. Although Friedman argued that such considerations were beyond the scope of business (Friedman; 1970), his view presupposes a strong government with regulations and protection of citizens' rights, which is not typical for many environments in which transnational corporations operate today (Kemp, 2003). As Clarkson (1995:113) notes, "when ethical judgments and choices become issues of survival, the management of ethics becomes a matter of strategic importance", pointing to the fact that a business' ethical consciousness has implications for growth and persistence.

If businesses have their perception of what their ethical consciousness should be, so do the people. Bendell (2000) claims that "discontent and expectations are generally rooted in perceptions of what people perceive to be socially and environmentally just." This has important implications for CSR in the sense of bridging a society's and business' perceptions of what is ethically wrong or right. Moreover, in the case of a global corporation like Xstrata, how do they ensure that the ethical norms informing their strategy at corporate level match the norms in the society where they operate? When forced to make decisions over which responsibilities to take, is it then the responsibilities defined by the people living in the host-society or the responsibilities defined by Xstrata that are overruling? Further complicating the matter is the fact that ethical considerations are not static but rather organic norms evolving over time. What is being done in one part of the world is rejected as "backwards" in other parts, as will some of today's "universally accepted" norms be thirty years into the future. Falcondo is at the moment struggling with such a decision. On the one hand, its future will imply a resettlement of a community and increased environmental impacts by converting Falcondo's operation from running on oil to coal. According to so-called international norms, many would deem this as wrong and irresponsible business behaviour because of the moral issue of "buying" a community's relocation without these villagers really knowing what that would imply. Equally contributing to further release of GHGs is not seen as compatible with today's emphasis on the need to combat climate change and global warming. On the other hand, this future will mean employment for more than 2000 people and state revenue for another twenty years. For many Dominicans, this latter is surely the "type of responsibility" it would prefer the company to take, from the perspectives and conditions in which the Dominican society finds itself today.

Chapter 6: Conclusion

In today's global world, the majority of corporations within and across nations and continents have embarked on ambitious social and environmental responsibility strategies comprising everything from reduction of carbon footprints to human rights defence. "Best practices" are celebrated by awards, are seen to attract socially conscious investors and increase corporate profits. Moreover, the upsurge of reporting initiatives, business forums for sustainable practices, and creation of CSR departments and executive positions within company structures, have made CSR practice itself a business of the 21st century. Simultaneously, tracking down poor performance has become a full-time preoccupation for actors seeking to reveal the darker sides of corporate and capitalist behaviour. For businesses operating in developing countries, a "contribution to sustainable development for host-communities" is a phrase frequently used by business to describe their main responsibility towards society (Hamann, 2003). However, there is little consensus regarding what this responsibility entails, how it should take place and in what forms. Rather, CSR strategies designed by MNCs and implemented across a wide range of countries have been criticised for lacking an understanding of contextual realities and local norms (Muthuri, 2008; Sharp, 2006). In many cases, this "one-size-fits-all" approach, limits well-intended initiatives and sometimes leave host-societies worse off (Fig, 2005; Frynas, 2005). CSR practice as a serious attempt to contribute to sustainable development has thus become discredited, and brushed off as mere corporate show-off (De Beer and Marais, 2005). Literature shows that there seems to be much knowledge about the business rationale for responsible behaviour and its effects on the business sphere, while there is more uncertainty about its contributions to society and the intended beneficiaries (Blowfield, 2007). Hence, there is a need to identify ways by which CSR can be tailored and implemented in a way that makes positive contributions to development, while simultaneously upholding the corporate motivations. The objective of this study has therefore been to investigate the role of a corporate-community partnership in making CSR create mutual benefits for both business and society.

6.1. Mutual benefits to business and society

The empirical investigation and the discussion in the previous chapter have demonstrated that the partnership generate vital gains to both Xstrata and the host-communities.

To Xstrata, the partnership enables the company to better *manage their stakeholder relationships* at the local level. The host-communities constitute a stakeholder group of vital importance to Falcondo's operation because Falcondo's growth has proven to be dependent on the well-being of the surrounding communities. The partnership functions as a bridge between the company and the communities, constituting an important channel for dialogue and increasing the potential for legitimate stakeholder inclusion. As a result, the partnership has provided Falcondo with a more profound understanding of both the environment in which it operates, and the stakeholders' expectations and perceptions of what the company's social and environmental responsibilities should be. The local CSR initiatives have therefore been designed to correspond accordingly, while simultaneously complying with Xstrata's policies and objectives formulated at corporate level. In this sense, it is possible to argue that in the Dominican Republic, the partnership makes Xstrata's CSR strategy move from rhetoric to reality by assuring that what the corporation states it is doing is actually being done in practice. Furthermore, this understanding has been vital in managing potential risks in terms of forecasting negative effects upon community members as well as identifying points of

“mismatch” between stakeholders’ expectations and corporate practice. The successful stakeholder management at local level is also directly beneficial to stakeholder considerations at higher corporate levels, manifesting itself for example by shareholders’ expectations of stable operational activity and financial returns.

Increased *legitimacy* of Falcondo’s operation is another important outcome of the partnership for Xstrata. A stakeholder dialogue based on mutual trust demands that Falcondo is transparent about its activities and the impacts of mining. By channelling this information through the partnership, people gain knowledge about Falcondo which enables them to hold the company accountable for its actions. Information about Falcondo’s practices are also essential for people to make legitimate claims and have realistic expectations for what types of social and environmental responsibilities the company should take. In this respect, demands for accountability do not only require Falcondo to mitigate and reduce negative externalities, but equally gives the company an opportunity to demonstrate what they are good at, thus further increasing the overall legitimacy of its presence. This added legitimacy has ensured that Falcondo enjoys acceptance by host-society, which creates a favourable public image of the company locally and also contributes positively to Xstrata’s reputation internationally.

Through stakeholder engagement and enhanced legitimacy, the partnership secures vital *business opportunities* to Falcondo. The improved corporate-community relationship has to a large extent safe-guarded Falcondo’s presence in the Dominican Republic. By altering the corporate-community relationship, the partnership has indirectly ensured Falcondo’s continuous operation without business interruptions, and in addition, it has made business expansion and growth a reality. Moreover, the partnership’s focus on increasing capabilities and improving the socio-economic conditions within the communities makes Falcondo benefit from a well-educated and healthy work force.

Findings of the study have demonstrated that benefits to the host-communities are also numerous. First of all, the partnership gives the communities a *voice*. Before, community members had to resort to violent methods for making their voice heard, and negotiations took place in a top-down and humiliating manner. Now, through the partnership, community members can voice their concerns by frequent interaction and direct meetings with Falcondo representatives and staff from the Foundation in a setting where all partners are given equal attention.

Secondly, the partnership has given each individual community the possibility to identify and participate in solving their own specific development challenges. Simultaneously, the Foundation helps the communities to balance their interests in a manner where the preoccupations of the different segments within the communities are detected and acted upon without marginalising one segment at the expense of the other. Awareness about this necessity to balance intra-community wishes for a development progress to benefit the entire community, is thus created among the community-members themselves. This is essential both for the legitimacy of the Foundation’s response to community demands, as well as for ensuring that the villagers themselves recognise that community development cannot be achieved if it is not an inclusive process.

This focus on individual community concerns has allowed for comparisons across communities, which have led to an identification of the common challenges faced by all villages in the region. From these comparisons, *root causes* hampering the development

process have been discerned and addressed. Targeting these root causes has increased the CSR initiatives' possibility for contributing to a development which is *sustainable*. The findings also show that several of the development constraints that are identified in this specific context are also broader nation-wide development problems. It is thus possible to argue that although its work is concentrated at a provincial level, the partnership nevertheless contributes to solving some of the *macro-level challenges* to development in the Dominican Republic.

Continuous dialogue and context sensitivity has enabled the partnership to develop projects that help communities advance on the path towards *community development*. Each community is shaped by its proper realities and conditions, and therefore the pace and manner in which they move towards this goal vary accordingly. However, it is clear that the focus on basic needs such as water, sanitation, health and education has improved people's living conditions and increased their abilities to partake in projects that build capacity and skills. Findings equally demonstrate that several community members have been able to use these skills to access employment opportunities, thus bettering people's economic situation. Combined, these conditions and abilities expand people's opportunities to confront the processes that hamper the possibility for development. Thus, one can argue that the partnership has strengthened community-members abilities for individual empowerment.

Finally, the partnership has emphasised the necessity for wide-spread community participation, and all interaction within the partnership takes place in a participatory manner. The benefit to the communities in this respect is their *ownership* of their community's development process. As a result, *sustainability* is enhanced because the community members are in charge of the process and the capacities are generated and maintained within the community sphere. The partnership's requirements for collective and participatory efforts have in some villages strengthened social-bonds between community members, without which community development cannot take place. Although the communities are still dependent on assistance and guidance, these collectively developed skills constitute a fundamental base for community empowerment and self-determination.

6.2. Critical factors making the partnership successful

Through the study conducted, I have identified some factors that I consider to have been critical to the success of the partnership in the specific context of this study.

First of all, the establishment of the Foundation as a third party *independent actor* in the partnership and its ability to operate independently, has been critical in making CSR mutually benefit both business and society. Although the Foundation was created to be independent, its possibility to be unbiased in its actions should not be taken for granted as Falcondo's interest are heavily represented within the BoD. Moreover, the Foundation's financial resources depend completely on Falcondo and the benefits it is able to generate for the company. The community-members are aware of the Foundation's close ties to Falcondo, but they still perceive the Foundation as an entity preoccupied with serving their interests. The Foundation's commitment to the communities and its ability to deliver its promises to community-members, have ensured the credibility it enjoys today. This view of the Foundation as a legitimate entity able to balance both society's and business' expectations has also been essential in reducing corporate-community hostilities and keeping the power-relationship in check.

Secondly, the partnership's ability to *balance the demand for immediate results with a long-term vision* has been essential. The rapid improvement in corporate-community relations was caused by the Foundation's ability to provide both the company and the communities with some immediate benefits. However, the partnership recognised that for the CSR initiatives to have sustainable impacts, a longer time perspective would be required. This applies both to community development and to business incentives, as opportunities for both parties would arise as their relationship would grow stronger. Regarding community development, targeting structural factors and root causes inhibiting development requires time, commitment and resources as well as sensitivity towards local traditions and customs. The findings show that addressing *fundamental impediments to development* has been critical in ensuring that CSR contributes to a development which is sustainable, and to reduce the risk of CSR becoming a paternalistic approach. By allowing for this broad time-span, the possibilities for business opportunities also increase in terms of expansions and stability of operations. Therefore, in the case of Falcondo, I will argue that the mutual benefits that have been created have only been possible due to the establishment of a partnership built on knowledge-sharing, contextual sensitivity and a long-term perspective.

6.3. Recommendations

Constraints on time and resources limited the ability to do an in-depth study of all communities that participate in the partnership as well as an analysis of all implications of the CSR strategy for Xstrata. Nevertheless, the justification for the chosen sample (section 4.3) enhances the validity of the findings and aims to provide a representative picture of the outcomes of Xstrata's CSR strategy in the Dominican Republic. On this ground, I will provide some recommendations for future research and investigation.

In terms of the development projects, findings demonstrate that there is disagreement over why certain projects have been difficult to implement. It might therefore be recommendable to conduct joint evaluation of the projects together with community members in order to gain a profound understanding of the possibilities and limitations, identify weak and strong points within project design and structural issues affecting project outcomes. This could increase awareness among community members about how to confront difficulties in project management, enhance sustainability and maximise potential outcomes for community development and business benefits of the CSR investments.

Close attention should be paid to equal distribution of CSR benefits within the communities. This applies to the community associations, and particularly to projects that exclude non-members or where there is an economic incentive for participation. If not, the CSR initiatives risk increase social inequalities and conflict within the communities.

Regarding clashes between Falcondo's stated practices and community members' perceptions of these practices, it might be beneficial to implement initiatives that address this mismatch to avoid corporate-community clashes in the future. For example, if there is inconsistency between the communities' claim of Falcondo having a negative impact on their agricultural activities and Falcondo's real impact, CSR initiatives that can bridge these two different realities could be desirable and beneficial to both the villagers and Falcondo.

The partnership should be sensitive towards potential changes in host-society's expectations of Falcondo's corporate responsibilities. These expectations are not static and might change, especially given Falcondo's current coal-conversion project, Manaclita resettlement and

Miranda expansion. Forecasting negative effects and involvement of the communities throughout the process are of utmost importance for Falcondo's legitimacy and acceptance to be preserved. Failure to do so can lead to detrimental consequences for host-society and place Falcondo's license to operate in peril. If it turns out that CSR and ethical considerations collide with strategic business decisions at Falcondo, the partnership's ability to balance the interest and power will be critical for the credibility of Xstrata's CSR policies.

More effort to reduce the villagers' dependency on Falcondo is recommendable. The existing dependency patterns limit CSR's possibility of ensuring lasting sustainable outcomes and fail to comply with Xstrata's policies of contributing to sustainable development in a manner that avoids dependency on its operations. The Foundation could therefore intensify its focus on the projects that build capacity and improve economic conditions as unemployment is an important factor for the existing levels of dependency. Projects aimed at increasing agricultural production could equally focus on access to markets, without which they will have limited potential for improving villagers' economic situation. In addition, increased cooperation with local government is encouraged. The inclusion of local authorities in the partnership could channel some responsibility to public institutions, thus reducing dependency on Falcondo, ensure alignment with public policies and increase possibilities for sustainability. Equally, it might serve to improve the relationship between communities and local authorities, a relationship which is currently characterised by profound distrust.

Literature highlights that MNCs are increasingly expected to not only implement micro-level CSR initiatives, but equally assume responsibilities for macro-level issues such as good governance and transparency (Guldbrandsen and Moe, 2007). Although the Foundation has been able to influence public policy in the area of education, there has been little focus on the possibility of Falcondo to contribute to increase government transparency. Xstrata is a public supporter of the EITI, however the Dominican state is not a signatory and can therefore not be required to disclose Falcondo's contribution in terms of taxes, royalties and bonuses. Nevertheless, if Falcondo would disclose all its payments in a comprehensible manner and provide society with easy access to this information, it could help empower people to demand information from the government about how this money is being spent, especially within the Commission for development of Monseñor Nouel to which a considerable amount is channelled. Falcondo might then contribute positively to macro-level challenges such as weak governance and corruption, in line with recommendations of EITI and campaigns like Publish What You Pay (EITI, 2009; PWYP, 2009). It could also add further credibility to Xstrata's transparency statements. More transparency could not only force the government to assume more responsibility for public service provision, but stronger institutions and better governance would equally provide a more stable and open environment for Falcondo's operation, in addition to increase host-society's awareness of Falcondo's important contributions to the Dominican economy and society.

The investigation carried out for this thesis has been a case study of how CSR is being implemented through a partnership in the specific context of Xstrata Nickel Falcondo in the Dominican Republic. The conclusions of the study are therefore limited to the specific socio-economic, cultural and political realities within this context and the particular challenges of Xstrata Nickel Falcondo as a mining company. CSR and development are issues where contextual sensitivity is of utmost importance. Therefore the findings cannot be generalised to be applicable to other settings. Nevertheless, due to the partnership's successfulness in implementing Xstrata's CSR policies, a close study of its design and identifications of elements that could be "transportable" and contextually tailored to suit the social and

environmental expectations of Xstrata's other host-countries, could be recommendable. Inevitably this touches upon ethical and normative issues as defined by each particular host-society. If done successfully, this might considerably benefit the overall CSR performance and gains to the Xstrata corporation, increase the potential of Xstrata as the fifth largest mining group and a leading actor in the mining industry to provide an avenue for industry change with regards to CSR, and thus have wider implications for private sector's contributions to sustainable development.

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Appendices

Appendix 1

1.1. Quantitative Questionnaire 1¹

Community questionnaire

Community:

Date:

I) Questions about the community

1) How long have you lived in this community? _____

2) Age: _____

3) Gender:

Female

Male

4) Who generates the main income in your household?

The man

The woman

Both

The woman only works when the man does not earn sufficiently

5) Do you have confidence in the political system?

Yes

No

Don't know

6) Do you have confidence in the other community members?

In everybody

In the majority

In some

In nobody

I don't know

7) In your opinion, do your fellow community members try to help each other?

Always

Most times

¹ Designed by researcher

- Falcondo Foundation
- Other
- No institution

Who: _____

II) Questions about the community's relationship with Falcondo Foundation and Xstrata Nickel Falcondo

14) Perception on the relationship between the community and the Falcondo Foundation:

- Very good
- Satisfactory
- Can be improved

15) In your opinion, which project has been most important for the development of this community?

16) Which project has been most important for you and your family?

17) Perception of the relationship between the community and Xstrata Nickel Falcondo:

- Very good
- Satisfactory
- Can be improved

18) Has the relationship with Xstrata Nickel Falcondo changed over the past 10 years?

- Yes, the relationship is better now
- Yes, the relationship is worse now
- I have not observed any change

19) What impact has Xstrata Nickel Falcondo had on your community?

- Positive Why: _____
- Negative Why: _____
- I don't know

1.2 Quantitative Questionnaire 2²

Household survey

Name of interviewer:

Name of interviewee:

Community:

Date:

1) Gender:

- Female
- Male

2) Age:

- 18-24
- 25-34
- 35-44
- 45-54
- 55-64
- 65-74
- 75 or more

3) Time of living in the community:

- Less than 1 year
- 1-5 years
- 5-10 years
- 10-20 years
- 20-30 years
- More than 30 years

4) Number of people currently living in the household:

- 3 persons
- 4 persons
- 5 persons
- 6 persons
- More than 6 persons. Specify: _____

5) Do you know how to read and write?

- Yes
- No

² Survey conducted by the Foundation. Translated and adapted by researcher

6) Are you currently studying?

- Yes
- No

7) If the previous answer is no, specify the reason:

- Don't want to
- Need to work
- Marriage
- Need to look after children/younger siblings
- Lack of access to nearby educational centre
- Lack of money
- Don't have birth certificate
- Educational centre does not offer the adequate level
- Other. Specify: _____

8) Level of education obtained by chief of household:

- None
- 1-4 grade
- 5-8 grade
- High school diploma
- Uncompleted high school
- Undergraduate university degree
- Uncompleted undergraduate university degree
- Technical/Vocational
- Masters degree/ Post-graduate degree
- Other. Specify: _____

9) Which school do the children of the household attend?

- Public
- Private
- Other
- If they do not attend school, specify why: _____

10) Educational program provided by the Foundation in which you or your family has participated:

- Adult literacy course
- High school diploma (distance learning)
- Evening high school
- Scholarship technical schools
- Scholarship university studies
- Other. Specify: _____

11) Is your house connected to the electricity grid?

- Yes
- No

12) Water supply in the household:

- From aqueduct, tap inside the house
- From aqueduct, tap outside the house
- From aqueduct, public access point
- River, stream
- Valve
- Rainwater
- Tank

13) If the water comes from an aqueduct, how is the supply?

- Daily
- Weekly
- Fortnightly
- Monthly
- Never (but the house is connected)

14) Type of sanitary facility in the house:

- Lavatory
- Lavatory and latrine
- Private latrine
- Public latrine
- Neither
- Other. Specify: _____

15) Main source of monthly income in the household:

- Interest earnings from deposited money
- Salary
- Help from family or relatives
- Help from abroad
- Pensions
- Domestic work
- Commercial work
- Agricultural work
- Livestock breeding
- Other. Specify: _____

16) Do you or other members in the household own land?

- Yes. Specify size: _____
- No

17) Current environmental problems existing in your community:

- Deforestation
- Soil erosion and river sedimentation

- Pollution
- Frequent use of pesticides
- Other: _____

18) Main health issues currently/frequently affecting members of the household:

- Flu
- Respiratory illnesses
- Gastro-intestinal problems
- Skin rashes
- Blood pressure
- Heart problems
- Other: _____
- None

19) Do you receive visit from a health promoter?

- Yes What type of assistance: _____
Frequency: _____
- No

20) Type of support received from the Falcondo Foundation for health issues:

- Latrine
- Cancer prevention program
- Cancer treatment
- Medication
- Ophthalmologic treatment
- Dentist
- Diabetes
- Other: _____

21) Mention, in order of priority, 3 problems that exist in this community:

- 1: _____
- 2: _____
- 3: _____

22) Mention, in order of priority, 3 advantages of living in this community:

- 1: _____
- 2: _____
- 3: _____

23) What is your experience with the relationship between *Falconbridge* and the community?

24) What kind of relationship do you think the community would to have with *Falconbridge*?

25) What would the community like to change in the existing relationship with *Falconbridge*?

26) What kind of changes have you observed in your community over the past 10 years?

Positive: _____

Negative: _____

27) Describe the level of development/change desired by the community for the next 10 years:

1.3. Qualitative Interview Guide, Xstrata Nickel Falcondo staff

Falcondo Staff Interview Guide	
Question	Probe questions/follow-up questions
Can you tell me about the history and the operational aspects of Falcondo?	
What does CSR mean to you?	
Why are you carrying out social and environmental initiatives?	Why is CSR important to Falcondo?
How do you manage this internally at Falcondo?	Cooperation with the Foundation, local authorities?
According to Xstrata's policies, the company aims to "contribute to sustainable development". According to you, what does this mean?	What do you think should be the range and involvement of Falcondo in meeting local/national development challenges? Do you think Falcondo has been successful in this? Why?
What social impacts does Falcondo have on the host-society?	Positive and negative How does the company monitor these? What types of compensation or mitigation mechanisms exist?
What are the main environmental impacts of Falcondo's activities?	Emissions, Water, Biodiversity, Chemicals? How does the company monitor these? What types of compensation or mitigation mechanisms exist?
Can you tell me about how the company handles community relations?	What kind of interaction takes place? Does the Foundation play a role in this interaction? What are the communities' main issues of concern? How do you respond to these?
How would you describe your relationship with the communities today?	Differences between the communities?
According to Xstrata, every operation has a community engagement plan, can you tell me about this?	What does it include/encompass? What role does the Foundation play in this?
Who are Falcondo's other main stakeholders?	What influence do they have on Falcondo? (social and environmental issues)
What impact do you think the CSR initiatives have had on Falcondo?	
Are there some issues you think you could be better on with regards to social and environmental responsibilities?	Why? How?
Another of Xstrata's policies states that one of the aims of CSR should be to reduce dependency of communities on the company. Do you have any reflections on this issue?	
What do you think will be Falcondo's main challenges with regards to CSR in the future?	How will the company handle this?

1.4. Qualitative Interview Guide, Falcondo Foundation staff

Foundation Staff Interview Guide	
Question	Probe questions/follow-up questions
Tell me about the history of the Foundation	Why did it start? How did it start? Who were involved?
What kind of projects did you start with and why?	
How is the Foundation “governed”?	
How do you become involved in a community?	
How do the Foundation’s programs work?	How do you plan with the communities? How is Falcondo involved? Any impact of Xstrata on your work? Any difficulties? How do you respond to these? Any projects that have been “easier than others”? Why? What kind of evaluation methods exist?
What has been the response in the communities?	What do they express concerning your relationship?
Have there been any strategic changes over the year?	
What impact do you think you have on the communities?	Which results do you see?
Have there been any challenges?	Reasons?
Is there something you would have done differently?	Why?
Do you see any benefit to Falcondo from the programs?	How?
How would you define sustainable development?	
What do you think are the main national and local development challenges today?	Why?
How do you see the future of the Foundation?	

2.5. Qualitative Interview Guide, Community members

Community members Interview Guide	
Question	Probe questions/follow-up questions
How long have you lived in this community?	If short time: why did you move here?
Are you a member of the community association?	Why? Why not? For how long? What do you do in the association?
Do you participate in any of the community's projects?	Can you tell me about these? How do you feel about it? What did you expect? What have you learnt?
How do you feel about working with your fellow villagers?	How do you divide the work? How do you make decisions? How do you feel about this? Is there something you think should be done differently? Are you closer to your fellow associates than to other members in the community? How?
What did you use to do before?	
What are the good things about living in this community?	
What are the difficult things?	
Do you feel that the community has changed over the years?	How? How was it before?
How do you think or hope this community will look like in the future?	

1.6. Focus Group Interview Guide

Focus Groups Interview Guide	
1) About the community	
Question	Probe questions/follow-up questions
<p>How many people live in the community? How many community associations do you have? Tell me about the community association</p> <p>What are the challenges and advantages in the community? How is the relationship between people in your community? How is the relationship with people in surrounding community? How has the community changed over the years? How do you hope will change in the community in the future?</p>	<p>When did the association start? Why did you decide to form an association? Why are you members? How many members do you have? What are the requirements for membership? How is the association governed? What do you do in the association? How do you make decisions in the association? How do you solve problems in the association? Have there been any changes in the association over the years? How? Why? How do you confront challenges?</p> <p>Is there a difference in the social relationship of the members and the non-members of the association?</p> <p>What are the reasons for these changes?</p>
2) Relationship with the Foundation	
Question	Probe questions/follow-up questions
<p>Tell me about your relationship with the Foundation</p>	<p>How long have you worked with the Foundation? How did you establish the relationship with the Foundation? What kind of projects do you have and why? Do you have projects that are not run in collaboration with the Foundation? What is the frequency of interaction? How many community members participate in the projects? What impact do you feel there have been from the projects (individually and collectively)? Have any projects failed? Why? How did you solve this? Are there any problems in the relationship and how do you confront these? How do you feel about the relationship?</p>
3) Relationship with Falcondo	
Question	Probe questions/follow-up questions
<p>Tell me about your relationship with the company Falcondo</p>	<p>How do you feel about living close to a mine? Have /Are many people from this community working in Falcondo? What have been the impacts of the company on your community? How have you responded to these impacts? Have there been any changes in your relationship with the company over the years? How? How do you interact with representatives from Falcondo?</p>

Appendix 2

2.1. Xstrata's 17 Sustainable Development Standards³

- 1 Leadership, Strategy and Accountability
- 2 Planning and Resources
- 3: Behaviour, Awareness and Competency
- 4 Communication and Engagement
- 5 Risk and Change Management
- 6 Catastrophic Hazards
- 7 Legal Compliance and Document Control
- 8 Operational Integrity
- 9 Health and Occupational Hygiene
- 10 Environment, Biodiversity and Landscape Functions**

Intent:

All significant potential and actual impacts of our activities and operations on the environment, biodiversity and landscape functions are identified, analysed, evaluated and eliminated or otherwise treated, with the aim of preserving the long-term health, function and viability of the natural environments affected by our operations. Scientifically sound technologies and procedures are developed and implemented for the effective management and conservation of biodiversity and landscape functions in the areas affected by our operations.

Requirements and Expectations:

10.1 Systems and procedures are established and implemented to:

- Identify and document all aspects of site and project operations and activities that impact, or could potentially impact, the natural environment including air, surface and groundwater, land, habitats, biodiversity and landscape functions (e.g. watershed management, control of soil erosion and the creation of microclimates)
- Conduct environmental baseline surveys and environmental impact assessments at appropriate points in the project or operating life cycle
- Assess the aspects and identify significant and potential impacts that require priority attention and management and establish plans, programmes and targets as appropriate
- Routinely review and update identified aspects when there have been significant changes or new developments to site or project operations and activities.

10.2 Using the highest reasonably practicable level of control from a recognised hierarchy of hazard controls, actions are taken to eliminate or minimise the environmental hazards, risks and impacts of site or project activities and operations. This includes systems and procedures that address:

- Point source, fugitive and accidental harmful emissions to the atmosphere, surface waters, ground waters, soil and surface sediments
- Tailings management
- Hazardous wastes
- Hazardous chemicals and materials
- Nuisance noise and vibration
- Activities that cause physical damage to the environment (e.g. clearance of vegetation and disturbance of natural habitats due to road construction or exploration drilling)

10.3 With respect to the conservation of scarce natural resources:

- Systems and procedures are established and implemented to identify and document significant natural resource conservation issues, such as the use of water, energy and raw materials
- Objectives and targets are set and programme systems and procedures are established and implemented that address the priority natural resource conservation issues
- The identified natural resource conservation issues are routinely reviewed and updated, in particular in light of any proposed new or modified activities and operations.

³ Only standards 10 and 12 are appended in detail.

10.4 Baseline biodiversity and landscape function studies are conducted at the feasibility or exploration phase of projects, or as soon as practicable for acquired operations without an appropriate baseline study, to:

- Establish existing conditions of biodiversity and landscape function (e.g. watershed management, control of soil erosion and microclimate creation)
- Identify the potential impacts of proposed activities and operations that create risks to biodiversity and landscape functions
- Identify relevant standards to be applied or used as benchmarks
- Identify opportunities for improvements

10.5 Environmental risk assessments associated with impacts on biodiversity and landscape functions are undertaken for new operations or major changes to existing operations.

10.6 Information acquired from 10.4 and 10.5 is used, in consultation with affected and concerned external stakeholders, for the development and implementation of biodiversity and landscape function management systems and programmes.

10.7 During the life cycle of a project including post-closure, the status of biodiversity shall be monitored and reviewed in terms of:

- Species and habitat loss or gains
- Factors that impact on biodiversity
- Security of protected areas
- Management of biological resources
- Ongoing rehabilitation and restoration of ecosystems
- Resilience of the ecosystem.

10.8 Appropriate education and awareness about the environment, biodiversity and landscape function is provided to relevant personnel using specialist advice as required.

10.9 The environment, biodiversity and landscape function are addressed when determining post-closure land use and the conservation, rehabilitation or restoration of ecosystems as appropriate.

10.10 Scientific information on the best available current practices, including technologies, to protect and enhance the environment, biodiversity, conservation and landscape function is shared with relevant internal and external stakeholders as appropriate.

11 Contractors, Suppliers and Partners

12 Social and Community Engagement

Intent

The social impact of our activities, community concerns, needs and the social risks to our operations are identified and addressed through the effective implementation of community relations strategies which uphold and promote human rights and respect cultural considerations and heritage. Social involvement plans aim to enhance the socio-economic capacity and well-being of the communities associated with the Group's activities, avoiding dependency and contributing to the development of sustainable livelihoods. Plans are established through engagement with communities and relevant organisations and are coordinated between the different levels of the organisation and with external governmental or development organisations.

Requirements and Expectations

12.1 Community concerns and needs, as well the risks and impacts of site and project operations and activities on local communities, are identified and evaluated at each stage of the project life cycle or when any major modification to Xstrata's activities and operations occur or when significant changes occur in the communities. Where appropriate, this includes:

- The systematic identification of external stakeholders
- Human rights baseline studies and risk assessments that include security providers and activities
- Social baseline studies and risk assessments.

12.2 We engage with all communities within the operation's area of influence and prioritise the most affected communities and vulnerable groups.

12.3 Respect for the rights of communities is demonstrated through an understanding of:

- Traditional rights and cultural heritage, including those of indigenous peoples
- Sensitivities involved in addressing issues of social impact, including avoiding the resettlement of people wherever possible
- Local laws and customs
- Handling matters in a spirit of trust

■ Upholding human rights, in particular with regard to the use of security providers and personnel in high-risk areas.

12.4 Identified community concerns, needs, opportunities, and the risks and impacts of site and project operations and activities are prioritised – in close consultation with the communities concerned – and addressed via community strategies and social involvement plans as an integral part of our risk management and business planning processes. Where appropriate, this includes:

- Community mapping
- Institutional analysis – the evaluation of the variety, strength and linkages of institutions within and around the relevant community
- Problem census – the identification of community concerns through direct consultation with a broad range of community groups
- Opportunity ranking
- Identification of goals and assumptions
- Identification of key performance indicators and measures of success

12.5 Our community strategies and social involvement plans focus on enhancing the socioeconomic capacity, prosperity and sustainable development of the communities in which we operate in a manner that avoids dependency on the Xstrata site/operation after closure. Where appropriate, this includes:

- Development and use of appropriate skills and technologies
- Support for community educational initiatives and health programmes
- Providing employment opportunities for local people
- Sourcing and purchasing from local companies
- Support for community projects
- Promoting local enterprise development.

12.6 Commodity businesses formalise the budgeting and business planning process for prioritising and allocating commodity business social involvement funding in a manner that is coordinated with site and project level social involvement plans.

12.7 Community relations activities are undertaken by appropriately skilled employees and contractors with defined, documented and communicated responsibilities.

12.8 Performance is monitored on an ongoing basis, community strategies and social involvement plans are reviewed at least annually, in consultation with local communities, and actions taken where objectives and targets are not met.

12.9 Mutually understood and accepted community consultation mechanisms exist at commodity business, divisional, site and project levels. A system is maintained to record community engagement activities and any complaints or enquiries from community members or other external parties, together with Xstrata's response to these.

12.10 Systems exist to measure and report on cash and in-kind contributions made towards community development by a commodity business, division, site or project.

- 13 Life Cycle Management – Projects and Operations
- 14 Product Stewardship
- 15 Incident Management
- 16 Monitoring and Review
- 17 Emergencies, Crises and Business Continuity

Appendix 3

3.1. Falcondo Foundation's annual expenditure per community

The following graphs demonstrate the annual expenditure of the Foundation on projects in the three villages since the beginning of their cooperation. Only the major investments are accounted for in explanatory notes.

3.1.1. Palmaritos

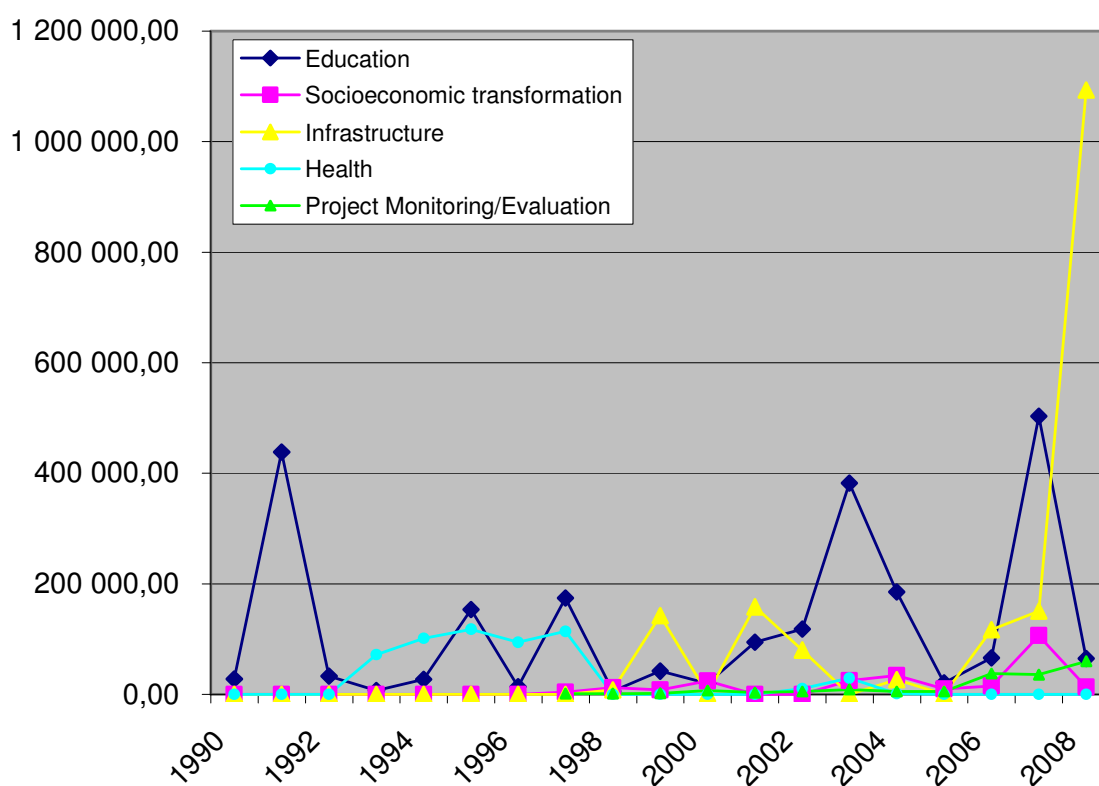


Figure 1: Palmaritos – Annual expenditure (RD\$) per sector 1990 – 2008.

Source: Fieldwork returns

Education: Major investments in 1993, 2003 and 2007 were due to large physical improvements in Palmaritos two primary schools.

Infrastructure:

1999: Reparation of community club after tropical storm

2001: Church construction

2008: A new building for the bakery was bought

3.1.2. Hato Viejo

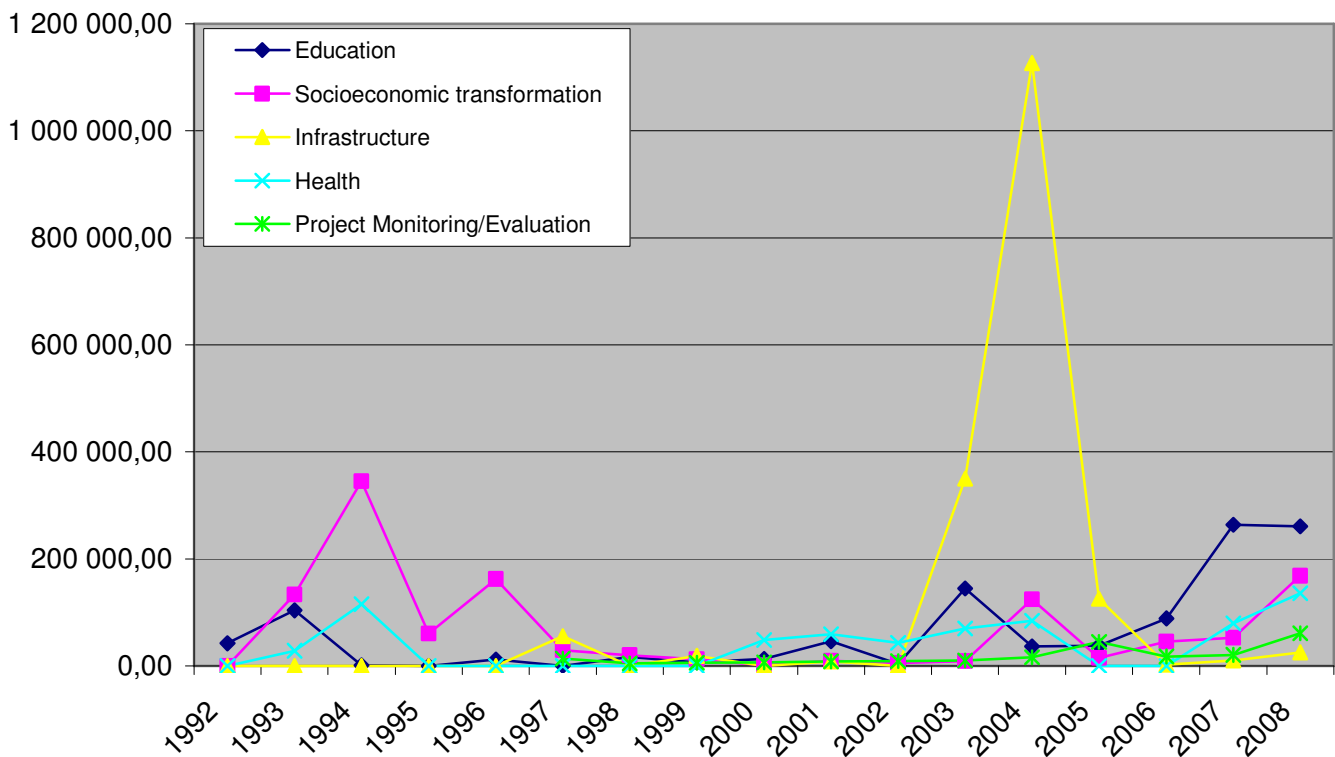


Figure 2: Hato Viejo – Annual expenditure (RD\$) per sector 1992 – 2008.

Source: Fieldwork returns

Socio-economic transformation:

1994: Expenses related to the initiation of the cow project and the establishment of communal vegetable gardens and plant nurseries

Infrastructure

2003-2004: Construction of community club and church

3.1.3. Peñaló

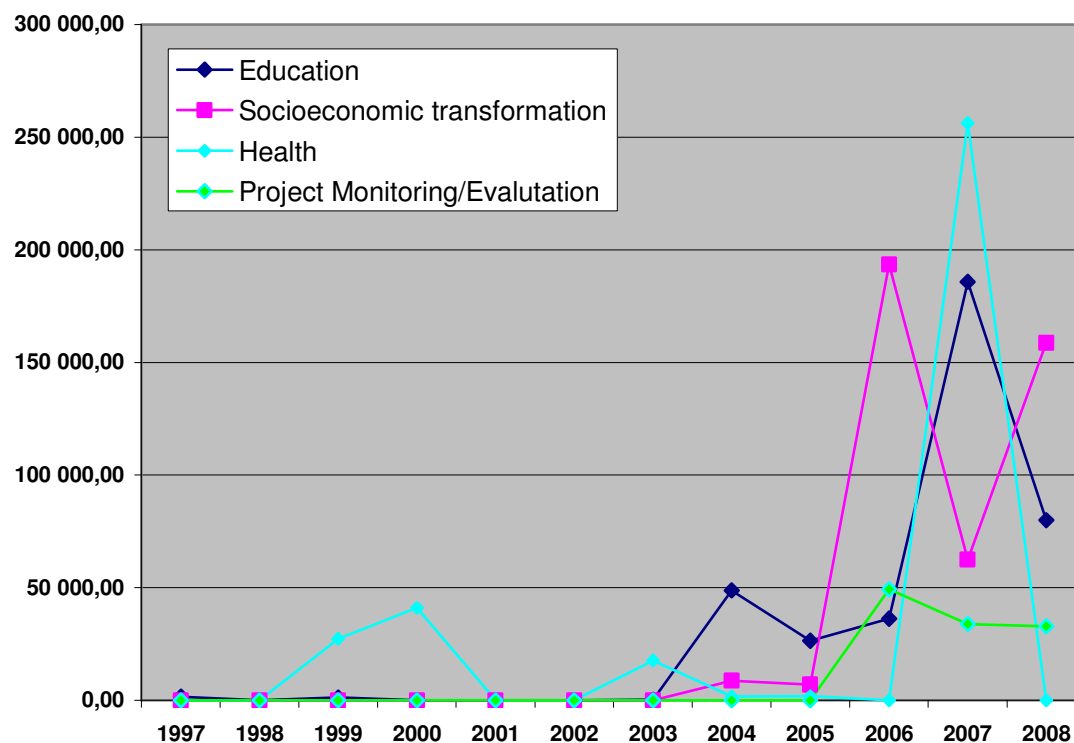


Figure 2: Peñaló – Annual expenditure (RD\$) per sector 1997 – 2008.

Source: Fieldwork returns

Health:

2000 and 2007: Sanitation program (construction of latrines)

Socioeconomic transformation:

2005-2008: all expenses are related to the greenhouse project.

Investments for infrastructure in Peñaló have been mainly related to the greenhouse project and sanitation program, and are therefore included in those accounts.

Appendix 4

4.1. Stages of interaction within the partnership⁴

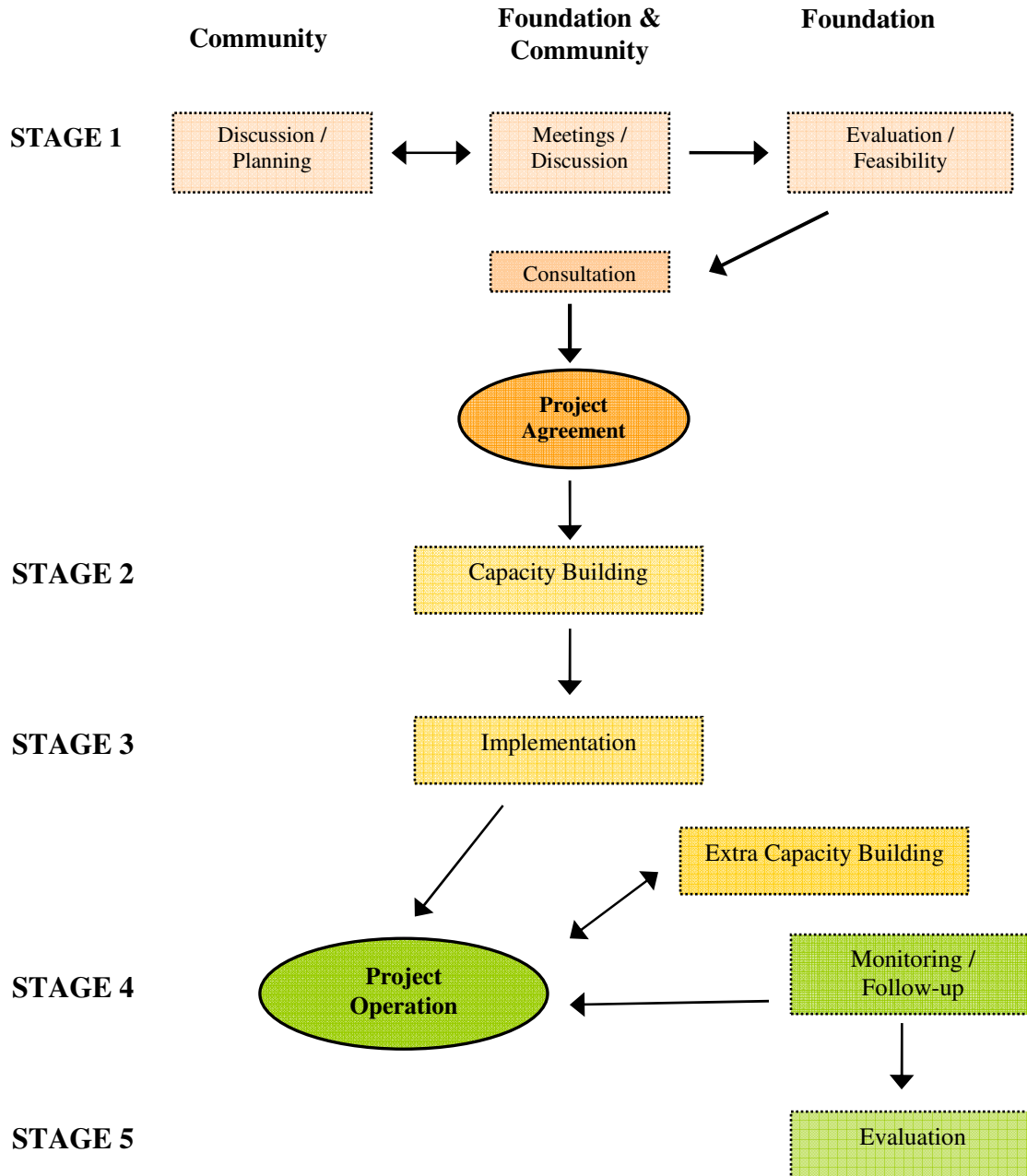


Figure 1: Illustration of the interaction process described in chapter 5.10.

Source: Author.

⁴ This diagram illustrates the partnership's interaction on *development projects*. Xstrata Nickel Falcondo's role in this respect is mainly to approve larger projects as a member of the BoD, and to help with constructions and materials. Representatives also participate in project inaugurations and meetings.

Appendix 5

For the measurement of social capital, the questions informing the analysis are rank ordered, meaning that it is possible to assign each a value after having conducted the survey. For example, the answer “sometimes” is inferior to “most times”, hence it has been assigned lower value. Using the formula below it is then possible to calculate the total value of all respondents within a village for each of the six indicators. The unit of measurement of the different indicators has been standardised between 0 and 1, where 1 is the highest value obtainable for each indicator while 0 is the lowest.

$$\text{Indicator value} = \frac{((\text{obtained value}) - (\text{minimum value}))}{((\text{Maximum value}) - (\text{Value of non-respondents}) - (\text{Minimum value}))}$$

The below table shows the calculation for the village of Peñaló.

Respondent (n =20)	Value attributed to questions			Total value all indicators
	Q1	Q2	Q3, Q4 etc.	
1	3	2		
2	4	2		
3	4	2		
4	3	2		
5	3	2		
6	3	3		
7	3	3		
8	2	2		
9	2	3		
10	2	2		
11	2	3		
12	4	4		
13	3	2		
14	4	3		
15	2	3		
16	2	2		
17	2	2		
18	4	2		
19	3	2		
20	2	2		
Obtained value (whole sample)	57	48		275
Maximum obtainable (whole sample)	80	80		400
No response value	0	0		4
Valid maximum value (max.value - no response)	80	80		396
Final total value (Obtained Value / Valid maximum)	0,713	0,6		0,694

Questions number 1-4, had 5 possible answers,

e.g. Q1 possible answers:	Value
Always	4
most times	3
Seldom	2
Never	1
I don't know	0
max value Q1 (per respondent)	4
minvalue Q1 (per respondnet)	0

The answer “I don’t know” is seen as neutral, and has therefore been given the value 0. As Peñaló has 20 respondents, the *maximum obtainable value* for Q1 is $20 * 4 = 80$, and the minimum $20 * 0 = 0$. If there had been e.g. 1 missing response, the *valid* maximum obtainable value would have been $19 * 4 = 76$.

The final total value for the indicator is the obtained value/ valid maximum value.

Q5 and Q6 had a maximum obtainable value of 40. This is because the questions in the survey had only 3 possible answers,

e.g. Q5 possible answers:	Value
Yes	2
no	1
i don't know	0
max value Q5 (per respondent)	2
minvalue Q5 (per respondnet)	0

When all indicators are calculated, it is possible to sum the six and obtain a value for the total social capital in each village. The same questions were posed in all villages, and the values obtained are therefore comparable. The indicator value obtained from the calculation establishes the *rank* of the villages as well as the *distance* between them, thus determining the *relative position* of each village. The value of one indicator therefore have no meaning when it “stands alone”, and must be seen in comparison with the value of the same indicator in the other villages:

Indicators of social capital in the communities														
Community	Confidence		Mutual-help		No fear of exploitation		Proudness		Common values		Participation in problem-solving		Total social capital	
	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank
Penalo	0,713	1	0,6	3	0,329	3	0,863	3	0,95	2	0,95	1	0,694	3
Palmaritos	0,62	2	0,773	1	0,69	1	0,989	1	1	1	0,87	2	0,796	1
Hato Viejo	0,583	3	0,671	2	0,579	2	0,938	2	0,882	3	0,826	3	0,721	2

The methodology for this calculation has been taken from an example provided by UNDP (2008: 401).