

The alignment of Social and Labour Plan (SLP) commitments with municipal Integrated Development Plans (IDPs)

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Abstract

According to s 23, 24 & 25 of the MPRDA, mining companies must submit a Social and Labour Plan (SLP) when applying for mining rights, and the local economic development (LED) of the SLP must be aligned with the local and district municipality Integrated Development Plan (IDP). The alignment between the SLP and IDP local economic development initiatives provides a platform for investment opportunity, economic growth, poverty reduction and infrastructure development (ICMM, 2006). The main objective of this research was to determine the extent to which the mining SLPs are aligned with municipal IDPs. The research was conducted using a qualitative method for three case studies, a literature review, a documents review (of the SLPs and IDPs), questionnaires and interviews. The mining industry charter gives mining companies targets for the development of local communities through their SLPs. The King reports on corporate governance also give the industry ways to report on corporate social responsibility and sustainability. The local government Municipal Systems Act governs the development of local communities through the development of IDPs as per s 29. There are also debates on the increase of local beneficiation by mining companies, thereby creating jobs and accessing incentives in the form of royalty payments and tax relief. In addition there is a growing demand for a portion of such royalties and taxes to be paid directly into the municipalities to improve the LED and infrastructure challenges. The main challenge with alignment is how mining companies deal with related community grievances and risks, capacity constraints at local government and the DMR, poor stakeholder engagement and the backlog of service delivery. Overall, in the three case studies the KPIs were generally aligned (criteria B) with the municipal IDPs, which indicates that there is a general compliance with the DMR regulations and guidelines. The SLPs, socio-economic background and key economic activities were aligned (criteria A) with the IDPs, while projects and programmes were also generally aligned (criteria B). The negative social impacts were just aligned (criteria C) with the IDPs while no KPI was found to be not aligned (criteria D) with IDP. Some of the initiatives to improve the positive social impacts were the continuous Social Impact Assessment (SIA) throughout the life of mine. Most importantly the research identified that there is a need to improve capacity in local government for dealing with local economic development as this will also aid/improve the alignment of IDPs and SLPs.

Key Words: Social Labour Plan; Integrated Development Plan; Local Economic Development; Community Development

Samevatting

Volgens afdeling 23, 24 en 25 van die MPRDA, moet mynmaatskappye 'n Sosiale en Arbeid Plan (SAP) voorsien wanneeraanzoek gedoen word ommynregte. Die MPRDA vereis dat die plaaslike ekonomiese ontwikkeling (PEO) van die SAP in ooreenstemming met die plaaslike en distriksmunisipaliteit se geïntegreerde Ontwikkelingsplan (GOP) moetwees. Die belyning vandieSAPenGOPplaaslike ekonomiese ontwikkelinginisiatiewebied 'nplatformvir beleggingsgeleentheid, ekonomiese groei, die vermindering van armoedeendie ontwikkeling van infrastruktuur.Die hoofdoel van hierdie navorsing was om die mate van belyning tussenSAPsen munisipale GOP te bepaal. Die navorsing is gedoen met behulp van 'n kwalitatiewe metode vir drie gevallestudies, 'n Literatuuroorsig, 'n dokumente oorsig (van die SAPs en GOP), vraelyste en onderhoude. Die mynbedryf handves gee mynmaatskappye teikens vir die ontwikkeling van plaaslike gemeenskappe deur middel van hul SAPs terwyl die King-verslae oor korporatiewe bestuur die bedryf leidinggee met verslaggewing vankorporatiewe maatskaplike verantwoordelikheid en volhoubaarheid. Die Wet op Munisipale Stelsels vir plaaslike regering beheer die ontwikkeling van plaaslike gemeenskappe deur die ontwikkeling van GOPssoos vereis in afdeling 29 van die wet.Daar is ook die debat rakende die verhoging van die plaaslike veredeling van mynmaatskappyeen die bekendstelling vaninsentiewe in die vorm van vrugreg betalings en belasting verligting.Daarbenewens is daar 'n groeiende aanvraag vir 'n gedeelte van sodanige vrugreg en belasting om direk aan munisipaliteite betaal te word om die PEO en infrastruktuur probleme aan te spreek. Die grootste uitdaging met belyning is hoe mynmaatskappye verwante gemeenskapsgriewe en risiko's hanteer, kapasiteit beperkings op plaaslike regeringsvlak en binne die Departement van Minerale en Hulpbronne(DMH), swak betrokkenheid van belanghebbendes en die gebrek aan dienslewering.Die navorsing vind dat die drie gevallestudies sesleutel prestasie areas (SPAs) in die algemeen belyn is (kriteria B) met munisipale GOPs, wat daarop dui dat die DMH -regulasies en riglyneoor die algemene nagekom word. Die SPAs se sosio-ekonomiese agtergrond en sleutel-ekonomiese aktiwiteite is belyn (kriteria A) met die GOPs, terwyl projekte en programme ook in die algemeen belyn (kriteria B) is. Die negatiewe sosiale impakte is net belyn (kriteria C) met die GOPs hoewel geen KPI is gevind nie in lyn gebring word (kriteria D) met GOP. Inisiatiewe vir die verbetering van positiewe sosiale impakte is die voortdurende uitvoer van sosiale impak assessering (SIA) tydens die lewensiklus van myne. Die navorsing identifiseer dat daar 'n behoefte is om die kapasiteit in plaaslike regerings te verbeter sodat plaaslike ekonomiese ontwikkeling en die belyning van die GOPs en SAPskan verbeter.

Sleutelwoorde: Maatskaplike Arbeid Plan; Geïntegreerde Ontwikkelingsplan; Plaaslike Ekonomiese Ontwikkeling, Gemeenskapsontwikkeling.

Declaration

I declare that this research report, apart from the contributions mentioned in the acknowledgements, is my own, unaided work. It is being submitted for the Degree Master of Environmental Management at the North West University, Potchefstroom Campus. It has not been submitted before for any degree or examination at any other university.

(Signature of candidate)

May, 2014

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Acronyms

AGSA	Auditor General South Africa
BBSEE	Broad-Based Socio Economic Empowerment
CSI	Corporate Social Investment
CSR	Corporate Social Responsibility
DPLG	Department of Provincial and Local Government
EMP	Environmental Management Plan
GDP	Gross Domestic Products
HDSA	Historically Disadvantaged South African
ICMM	International Council on Mining and Metals
ICPGSIA	Inter-organizational Committee on Principles and Guidelines for Social Impact Assessment
IDP	Integrated Development Plan
IFC	International Finance Corporation
KPI	Key Performance Indicator
LED	Local Economic Development
LSA	Labour Sending Area
MOU	Memorandum of Understanding
MPRDA	Mineral Petroleum Resources Development Act
MWP	Mine Works Plan
NGP	New Growth Path
RDP	Reconstruction and Development Programme
SEDF	Socio – Economic Development Framework
SIA	Social Impact Assessment
SLO	Social Licence to Operate
SLP	Social and Labour Plan

Definitions

2.1. Definitions and terminology

- **Community** - means a coherent, social group of persons with interests or rights in a particular area of land which the members have or exercise communally in terms of an agreement, custom or law (RSA, 2002a).
- **Corporate Social Responsibility** - is a process with the aim to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered as stakeholders (Mabuza *et al.*, 2010).
- **Historically Disadvantaged South Africans** - means any person, category of persons or community, disadvantaged by unfair discrimination before the Constitution of the Republic of South Africa, 1993 (Act No. 200 of 1993) came into operation (DMR, 2010).
- **Integrated Development Plan** - the Municipal Systems Act requires every municipality to develop an IDP as a tool to plan and coordinate development within their areas of jurisdiction. This tool is meant to assist municipalities to involve all stakeholders in the planning and delivery of services and thereby enhance the chances of sustainable development in their areas (RSA, 2000).
- **Key Performance Indicators** - A set of quantifiable measures that a company or industry uses to gauge or compare performance in terms of meeting their strategic and operational goals (<http://www.investopedia.com/terms/k/kpi.asp>)
- **Labour Sending Areas** - areas from which a significant number of mineworkers are or have been recruited (DMR, 2010).
- **Local Economic Development** - is a process by which local governments, along with local corporate firms, join forces and resources to enter into new partnership arrangements with each other in order to create jobs and stimulate economic activities (Blakely, 1994).
- **Mining Charter** - means the Broad Based Socio-Economic Empowerment Charter for the South African mining industry (DMR, 2010).
- **Reconstruction and Development Programme** - is a South African socio-economic policy framework implemented by the African National Congress (ANC) government of 1994 after months of discussions, consultations and negotiations between the ANC, its Alliance partners the Congress of South African Trade Unions and the South

African Communist Party, and mass organizations in the wider civil society (African National Congress, 1994).

- **Social Impact Assessment** - a method of identifying, analysing and evaluating the impact our actions may have on the social aspects of the environment (ICPGSIA, 2003).
- **Social Labour Plan** - is a mandatory process designed for South African mining companies with the aim to embrace social responsibility for the company and encourage a positive impact through its activities on the employees, communities and stakeholders (DMR, 2010).
- **Sustainable Development** - means the integration of social, economic and environmental factors into planning, implementation and decision making so as to ensure that mineral and petroleum resources development serves present and future generations (DMR, 2010).

CHAPTER 1

INTRODUCTION, BACKGROUND AND OBJECTIVES OF THE RESEARCH

1.1 Introduction

According to the Mineral and Petroleum Resources Development Act (MPRDA) 28 of 2002, mining companies must submit their Mine Works Plan (MWP), Environmental Management Plan (EMP) and Social and Labour Plan (SLP) when applying for mining rights. The five-year cycle SLP must ensure that upon the granting of mining rights, the mining activities cater for the needs of the current and future generations through community development initiatives. The SLPs also covers the human resources development plans (HRD), employment equity (EE) plans, plans for the housing and living conditions of employees, and for the management of downscaling and retrenchments. The main objective of SLPs is to promote economic growth and employment, and advance social welfare by ensuring that mining companies contribute towards socio-economic development in areas in which they are operating (DMR, 2010). As described by Franks *et al* (2009b), the SLP should summarize the findings of the Social Impact Assessment (SIA) to enhance the mine's positive impacts and to avoid and offset negative impacts. The environmental and social impacts of the mining industry are well documented, and include among other things changes in community amenities, health and the availability and cleanliness of water (Evans and Kemp, 2011), changes to land cover, the generation of dust and noise, and increased fatalities as a result of an increase in vehicular traffic (Franks, 2011) and different disease transmission (ICMM, 2008).

The enhancement of positive social impacts may be achieved by addressing the challenges facing Local Economic Development (LED) which are identified in the local government Integrated Development Plans (IDP). An IDP, which is also a five-year cycle strategic document, identifies plans to address service delivery challenges and the plan is reviewed on an annual basis (Municipal Systems Act, 32 of 2000). According to the SLP Guidelines prepared by the Department of Mineral Resources (DMR, 2010), the mining SLP must be aligned with the municipal IDP, which must accord with the Provincial Growth and Development Strategy (PGDS), National Spatial Development Strategy (NSDS), National Priorities and any other relevant policy documents. Figure 1 below gives a clear outline of the SLP process to be followed from the assessment and alignment with IDP to reporting to the DMR, which also covers the legal mandate. This is also in line with section 153 of the Constitution, which outlines the duties of a municipality. The IDP is developed by the district municipality in partnership with different stakeholders and filters into different local municipalities so that they may align their own IDPs with the District IDP. The alignment between the SLP and IDP local economic development initiatives provides a platform for

investment opportunity, economic growth, poverty reduction and infrastructure development (ICMM, 2006). The possibility of improving local economies in this way has been proven by countries such as Australia, Chile and Botswana, where mining social investment has increased not only local economic development but also the national economic growth (ICMM, 2006).

Mining is a critical component of international, national and local economic development. The industry contributes almost 8% of the GDP and employs approximately 500 000 workers (DME, 2008a; DME, 2009) and the GDP increased to 11.4 % in the third quarter of 2013 (Stats SA, 2013). Yet most of the communities in which the mining companies operate are faced with numerous social challenges such as poverty, poor health, bad education, unemployment and a lack of basic services and infrastructure such as water, housing and roads, which ultimately results in community unrest. Community unrest in areas where mines operate might perhaps be an indication that the SLPs are not addressing the issues identified by the community in the IDPs. In relation to this, as indicated by Van der Schyff (2012), one of the most controversial features of the MPRDA was that it acknowledged that the country's mineral and petroleum resources belonged to the nation and that the State was the custodian thereof. It may be because of a misinterpretation of the above Act that community unrest is fuelled in mining areas, or because of the government's ineffectiveness in implementing the Mining Charter of 2002 and failing to consider the rights of communities in terms of community consultation, community input into planning for mining developments through SLP (Tapula, 2012). Poor alignment of mining Social and Labour Plans with municipal Integrated Development Plans may have serious negative impacts on local communities' economic development and on basic service delivery. The SLP process flow and alignment with municipal IDPs is summarized in Figure 1 below.

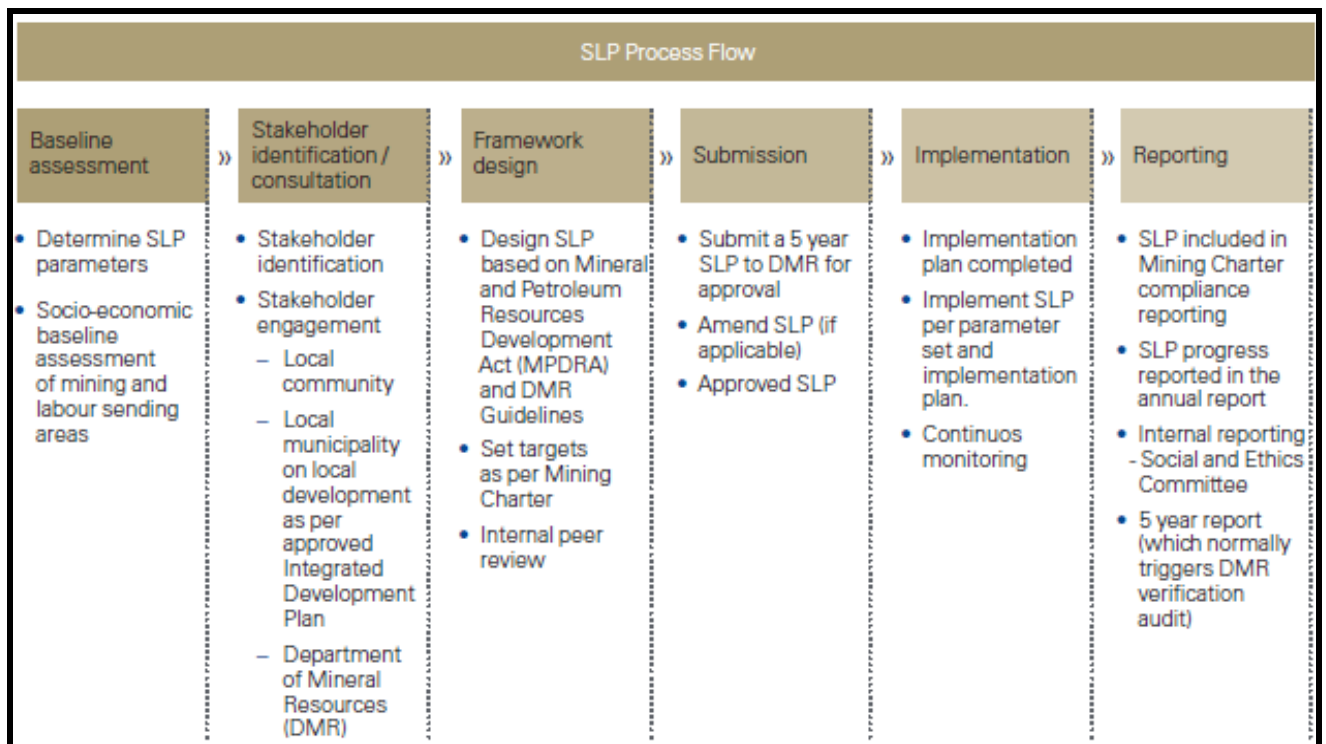


Figure 1: An overview of the SLP process and its relationship with municipal IDPs (KPMG, 2013).

1.2 Background

The concept of CSR in South Africa started in the 1970s with Professor Meyer Feldberg delivering his inaugural lecture on business profits and social responsibility at the University of Cape Town (Slabbert *et al.*, 1998). Furthermore, sanctions were imposed to South African government through the Sullivan Principles. These principles were applicable to US companies which adhered to policies of non-segregation and non-discrimination in the workplace, just as the companies were supposed to do in the US. The operation of the Sullivan Principles in South Africa is regarded as one of the first instances of CSR in the country (Slabbert *et al.*, 1998; Fig, 2002). Since 1980s and 1990s there have been a number of Corporate Social Investments (CSI) by large companies, which have included among others the formation of the Joint Education Trust (JET), which comprises of the fifteen largest companies in South Africa, including Anglo American (Slabbert *et al.*, 1998).

The early 1990s brought about a new political dispensation in the history of South Africa which initiatives, for our purposes, started with the CSI initiatives in the form of the Reconstruction and Development Programme (RDP). This programme was aimed at addressing the socio-economic imbalances that had been suffered as a result of the apartheid regime before the advent of the government of national unity in 1994. Through the RDP many deserving

communities were offered housing, water, sanitation, electricity and many infrastructural projects to alleviate poverty and increase economic growth of the local communities (African National Congress, 1994). All these concepts of social responsibility gave effect to mining sector Social Labour Plans (SLP) when the MPRDA was promulgated in 2002. The alignment of SLP projects with those that are identified by the IDP limits the mining companies to actually invest less on discretionary Corporate Social Investment (CSI) initiatives but rather to focus on the mandatory issues that were raised by the community through the IDP. The CSI projects are not regulated by the DMR, as is the case with SLPs, and it is very important for the industry to keep focus on the main needs of the community that are identified in the IDP.

Slabbert *et al* (1998) indicates that the issue of Corporate Social Responsibility (CSR), which covers the environmental management plans, mine closure and Social and Labour Plans in the mining industry, is not a new phenomenon but rather dates back as far as the industrial revolution. There has always been tension between the need for business to make profits and the needs of communities, which tension this results in the growing interaction between government, business and the communities. The CSR programmes of mining companies are focused chiefly on communities because the mining has economic, environmental and social impacts at a community level (Jenkins, 2004). To strengthen regulation of such interaction, the South African Government introduced the National Environmental Management Act (NEMA) 107 of 1998 and the MPRDA 28 of 2002. The latter was followed in 2004 by the Mining Charter, which addresses the social challenges and economic development of local communities. Again, the Municipal Systems Act No 32 of 2000 compels each local government council to draft an IDP on how the different challenges facing their communities will be addressed. Like SLPs, IDPs are reviewed every year to monitor progress made before a new five-year plan can be drafted and approved. As a lesson learnt from the Reconstruction and Development Programme (RDP), large mining companies also embarked on discretionary social responsibility initiatives in areas in which they were operating, and the role of government has been emphasized by King II Report on Corporate Governance (2001). The Report states that

the private sector has to some extent also become a motivator and generator of equitable socio-economic development opportunities. Government's emphasis is increasingly on facilitating this process. While it is clearly preferable for corporate enterprises to control their destiny through proactive self-regulation, governments around the world have demonstrated that they will introduce legislation where necessary if companies fail to do so.

The South African Mineral Industry Report (2006) indicated that the mining industry is the biggest contributors to the South African economy largely through the mining of gold, coal, diamonds, and platinum-group metals. The industry is one of the biggest contributors to economic growth because it is one of the biggest employers and continues to grow, it requires efficient infrastructure, it gives rise to the establishment of secondary industries, and the high level of technical expertise it demands leads to the attraction of investment. Among other things, the industry is also causes different environmental and social challenges such as the disruption of water resources, land degradation and impacts on the livelihoods of local communities in the Labour Sending Areas (LSA). The South African Mineral Industry Report (2006) indicates that on the social front, poverty, unemployment, poor education and poor health are the biggest challenges. Based on these impacts, the industry is constantly faced with increased pressure from its employees (especially the labour unions), local communities, regulators (the government), and local and internal organizations to improve their social and environmental performance (Mining Mineral Sustainable Development Report, 2002). To put more emphasis especially on the social issues, government introduced the Mining Charter and MPRDA (2002) with guidelines to facilitate social intervention by the mining industry. Funding agencies such as the International Finance Corporation (IFC) also require industry to engage in social responsibility activities as part of their condition for giving funding to mining companies by standard frameworks through the World Bank (Evans and Kemp, 2011). This can be seen as another condition set by investment companies to persuade mining companies to invest in their communities through SLPs, which can also be regarded as the social licence to operate (SLO). The research by the DMR (2009) on Mining Charter impact assessment indicated that among other things, 63% of mining companies consulted with communities when drafting their SLPs and 49% participated in the IDP formulation while 37% showed proof of expenditure in accordance with approved SLPs.

1.3 Problem statement

If mining SLPs are not properly aligned with municipal IDPs as required by DMR guidelines, this may result in the loss of an investment opportunity for community development, economic growth, poverty reduction and infrastructure development. Recently South Africa has been experiencing community unrest at numerous mining companies' sites and this may be a symptom of the mining SLPs not being aligned with municipal IDPs. Therefore it is important to critically review the alignment of these two groups of documents in order to determine the extent to which they are aligned in practice and to identify any challenges that may need to be overcome.

1.4 The Main Objective

To determine the extent to which the mining Social and Labour Plans commitments are aligned with the municipal Integrated Development Plans.

1.5 Research Questions

The following sub-questions are presented to support the main objective of the research:

- What are the legal mandates relating to mining SLPs and municipal IDPs?
- What are the debates regarding the alignment of mining SLP commitments with municipal IDPs to improve local economic development?
- What are the problems facing mining industries with regards to the alignment of mining SLP commitments with municipal IDPs?
- To what extent are mining SLP commitments aligned with municipal IDPs?
- How can the alignment between mining SLP commitments and municipal IDPs be improved?

1.6 Structure of the mini-dissertation

The research is structured in such a way that the reader should be able to understand the flow of the research from the objectives and methodology of the research to the answers to the research questions. These questions are linked to one another in such a way as to address the main objective and are summarized in the figure below, which describes the contents of the six chapters.

Chapter 1
Introduction, Background and Objectives of the Research



Chapter 2
Conceptualizing the methodology of the research to answer the key questions and objectives of the research study



Chapter 3
Review of the legislative mandate for SLPs commitments and municipal IDPs under which the mining companies are expected to operate



Chapter 4
Review of the current debates with regards to the alignment of SLPs commitments and Municipal IDPs to improve local economic development



Chapter 5
Analysis of case studies from different mining companies SLP reports and their alignment with the relevant municipal IDP from the area in which the mining companies operate, focusing on challenges and recommendations



Chapter 6
Summary of the research, conclusion, and recommendations from the findings of Chapters 3, 4 and 5

CHAPTER 2

RESEARCH METHODOLOGY

2.1. Introduction

In the South African context, the issue of SLPs is quite new and was promulgated in the MPRDA only in 2002. There is not enough information available on the extent of alignment of SLPs with IDPs mainly because of the sensitivity of the subject and the methodology to be used in this kind of research. There is no well defined methodological blueprint for this type of research, and the design of the criteria to measure the extent of the alignment may pose a challenge. Some of the research done on the SLPs and IDPs seems to favour a qualitative methodology based on case studies, a literature review, interviews and questionnaires (Alvesson and Skoldberg, 2000; Strydom *et al.*, 2005). A qualitative methodology was followed in this research project too, based on different key performance indicators (KPIs) as per requirements by DMR (2010) to determine the extent to which the SLPs and IDPs are aligned. The purpose of this research is to determine the degree to which Social Labour Plan local economic development initiatives are informed by the municipal Integrated Development Plans, because this is the requirement by DMR (2010) to ensure sustainable community development in areas where mining companies operate.

2.2. Research design

A research design describes how data will be collected and analysed to give answers to the specific research questions. To answer the questions and objectives of this study, the research makes use of qualitative methods. The data was collected through a literature review, a documentation review and an analysis of different case studies. Also as part of qualitative analysis, interviews were conducted to provide answers to some of the research questions.

2.3. Case Study Analysis

The main selection criterion of the case studies was based on the availability of SLP and IDP documents. The following criteria were also considered during the case study selection process:

Criterion 1: it was important to select a municipality in each province where mining has been operating for many years.

Criterion 2: the availability of information, especially the SLP and IDP reports, and ease of access to further data, based on the quality of the reports.

Criterion 3: one sample representing each of the three provinces, based on the different resources being mined in these areas.

Criterion 4: mining areas where there has been recent community unrests.

Given the above criteria, three mines and municipalities were selected. They were in the Northern Cape (Kgatelopele) in Gauteng (Merafong City) and in Mpumalanga (eMalahleni). They form part of the mining hub of the country. One report was sampled for each province, representing the mine and the municipality in which it is operating.

2.4. Case study documents review

The SLP reports consisted of documents which had been published online and documents received from those mines which volunteered to take part in the research. The relevant IDPs were then reviewed to determine the extent of the alignment between the two documents as required. The Key Performance Indicators (KPIs) which was based on the requirements set out in the SLP guidelines by the DMR (2010) the municipal systems act were used to analyse and measure the alignment of the two documents. To refine the extent of SLPs alignment with IDPs in line with the main objective of the study, different tiers (KPIs) such as the socio-economic background, key economic activities, negative social impacts and programmes (projects) for each SLP and IDP were identified. This was done using scoring criteria ranging from Aligned (A) to Not Aligned (D) based on the level of alignment with the IDP, using qualitative methodology.

It is also acknowledged that the KPIs given in Table 1 below may not be the only criteria which could be used to evaluate the extent to which the SLPs and IDPs are aligned. The scale was adapted from other effectiveness protocols related to environmental impact assessment quality and effectiveness (Lee *et al.*, 1999; Retief, 2007b; Sandham & Pretorius, 2008).

Table 1: Description of key performance indicators (KPIs)

*KPI		Lines of enquiry
1	<i>Social and Economic Background</i>	To what extent is the socio-economic background information of the community set out in the IDP aligned with the SLP planning process?
2	<i>Key Economic Activities</i>	To what extent does the SLP align its key economic activities within the mining community to those activities identified by the IDP?
3	<i>Negative Social Impacts</i>	To what extent are the negative social impacts outlined in the SLP aligned with the IDP?
4	<i>Projects / Programmes</i>	To what extent is the SLP aligned with the projects identified or prioritized by the IDP?
5	<i>Overall Plan</i>	To what extent does the IDP inform the overall local economic development plan of the SLP?

**KPIs derived from the Social Labour Plan guidelines published by DMR (2010)*

Based on the research questions formulated, the research employed a qualitative methodology. Qualitative methods offer a researcher the opportunity to be flexible and get to the bottom of certain social issues. As explained by Berg (2004), qualitative methods of research allow researchers to share in the understanding and perceptions of others and to explore how people structure and give meaning to their daily lives by giving meaning and context to data.

As described by Yin (2009a), apart from the techniques just described, a final analytic challenge is to determine whether you can make any generalizations from the case study. One available procedure applies well to all kinds of case studies, including the holistic, single-case study that has been commonly criticized for having little or no generalizability value. To understand the process requires distinguishing between two types of generalizing: statistical generalizations and analytic generalizations. For case study research, the latter is the appropriate type. Analytic generalizations depend on using a study's theoretical framework to establish a logic that might be applicable to other situations. Making analytic generalizations requires carefully constructed claims from a case study. To the extent that any study concerns itself with generalizing, case studies tend to generalize to other situations (on the basis of analytic claims), whereas surveys and other quantitative methods tend to generalize to populations (on the basis of statistical claims).

The criteria used in selecting the cases to study are described in Section 2.5 above, and information re the local municipalities selected is summarized in Table 2 below.

Table 2: Summary description of selected mines and their municipalities

Case Study (Mine)	Municipality	*Municipal Category	Year of IDP	SLP Report	Population (Census, 2011)	Geographical Municipal Area (km ²)
(Mine A)	Kgatelopele Local Municipality (Northern Cape)	B	2009 – 2013	2008 - 2012	18 687	2 277
(Mine B)	Merafong City Local Municipality (Gauteng)	B	2010 - 2015	2010 - 2014	197 520	1 631
(Mine C)	eMalahleni Local Municipality (Mpumalanga)	B	2012 - 2013	2013 - 2017	395 466	2 677

**Categories of municipalities are defined as per Municipal Structures Act 117 of 1998 (RSA, 1998) which describes the Local Municipality as Category B.*

The municipalities were selected based on the available SLP documents from mining companies active in their vicinity. The research also tried to represent at least one of each of the three main mining economic hubs of South Africa, which include the Northern Cape, Gauteng and Mpumalanga provinces. The research focused mainly on the local municipalities (category B), which are the host communities for the mining companies and where the SLP projects are executed. Maps of the location of municipalities and different case studies are provided prior to the analysis of each case study – see sections 5.2.1, 5.2.2 and 5.2.3.

2.5. Interviews and Questionnaires

The objective of including the interviews and questionnaires was to ensure that the study covered representatives of all the stakeholders involved in local economic development where mining companies operates, and to obtain additional information on challenges and recommendations regarding the alignment of SLPs and IDPs. The inclusion also sourced additional information on the specific cases that could not be obtained from the document review by asking what the challenges are for the alignment of SLPs with IDPs and how these challenges can be met. The interviews and questionnaires canvassed the views DMR and mining staff dealing with SLPs, and municipal staff dealing with IDPs and SLP projects. To ensure that insight would be gained, open-ended interviews were designed and conducted in one-on-one meetings with different stakeholders working with SLPs and IDPs. The interviews and questionnaires focussed on the challenges and recommendations related to the alignment of SLPs and IDPs (Annexure A). This was done between September and October

2013 where 20 questionnaires were sent out and only four were completed. Three interviews were conducted with a mining official, DMR representative and municipality representative.

2.6. Limitations of the research

This research study is restricted to establishing the extent to which local economic development as reflected in SLPs is aligned with the same as reflected in municipal IDPs within the selected local municipalities of Kgatelopele, Merafong City and eMalahleni. Other problems encountered during the study include the following:

- 2.6.1. The SLP documents are not publicly available. This made it difficult to obtain additional information for this research. The study therefore depends only on the information available online relating to those companies who agreed to be part of the research.
- 2.6.2. Because of the current sensitivity of the subject and the research focus, it was difficult to establish the clear ideas of different stakeholders, who were inclined to want to protect their views on the matter.
- 2.6.3. The subject of SLP is fairly new in the South African mining industry and there is limited literature especially on the alignment with municipal IDP.

CHAPTER 3

LEGISLATIVE AND POLICY CONTEXT

3.1. Introduction

Mining companies have many legal mandates governing almost every activity in their jurisdictions, including labour laws, environmental laws, safety laws, and consumer and procurement laws and regulations. On top of this there should also be ethical responsibilities beyond the legal requirements, and this means that companies are expected to do more than just comply with national legislation. They are obliged to live up to the expectations of society even if the obligation is not binding. Prior to 1994 the SA mining industry developed without much state regulation and depended mostly on international markets (DME, 2008a). After the 1994 general elections policy was reviewed and the products of the review process included Green Paper on Minerals and Mining, which at that stage had not involved consultation with the mining communities. This lapse was later redressed by the Minister of DME as the Constitution of the RSA requires government to consult with the public on the development of any policy or legislation (Marais, 2010). In late 2000 the draft Mineral Development Bill, which was based on the 1998 White paper on Minerals and Mining Policy, was published for public comment. One objective of the policy was to ensure that all mining companies engaged in proactive social planning. These developments helped give rise to the Mineral Petroleum Resources Development Act (MPRDA) and the Mining Charter, which deals with social and environmental matters in relation to mining. Hence, the mines' community development initiatives are increasingly required by government legislation as well as by the mining industry and by corporate policies and standards (Franks, 2011).

At local government level, the municipal IDP makes provision for the communities to identify development priorities that they need through different legislative frameworks. In line with the Constitution and other legislation, the White Paper on Local Government (1998) further mandates municipalities to involve communities and other stakeholders in facilitating local development. This requirement is repeated in Chapter 4 of the Municipal Systems Act. This Act recognizes community participation as an integral part of a municipality's relations with the communities it serves, and requires that local communities take part in the process of IDP, budgeting, performance management and ward committees as per the Municipal Systems Act 32 of 2000.

The main objective of this chapter is to identify the legal mandate of both the mining SLPs and municipal IDPs.

3.2. Relevant legislative and policy context

3.2.1. The Constitution of the Republic of South Africa (Act 108 of 1996)

The core legislative framework governing the IDP within the system of local government includes the Constitution of the Republic of South Africa. Of particular importance are section 152 (1) (c), which promotes social and economic development, section (d), which promotes a safe and healthy environment, and section (e), which mandates municipalities to encourage communities and their organizations to participate in local government development matters. Thus in terms of section 153, which describes the developmental duties of municipalities, a municipality must (a) structure and manage its administration and budgeting and planning processes to give priority to promoting the social and economic development of the community; and (b) participate in national and provincial development programmes. This gave impetus to the enactment of the Municipal Structures Act 117 of 1998 and the Municipal Systems Act 32 of 2000, which govern local and district municipalities.

3.2.2. The Municipal Systems Act 32 of 2000

Section 35 (1) (a) of the Act describes the IDP as the strategic planning instrument which guides and informs all planning and development and all decisions with regard to planning, management and development in a municipality. The Act further describes the IDP as the municipal service delivery plan based on the community's needs, which would have been established through thorough public participation programmes as indicated in section 5 (1) (a) (i) and section (17) (2) (d) (e) of the Municipal Systems Act. Section 28 (1) compels the municipal council to adopt a process to guide the planning, drafting, adoption and review of its IDP. Section 29 (1) outlines the roles and responsibilities of different role players including organizational arrangements, committees and forums; and the participation of communities and other stakeholders (including the mines) has to be in line with Chapter 4 of the Act. It is the responsibility of local government to address basic services required by the community such as water, roads, health and education facilities and other developmental needs as identified in the IDP and mandated by section 152 (1) of the Constitution and Section 19 (1) and (2) of the Municipal Structures Act. The IDP has to take into consideration the need for alignment with the Municipal Finance Management Act (MFMA) 56 of 2003 and the Performance Management Process under Chapter 3 (2) (g) of the Municipal Planning and Performance Management Regulation. Also, the budgeting process should be in line with

Sections 21, 22 and 23 of the MFMA. In its five-year term, the IDP should be reviewed at least once a year by the municipal council in accordance with an assessment of its performance, and it may be amended as necessary by following due process (Section 34 of the Municipal Systems Act 32 of 2000).

Chapter 5 of the Municipal Systems Act (Act 32 of 2000), indicates that the municipal Integrated Development Plan "...must reflect a Spatial Development Framework which must include the provision for basic guidelines for a Land Use Management System for the municipality". The Spatial Development Framework (SDF) forms part of a hierarchy of plans feeding into the Integrated Development Plan (IDP). It serves as an input into the IDP and concentrates on the spatial aspects of development planning, whereas the IDP focuses on broader developmental and financial issues.

Sections 13 and 14 of Chapter 3 of the Act also allow the municipality to draft by-laws, which is the term for legislation passed by the council of a municipality. By-laws are binding in the municipality on the persons to whom they apply. They can be used to bridge the gap between municipalities and the mining industry, especially on matters that have negative social and environmental impacts on the community.

3.2.3. The Mineral and Petroleum Resources Development Act (MPRDA) No 28 of 2002

The MPRDA was passed by the South African Parliament in October 2002 and promulgated on 1 May 2004 (RSA, 2004). Later amendments were effected on certain sections of the Act (RSA, 2007, 2009). The objective of the Act as defined is "to make provision for equitable access to and sustainable development of the nation's mineral resources; and to provide for matters connected therewith". Among other preambles, the Act "acknowledges that South Africa's mineral and petroleum resources belong to the nation and that the state is the custodian thereof. Affirming the State's obligation to protect the environment for the present and future generations, to ensure ecologically sustainable development of mineral and petroleum resources and to promote local and rural development and the social upliftment of communities affected by mining". The Act makes provision for the development of SLPs which include human resources development plans (HRD), employment equity (EE) plans, local economic development plans (LED), a procurement plan, plans for measuring housing and living conditions and for the management of downscaling and retrenchments.

The Act also prescribes in sections 23 (1)(e), 24(3)(c) and 25(2)(f) that the SLP must include a comprehensive stakeholder engagement process which includes the local, district and

provincial government as well as Labour Sending Areas (LSAs) communities directly or indirectly affected by mining activities. Although the community development section (also known as the LED) of the SLP should be aligned with the IDP document of the district and local municipalities of the host community as per SLP guidelines published by DMR (2010), there is no explicit section in the Act that states this requirement. The MPRDA also allows “old order” mineral rights the opportunity to comply with its provisions and to apply for the conversion of their rights within the period of five years ending 2009. Failure to do so would result in the “old order” mining rights automatically lapsing. Any application for mining rights or for the conversion of “old order” rights in terms of this Act has to be accompanied by an SLP. As outlined in the SLP guideline, Regulation 46, the LED must ensure that the improvement of infrastructure, poverty alleviation and community development in the host community and in the situation from which most of the labour is sourced are being addressed. Section 102 of the MPRDA also provides for an amendment of a mining project through the influence of stakeholder engagement and notification of the minister for approval of the amendment. The mining companies must also ensure that they cooperate in the formulation of IDPs and must also work together with the district and local municipalities in the implementation of SLPs in areas where they source most of their labour (DME, 2008b). In terms of section 47 of the MPRDA, the minister has the right to cancel or suspend the mining right (SLP, EMP and MWP) if the holder does not comply with the conditions of this Act.

The case studies relating to section 47 of the MPRDA include that of Central Rand Gold, which received notice in 2011 that its mining right had been cancelled for its failure to fully implement its approved SLP and to comply with its approved mining works plan. During the same year, operations at Platinum Australia’s Smokey Hills platinum mine in Limpopo were suspended for almost a week – also for allegedly failing to implement its SLP. During this time the DMR also identified 116 cases of illegal mining in KwaZulu-Natal alone, which were handled by the DMR’s legal department. Then the DMR (2011) released a statement indicating that:

these enforcement measures will also apply to current right holders who do not comply with the provisions of the law and who make promises in their social and labour plans, mining works programmes as well as the Environmental Management Plans which they wilfully fail to implement.

This was in line with the minister’s warning at the beginning of 2011, The minister (Susan Shabangu) said at the beginning of the year that “the department would strengthen itself to

sanction non-compliance appropriately” (van Vuuren, 2011). Hence, it is important that the LED projects are not confused with the discretionary projects which do not form part of the IDP. These projects are normally referred to as Corporate Social Investment (CSI) initiatives.

Chapter two of the Act focuses on the fundamental principles of the Act, starting with the main objectives, while Section 2 (f) focuses on the promotion of employment and the advancement of social and economic welfare for *all* South Africans. This section of the Act can be misinterpreted by members of the community and cause some negative social impacts (unrests) as seen in some areas, especially recently in Bojanala District Municipality, where community members were demanding jobs from mining companies (The Bench Marks Foundation, 2011). Section 2 (h) of the Act gives effect to Section 24 of the Constitution by ensuring that the national mineral and petroleum resources are developed in a sustainable and ecologically and socially responsible manner. As mentioned by Marais and Atkinson (2006), the effectiveness of this piece of legislation is that mining companies already plan for closure prior to or during the opening of their operations. Without an approved SLP, the DMR will not grant the mining permit or even convert the “old order” mining right to a “new order” right.

3.2.4. Mining Industry Charter

The drafting of the Minerals and Mining Policy for South Africa in 1998 was an indication that the country’s mineral wealth was not being shared equally among its citizens (RSA, 2002b). However, the White Paper was not explicit about SLPs and their integration into the Mining Charter. Over and above the need for compliance with MPRDA, the Mining Charter is another framework regulation which seeks to address historical, social and economic inequalities that exist in the South African mining industry. One of the major objectives of the Charter in line with the SLP is to promote employment and the social and economic welfare (through BEE) of the mining host communities and the main Labour Sending Areas (LSAs) (RSA, 2002b). The adoption of the Mining Charter scorecard, which among other things evaluates the housing and living conditions, human resources development plans, community development, environmental management, health and safety of the relevant communities, is directly associated with SLPs and indicates the commitment of the mining industry to function within the legislative framework of the government (RSA, 2002a).

The Charter also aims at addressing the integrated sustainable LED of the host communities, major LSAs and areas which are under threat as a result of past or current mining activities. Section 4.4 of the Mining Charter emphasizes the responsibility of both the local government

and its stakeholders to cooperate in the formulation of IDPs for the communities where mining is taking place, especially at the host community. However, the challenge with the Charter is that it is not the law in itself as it is published under section 100(2)(a) of MPRDA. This section of the Act states that the Minister

must within six months from the date on which this Act takes effect develop a broad based socio economic empowerment charter that will set the framework, targets and time-table for effecting the entry of Historically Disadvantaged South Africans (HDSAs) into the mining industry, and allow such South Africans to benefit from the exploitation of mining and mineral resources.

On the other hand, SLPs are the mandatory requirements following from the Charter that the DMR uses to ensure that mining companies contribute to the LED of the host communities. The SLP must be aligned with the IDP of the district municipality where the mine is located and there should be financial resources to implement the plans (DMR, 2010).

The Amendment of Mining Charter compliance (BBSEE Charter) for the South African Mining and Minerals Industry remains a concern for mining companies in South Africa. As previously discussed, the charter in itself is not a law, hence non compliance cannot legally result in the cancellation (section 47 of MPRDA) of a mining right. Hence, section 47 of the MPRDA does not refer to noncompliance with the charter. Clause 2.9 of the charter provides that "every mining company must report its level of compliance with the Mining Charter annually, as provided for by section 28(2)(c) of the MPRDA". Clause 1(zA) of the bill (MPRDA) seeks to overcome this enforcement difficulty by extending the definition of "this act" to include not only the charter, but also the Codes of Good Practice for the South African Mineral Industry and the Housing and Living Conditions Standards for the Minerals Industry. In addition, it seems likely that a section 25(fA) will be added to the act, specifically requiring the holder of a mining right to comply with the charter. This would appear to empower the minister to institute the cancellation provisions of section 47 for any noncompliance with the charter, the codes or the standards.

3.2.5. King Reports on Corporate Governance

Corporate governance has been described by King as "simply the system by which companies are directed and controlled" (King, 1994). More specifically, it is concerned with the structures and processes associated with management, decision making and control in businesses and

organisations (Wixley & Everingham, 2010). The objective of the third King Report (King III, 2009a) is to make recommendations on a Code of Practice in terms of the financial and ethical aspects of corporate governance. As with King I and King II, the King Committee endeavoured to be at the forefront of governance internationally and this has again been achieved by focusing on the importance of reporting annually on how companies have positively and negatively affected the economic life of the community in which they operated during the year under review (King, 2009a). In addition, emphasis has been placed on the requirement to report on how the company intends to enhance positive aspects and reduce any possible negative impacts on the economic life of the community in which it will operate in the year ahead (King, 2009a).

The introduction to King III (2009a) states that “the third report on corporate governance became necessary because of the new Companies Act” (71 of 2008) “and the recent changes in international governance trends”. The philosophy of King III (2009a) revolves around leadership, sustainability and corporate citizenship. According to King III (2009a), good governance is essentially about effective leadership, leadership is characterised by the ethical values of responsibility, accountability, fairness and transparency and responsible leaders direct company strategies and operations with a view to achieving sustainable economic, social and environmental performance”. On the other hand, corporate citizenship encourages companies to operate in a sustainable manner and sustainability considerations are rooted in the South African Constitution (1996), which is the basic social contract that South Africans have entered into (King, 2009a). King III, unlike King I and King II, applies to all entities regardless of the manner and form of incorporation or establishment and whether in the public, private sectors or non-profit sectors. According to King III, “there is always a link between good governance and compliance with law”. While the South African government has made efforts to amend existing environment-related legislation and enact new legislation for better environmental management the question arises if this legislation will support the environmental objectives outlined in the King III report on corporate governance.

3.3. Conclusion

The main legislative framework governing mining SLPs and municipal IDPs is the National Constitution (Act 108 of 1996), especially sections 152(1)(c), (d), (e) and 153(a) and (b). The MPRDA (Act 28 of 2002) governs and regulates the mining industry, especially its social responsibility. Sections 23 (1)(e), 24(3)(c) and 25(2)(f) of the Act provides for the SLP guidelines which must be adhered to as well as the Mining Charter requirements in terms of section 100(2)(a). The alignment of SLPs with IDPs is well defined under the SLP guidelines

published by the DMR in 2010. The legislative framework for municipalities, in line with the Municipal Structures Act (Act 117 of 1998) and the Municipal Systems Act (Act 32 of 2000), does not state explicitly how local government should be aligned itself with the mining industry. There is a need for clear regulation (by law) and policies adopted by local municipalities to outline the ways in which municipalities are to relate to different stakeholders, including mining companies. This is in line with sections 13 and 14 of Chapter 3 of the Municipal Systems Act. The policies of the local municipalities should be aligned with the mining charter targets as set up by the DMR. Currently there seems to be no such alignment except with the legislated requirements, with more emphasis on the MPRDA (DMR, 2010). If there is no compliance with the MPRDA, the minister in terms of section 47 has the right to cancel or suspend the mining right of the holder. The Mining Charter codes and the King reports on corporate governance also assist in compliance with the requirements for community development, and require mining companies to report their performance of their social and environmental responsibilities on yearly basis. This further assists the alignment of SLPs and IDPs. The significance and impact of the social responsibility of the mining companies can significantly be affected by political and legal frameworks (ICMM, 2006 & Evans and Kemp, 2011).

CHAPTER 4

DEBATES RELATED TO THE ALIGNMENT OF SLPs AND IDPs

4.1 Introduction

There are important legal, ethical and financial reasons for which mining companies should ensure the effective management of their relationships with local communities. Mining can affect large areas of land, require the relocation of local communities and create serious long-term environmental impacts. Hence, poor relations with local communities can result in serious regulatory and financial risks for mining companies. Communities can delay or altogether stop mining projects through road blockades, legal actions or permit appeals and where conflict escalates, communities have in some cases vandalized infrastructure and even taken employees hostage. Controversies about community relations can also affect a company's reputation as well as its access to business partners and financing (Sustainalytics, 2011).

Since the South African democratic dispensation came about in 1994, various pieces of legislation have been developed to deal among other things with local economic development (LED) through SLP (Mabuza *et al.*, 2010) and IDPs. In the second decade of democracy (2005 – 2014), the South African government has identified LED interventions that include the recognition that LED interventions should be based on the real needs of the communities and the actual development of district and metropolitan areas (DPLG, 2005). The 2012 African National Congress (ANC) policy conference in Mangaung took a decision to take off the table the full nationalization debate and that it should not be regarded as ANC policy, but the ruling party is considering a new measures such as the super tax regime that could be as adverse to the mining industry and investment as nationalisation (Peyper, 2012). These debates, together with the issue of beneficiation, taxes and royalties are very significant to the mining industry, especially as they can make a significant difference they can make towards building socio-economic stability in the communities around the mining areas.

Perceptions and realities of issues in the mining area are what actually define the community and this is important for community development (Cox *et al.*, 1984). Key stakeholders of the mining companies are the communities in which they operate (MMSD, 2002). In order for mines to fulfil the socio-economic aspects of sustainability as part of their social licence to operate, they need to contribute towards the improvement of the quality of life through building infrastructure and poverty alleviation. The main aim of this chapter is to fully discuss some of the major issues which are currently being debated to potentially improve the alignment of

SLPs with IDPs especially at government level and the impact they can have on local communities in which mining companies operate as well as some of the challenges that affect the alignment process. The chapter will also provide the researcher's own views on these issues that are currently being debated.

4.2 Social impacts of mining beneficiation, royalties and taxes

There are currently debates at government level on issues such as beneficiation, taxes and royalties and the possible impacts they can have at local government level for the improvement of local economies. These issues will be looked at and how they can affect the communities in mining areas if invested back into the communities for the improvement of infrastructure and basic services. This will of course be an addition to the current mining SLP commitment, which addresses different areas of basic services such as roads, water, electricity and housing, which form the core of the IDP agenda.

4.2.1 Beneficiation

Beneficiation entails the transformation of a mineral or a combination of raw minerals to a higher value product, which can either be consumed locally or exported through high-level intensive labour and capital activities (DMR, 2011). Currently, very little beneficiation is done in South Africa and this has implications for the levels of job creation in the rural areas where mining is taking place. The usual, exploitative process involves developing countries exporting their resources to developed countries for beneficiation and then buying them back at a higher price. This promotes economic health in the developed countries and does not improve the economies of developing countries (Swanepoel & De Beer, 1997). This is especially important in a country like South Africa, where the unemployment particularly among the youth is so high.

If beneficiation were to take place in the country producing the raw minerals this could promote sustainable development initiatives which strive to get the balance right between environmental protection, economic growth and social equity (United Nations, 1987). The current barriers to beneficiation in South Africa are the country's wage inflation, its lack of skills, its constrained electricity supply and its fast rising electricity prices. The risk is very significant that the beneficiation policy will collide with others and lead to a significant decline in production – already a problem given the current pressures on commodity prices and demand, and on input costs and supply – without leading to a commensurate increase in beneficiation (Peyper, 2012). The lack of skills makes the participation of locals in the mining business, for example through beneficiation, very difficult (Mabuza, Msezane & Kwata, 2010).

However, the South African government has in 2011 through the Department of Mineral Resources developed a beneficiation strategy for the mineral industry to address some of the current challenges faced by local communities where mining companies operates.

South Africa's economy has experienced an average growth rate of 3.3% during the democratic dispensation, but still the economy continues to suffer from low levels of employment, while poverty and income inequality continue to be more widespread than in other middle income economies (Citibank Report, 2010). South Africa has been a resource economy for more than a century. An independent evaluation of South Africa's non-energy mineral wealth is estimated at US\$2.5 trillion (Citibank Report, 2010), making the country the wealthiest mining jurisdiction in the world. However, a considerable amount of South Africa's mineral resources are exported as raw ores or only partially processed ores. Although South Africa has steadily improved its ratio of beneficiated to primary products exported since the 1970s, these ratios are still well below the potential suggested by the quality and quantity of the mineral resources the country has. The Government's industrialisation policy (DMR 2011) calls for a paradigm shift in mineral development, strategic investment in assets to maximise long-term growth beneficiation projects, enhancing the value of exports, increasing the sources of the consumption of local content, and creating opportunities for sustainable jobs. Minerals are a vital input to an industrialisation programme which is intended to accelerate manufacturing in South Africa for local consumption and export. Competitive access to minerals for local beneficiation is one of the key success factors for the country's industrialisation initiative (DMR, 2011).

Government recently adopted the New Growth Path (NGP), which seeks to create more inclusive economic growth by systematically encouraging more labour absorptive economic activities. The NGP sets a target of the creation of 5 million new jobs by 2020 and identifies six priority sectors, focussing on the creation of infrastructure and the rebuilding of the productive sectors of the economy. Among other priorities, the NGP identifies mineral beneficiation as one of the priority growth nodes for job creation. The strategy is aligned to a national industrialisation programme which seeks to enhance the quantity and quality of exports, and to promote the creation of decent employment and diversification of the economy, including the promotion of the green economy. The beneficiation strategy for the mineral industry of South Africa is anchored on a range of legislation and policies such as the Minerals and Mining Policy for South Africa (1998). It will also advance the objectives of the Minerals and Petroleum Resources Development Act (MPRDA), the Broad-Based Socio-Economic Empowerment Charter (BBSEE) and the energy growth plan, as well as compliance with

environmental protocols. The strategy identifies several instruments that constitute an enabling environment for beneficiation and it illuminates prevailing constraints to the effective implementation of beneficiation that require an integrated approach to mitigation. These include but are not limited to access to raw materials at developmental prices, the building of infrastructure, limited innovation, and addressing the shortage of critical skills. The strategy recommends a set of integrated solutions to mitigate the identified binding constraints and to leverage existing national processes such as the NGP and the national infrastructure programme. The strategy identifies strategic mineral commodities, from which five value chains are selected, and intends to indicate the inherent value for SA in embracing beneficiation for all strategic mineral commodities. The strategy is therefore not a blueprint for individual commodity value chains but provides a framework within which value chain-specific interventions will be anchored (DMR, 2011). It is the researcher's belief that indeed the alignment of the government beneficiation strategy with the IDPs and SLPs where mining operates, could see an increase in local economies through the creation of sustainable jobs and the improvement of infrastructure, as per the objectives of SLPs and IDPs. Although the process might start at the slow pace, but it will ultimately gain momentum especially if certain resources with less beneficiation input costs are being given a priority to be beneficiated locally. This will of course have to take into consideration and learn from other developing countries (competitors) such as India and China where most of the mining raw products are being exported.

4.2.2 Taxes and Royalties

The imposition of the Mineral and Petroleum Resources Royalty Act 28 of 2008 (mining royalties) in South Africa commenced on 1 March 2010 and is deductible for income tax purposes and differs according to the profitability of a mine and seeks to ensure a minimum level of beneficiation for refined and unrefined mineral resources. The minimum royalty percentage in the case of refined minerals is 0.5% with the maximum of 5% allowed while unrefined minerals have also the minimum of 0.5% with maximum 7% payable (Wawood, 2011 and PWC, 2012). The main intention of royalty payments is to compensate the state for the non-renewable minerals that are being mined by the industry. It is also reported by Cawood (2011) that the royalty payments contribute to 16.8% of the total mining companies' taxes. In most countries, the mining royalty rates and taxes vary by the type of mineral mined and the profit margins per operation (PWC, 2012). In South Africa in 2011 alone, the industry paid R28.5bn in taxes directly while R5.5bn was paid through royalties. Because of the lack of progress on infrastructure and poverty alleviation in communities where mining takes place, the state president during his 2013 state of the nation address proposed a review of the tax

system including the possible amendment of mining royalties (Fin24, 2013). This could perhaps help to improve the spending and allocation of budgets to local municipalities especially where mines operate. Looking at the current state of local government, there is already a need for more budget allocation from the money that government is gaining through taxes and royalties. This is simply because most of these municipalities do not have a sufficient budget to deal with increasing population numbers always looking for employment and resettling in these areas. The current debates around super tax will have to be reviewed to ensure that local municipalities benefit directly from the charges.

Besides the fact that the policy conference did not adopt a policy on the nationalization of mines, some parts of the private sector were trying to persuade the ANC not to add additional taxes but rather to control the price of mineral inputs, But this was not regarded as a solution by the Chamber of Mines, which instead proposed that for instance in the coal industry, government, coal producers and Eskom needed to sit around the table and work out a model for the country as far as the pricing of coal is concerned. The Chamber of Mines argued against the imposition of additional taxes on the mines by saying that “South Africa as a mining destination is over-taxed already because on top of the normal corporate tax and the royalty taxes mining companies are responsible for government responsibilities now government wants to impose an additional contribution. There is not space for an additional tax and it would have negative long-term consequences for the industry” (Peyper, 2012).

The transfer of benefits from royalties and taxes to regions where the mines are located has been debated in many countries including Peru, where it is practised to address different challenges facing communities (Arellano-Yanguas, 2008). In Colombia, as published by IFC (2007) the better option was for the municipalities that have minerals to receive a portion of the royalties directly to improve the current state of basic services. Cawood (2011) argued to the contrary that the reduced royalty payment for refined minerals would not be sufficient to convince the industry to beneficiate, as the costs of beneficiation might not be recovered in the current economic climate. Although there are legislation and regulations governing the payment of royalties, there seems to be a serious confusion about this among mining companies, especially in the platinum belt area of Rustenburg. In this area the mining companies deposited millions from royalties into a trust which was meant for the community development of Bapo Ba Mogale (eNCA, 2013). As a result of corruption, eventually the money never did anything for the community. This shows some of the challenges facing the enforcement of the MPDRA. Research done by Franks (2009) also found that the manner in which the royalties and taxes are shared with the communities can result in mine-community

grievances. It is the researcher's view that based on the development (basic services) challenges on most of the local municipalities in which mining companies operates, it would be ideal that a certain portion of the royalties and taxes be directly allocated to those municipalities where mining companies operates. This will ensure that communities benefit directly and will add more value to the current SLP contribution of the mining companies and hence make a significant difference.

4.3. Problems related to the alignment of SLPs with IDPs

Some of the issues that affect the alignment of SLPs with IDPs fall within the challenges around the management of the municipalities and the manner in which the community grievances are being addressed at different levels. The following sections will briefly discuss some of the debates related to these challenges that impact on the alignment with local economic development in areas where the mining companies operates.

4.3.1. Dealing with community-related grievances and risks

In their research, Kemp and Bond (2009) indicate that in most cases mining companies' policies and procedures on the handling of community grievances leave the communities with few options other than public protests and destructive behaviour. This is largely borne out of frustration at the lack of acknowledgement and response from management to the issues raised by the community. In most cases, mining companies also do not include dealing with community issues as part of their core business of sustainable development and corporate social responsibility (Kemp and Bond, 2009). This results in the escalation of conflicts between the mines and surrounding communities.

Spicer (1978) indicates that there is a negative correlation between CSR and community unrest, namely an increase in CSR decreases community-related grievances, risks and liabilities. Similar results were also reported by Orlitsky and Benjamin (2001), who emphasise that proactive CSR tends to anticipate and reduce potential sources of business risks, such as not adhering to government legislation, community unrest and environmental damage. On the financial front, Andersen and Olsen (2011) find a strong relationship between company's CSR and financial performance. Some researchers (Shane and Spicer, 1983) find a negative correlation between CSR and community grievances. The community used the company's declaration on CSR to discriminate against it, which resulted in reputation damage that affected investment opportunities. On the other hand, a positive relationship is reported by Waddock and Graves (1997) and Margolis and Walsh (2003), who find that an increase in CSR increased the company's financial stability through improving the company's reputation

and relationships with bankers, investors and government officials. Improved relationship with those parties may well be translated into financial gain. The nature of a company's CSR behaviour seems to be a factor that influences bankers and other institutional investors' investment decisions. In South Africa it is a legal requirement that mining companies must comply with SLP investments to improve the conditions of local communities. Yet some researchers such as Ingram and Frazier (1983) find no relationship between CSR and financial and economic benefits. Coffey and Fryxell (1991) find mixed outcomes between the mining CSR and community grievances, where there is a positive relationship between corporate ownership and the company's social responsiveness and a negative relationship between social issues management and the level of institutional ownership. In general, the benefits of CSR seem to outweigh the negative impacts on the community (Gozali *et al.*, 2002).

Social and Labour Plan projects, although aligned with IDPs, sometimes fail because of the lack of buy-in and poor management by community members, resulting in widespread grievances and unrest (Filitz, 2011). Also, the unrealistic expectations and unreliable socio-economic background of the community have a serious impact on the implementation of the local economic development projects (Filitz, 2011). Thus, IDP documents should be properly drafted to indicate all areas that need development in the local municipality. The management of community grievances and risks is integral in securing an ongoing social licence to operate and forms part of the process that builds a trusting relationship with the local authorities. CSR projects should provide a way of reducing downside business risks and should thus become an essential element of corporation risk management (Husted, 2005) through better SLP community investment.

4.3.2. Other socio-economic problems

The economic development of local communities is of critical importance for poverty reduction and infrastructure development but has been erratic in practice due to a lack of the skills required to shape and direct economic growth in local spaces (CoGTA, 2010). This section will look at other socio-economic factors that affect the alignment of SLPs with IDPs. This will include but not be limited to resource constraints especially at local government level, and the poor provision or lack of provision of basic services to local communities. Other critical factors such as the interpretation and enforcement of legislation as well as the significance of mining SIA will also be discussed.

- **Resource Constraints at local government level:** one of the main problems facing local government is that there is too much reliance by local municipalities on SLPs, because there are few investors in the rural areas to address local economic development challenges (Action Aid, 2008). Hence, there is also a continuous increase of migrant labour into mining towns (DME, 2009), which increases the pressure on the local municipalities to provide basic services on already stretched infrastructure and community development services. In most cases, the local municipalities under which mining companies operate are under-resourced and lack the skills and capacity to provide the necessary assistance to ensure the effective implementation of the local economic development initiatives planned for in their IDPs (DME, 2009). Anglo Platinum too found that the lack of institutional capacity by local government was the major challenge to implementing LED projects through SLP (Anglo Platinum, 2009). This opinion is borne out by the report of the recent municipal audit by AGSA (2013), which shows that of a total of 278 municipalities only 17 got clean audits for the 2011/2012 financial year. The high vacancy rate, the lack of chief financial officers (CFOs) in office, and the fact that many of the municipal managers were temporary appointees was part of the problem with the administration of municipalities, which problem at times results in the production of poorly drafted IDPs. The mining companies are faced with challenges to ensure development in poor communities and areas which are affected by their mining activities. Because of a lack of resources, local economic development initiatives offered by the mines through SLPs are sometimes not being fully utilized by local communities (Rogerson, 2011). The other problem is of course the issue a lack of knowledge and leadership and the existence of “hidden agendas” when it comes to community development, which affects the alignment and implementation of development initiatives.
- **Lack of service delivery:** As indicated by Kgalema *et al* (2012), people do not always come in numbers to join in the drafting and review of IDPs because they are tired of raising the same issues time and time again to little effect. Municipalities do not budget enough to address the community’s needs for basic services. The needs could be addressed by mining companies through their SLPs. They could assist the municipalities in critical areas that need development as required by the IDP.

In response to some of the challenges facing the alignment of SLPs and the IDP, one of the municipal LED directors indicated that “the current challenge with municipalities is the lack of planning and prefeasibility for most of the projects identified in the IDP,

thereby delaying the implementation and alignment with mining SLPs". This could also be linked to the fact that most municipalities have neither enough nor sufficiently qualified human resources to deal with community economic development issues (COGTA, 2009). On the other hand, mining companies should not be viewed as development agencies but rather as helpers in the development of poverty alleviation initiatives for local communities in the African continent (Carroll, 2008). Hence, there should not be a total dependence by local municipalities on the mining companies for the provision of basic services for local communities.

- **Stakeholder Engagement:** On the other hand, there has been a concern on the part of government about the participation of the mining companies in the drafting of IDPs in areas in which mines are operating (Marais & Atkinson, 2006). In some instances, when IDPs are being drafted, mining companies do not participate because of a feeling of reluctance arising out of a frequent bias in IDPs in favour of other groups which more obviously represent the poor, and the widespread distrust of the private sector by local government officials (Rogerson, 2011). The Mining Charter Impact Assessment (DMR, 2009) indicated that 63% of mining companies engaged in consultation processes with communities, while 49% participated in the formulation of IDPs in mine communities. However, only 14% of the companies extended their participation in the development of IDPs to LSAs. A mere 37% of companies showed proof of expenditure in accordance with their commitments set out in approved SLPs (DMR, 2009). The rest of the companies implemented corporate social responsibility projects and reported these as part of their contribution to IDPs. There is also a general feeling in the mining industry that there has not been clear guidance about the SLP and the expectations of government (Anonymous, 2009). The community does not engage in planning and reviewing IDPs but complains about not being informed about any developments that are taking place or what the mines are doing in the community.

In an interview which was conducted with one of the DMR officials, it was indicated that the problem does not only lie with only one issues but it is product of a combination of lots of issues. The DMR official emphasised this by saying "in my opinion, the challenge is that mining companies do not consult extensively enough with all the stakeholders including their communities. On the other hand, the change in municipal leadership is due to political change, which also delays the implementation of the project; thus the alignment between SLP and IDP". Similar sentiments were shared by one of the mining officials, who also emphasised proper stakeholder engagement and

communication as a challenge in the alignment of the two documents. Because of these dynamics, it was also indicated that at some point you find municipal officials pushing their own political agenda, which is not necessarily part of the IDP.

- **Change in the Political Landscape:** one of the major challenges is the composition of the municipal council, which often changes frequently, especially after local elections. This affects the continuity and priorities of the council as opposed to those identified in the IDP. Some reports also reflected councillors' involvement in the IDP, commenting that there are some elements of reluctance of some councillors to participate in the IDP process (CoGTA, 2010). The different and conflicting ideologies within local councils often cause conflicts which delay and undermine the development process for local communities. The various councillors act as different conflicting elites because of their political affiliation. For example, it is common knowledge that ward councillors fight for the allocation of resources to their wards as an indication of their commitment to service delivery (Natalini, 2010).
- **Regulator challenges:** Since the formation of a new SLP directorate in the DMR, the government has taken some time to set up internal structures to deal with the high volume of applications for new rights and the conversion of old mining rights, which has resulted in delays. Because of this some companies decided to continue with their community projects, some of which were CSI rather than sustainable projects derived from the IDPs as required (Anonymous, 2009). This was a result of the resource limitation, which resulted in the general lack of monitoring and evaluation of SLP projects by the DMR.
- **Interpretation of legislation:** One of the objectives of the SLP, which is to promote employment and to advance the social and economic welfare concerns of all South Africans (Section 2 (e) of the MPRDA) can be interpreted too broadly as the main focus for mining companies will be in the host community, where most of the labour is being sourced. This could give the members of the community the impression that they are *all* entitled to be employed by the mining companies in areas in which the mining companies are operating. This can be seen as one of the possible sources of community unrest in the mining towns. Hence the delay in the implementation of LED projects aimed at empowering communities.

- **Enforcement of legislation regarding multinationals:** Among other major challenges is the fact that it is extremely difficult to enforce local legislative requirements especially on companies that operate in many different countries (Ruggie, 2008). This is even more difficult in the South African context, where the 1996 constitution of the country and the 2002 MPRDA found some major mining companies already in operation. The MPRDA took approximately ten years before it was promulgated in 2002 because of the slow pace of the negotiations that took place among various industries, government and community stakeholders. This was because the MPRDA posed a radical departure from the past mining policy and legislation and hence did not receive a warm welcome from the bigger mining companies which were already operating. This new legislation made the state the custodian of the nation's mineral resources and as a result introduced a number of obligations that mining companies needed to abide by in order for them to obtain new mining rights or even convert the old order mining rights. One of the requirements of the mining charter is to develop the local communities in the places where the companies operate (Mitchell, 2013).
- **Mining SIA:** currently, most of the mining companies perform the social impact assessment only when they apply for a mining right. It is very critical that the SIA is updated time and again throughout the life cycle of the mine, and most especially when there is a major development in the mining activities. The recent legislation on the Broad Based Socio Economic Empowerment (BBSEE) Charter for the mining industry and the MPRDA have confirmed the requirement for mining companies to assess the social impacts of their activities from start to end and even beyond closure. SIA normally forms part of the EIA process but has often been given less attention during the assessments (Kilian, 2008).

4.4. Conclusion

The impact of the beneficiation, royalties and taxes on local economic development and ultimately the alignment of SLPs and IDPs have been widely debated in South Africa. Because of the slow progress of service delivery to local mining communities, the researcher also believes that the payment of a portion of royalties and taxes directly to the local municipalities (communities) in which mining companies operate seems to be a viable option to alleviate the current infrastructure and economic challenges of host communities. The increase in local beneficiation will see more jobs created for local communities and hence will see an increase in revenue generation for host municipalities. Mining companies also need

clear policies and procedures on how community grievances and risks will be dealt with, and this should form part of the strategic plan of the business. To ensure the effectiveness of SLPs for local communities, the current resource constraint in local government and the regulator (DMR) should also be addressed. The mining industry involvement in stakeholder engagement processes with local municipalities also forms a crucial issue in relation to the effectiveness of the SLPs. It is also believed that the mining SIA should be conducted from the initial stages and be reviewed every five years and every time there are major developments on the mine such as when the mine goes into an expansion phase. The legislation should also be clear on the role of the mining industry in community development and should also be well enforced especially with multinational companies.

CHAPTER 5

CASE STUDY AND DATA ANALYSIS

5.1. Introduction

In order to fulfil the local economic development mandate of mining companies, their SLPs are to be aligned with municipal IDPs in areas where mining companies operate (DMR, 2010). There are a number of initiatives between mining houses and different stakeholders, such as local government, local community structures and labour organisations, aimed at improving local economic development. However, it is generally noted that for various reasons, current partnerships have not made a significant impact on the local communities (Mabuza *et al.*, 2010). Hence, the fragility of the social licence to operate is being increasingly realised by the mining industry, with the social impacts having a potentially negative influence on publicity, thus damaging a mine or even closing down of the operation; or it can build a good relationship with the authorities (Franks, 2011), especially with the Department of Mineral Resources. Besides these impacts, the MPRDA does not clearly spell out what each stakeholder should do, but merely provides guidelines on what is expected as a contribution from the mines in terms of socio-economic development in the scorecard linked to the MPRDA (Mabuza *et al.*, 2010) and the Mining Charter.

The IDP document promotes the assumption of an integrated approach and presents an opportunity to develop programmes that address and prioritise issues of concern to the community, or to build and maintain local economies through various stakeholders. The IDP also aims to address the challenges faced in the course of the governance of host communities and in areas where most of the labour is sourced (Marais & Atkinson, 2006). Although such integration is legislated through MPRDA regulations, the challenge is at times that the service delivery backlog frustrates communities and partly contributes to service delivery unrest, because municipalities are thought to be at fault in these matters.

This chapter will analyse different case studies through the review of mines' SLPs and their alignment with the IDPs of the local municipalities in which they are operating. This analysis will be conducted by answering key research questions regarding the extent of the alignment of SLP with IDP and ways in which different challenges that affect the alignment can possibly be addressed. To substantiate the answers to certain key questions, interviews and questionnaires are used to supplement the data derived from the reports. Therefore, the aim of this chapter will be to review different mining SLP reports to establish the extent to which

they have been aligned with the municipal Integrated Development Plans of the municipalities in which they operate.

5.2. The case studies

The case studies are bench-marked on the SLP guidelines (the KPIs), the MPRDA and the municipal systems act for alignment with municipal IDPs as published by the DMR in October 2010, and will mainly be based on the issue of local economic development (otherwise also known as Mine Community Development), which must be linked with programmes identified in the IDP of the host district municipality. The alignment between mining SLPs and municipal IDPs was measured by key performance indicators that are further outlined in Table 3 below.

Table 3: Key Performance Indicators (KPIs) for the alignment of SLPs with IDPs

KPI	Lines of enquiry	Justification for the indicator
1 <i>Social and Economic Background</i>	To what extent is the socio-economic background information of the community set out in the IDP aligned with the SLP planning process?	Regulation 46 (c) (i) of the MPRDA requires that the SLPs should provide the socio-economic background of the community in which the mine is operating e.g. employment, education, population” etc. Also s 26 (b) of Municipal Systems Act requires an IDP to reflect an assessment of the existing level of development in the municipality, which must include an identification of communities which do not have access to basic municipal services.
2 <i>Key Economic Activities</i>	To what extent does the SLP align its key economic activities to land use activities identified by the IDP?	The SLP should specify other economic activities (land use) around the mining community such as other mining companies in the area of the host municipality. [SLP, Regulation 46 (c)(ii)] as well as in s 26 (e) of Municipal Systems Act requires core components of IDP to include a spatial development framework which must include the provision of basic guidelines for a land use management system for the municipality.
3 <i>Negative Social Impacts</i>	To what extent are the negative social impacts outlined in the SLP aligned with the IDP?	The SLP should provide all the information regarding negative social impacts of the mining operation which must be addressed according to the relevant legislation. [DMR, 2010] and s 26 (b) of Municipal Systems Act which requires an IDP to reflect an assessment of the existing level of development in the municipality, which must include an identification of communities which do not have access to basic municipal services.
4 <i>Projects / Programmes</i>	To what extent is the SLP aligned with the projects identified or prioritized by the IDP?	The identified and planned SLP projects should be in line with the IDP and describe the significance of such project(s) in the community. [MPRDA Regulation (46 (c) (iv))] The municipal IDP should act as a guideline for the identification of community projects in which mines are operating (DMR, 2010).

**The Key Performance Indicators (KPIs) are adopted from the requirements set out in the SLP Guidelines published by the DMR (2010), the MPRDA and the Municipal Systems Act.*

Table 4 below provides a description of the scoring criteria as part of the SLP and IDP documents alignment review. The scoring on Table 4 below does not allow average scores. The scores range from A (aligned) to D (not aligned), depending on the level and degree of alignment.

Table 4: Effectiveness scoring criteria on the alignment of mining SLPs with municipal IDPs.

Symbol	Description	Degree of Alignment (%)
A	Aligned;	76 – 100%
B	Generally aligned;	51 – 75%
C	Just aligned;	26 – 50%
D	Not aligned;	0 – 25%

Scoring criteria adopted from Lee *et al* (1999), Retief (2007b), Sandham & Pretorius (2008).

5.2.1. The Alignment of Mine A’s SLP with the municipal IDP

According to Census 2011, Kgatelopele Municipality has a population of 18 687 people with an official unemployment rate of 22.3% and youth unemployment of 29.1%. A decrease in unemployment rate in the area can be attributed to booming mining not only in the area but in the Northern Cape province as a whole, where some labour is being sourced from this area. In terms of education, 8,4% have matric (Grade 12), while 26.3% have higher education and 12.2% are without any schooling. On the topic of household services, there has been a recent increase in the delivery of basic services such as flushing toilets connected to sewage (89.2%), weekly refuse removal (91.7%), piped water inside dwellings (74.4%) and the use of electricity for lighting (91.7%). It may be argued that the sudden increase in the provision of better basic services can also be attributed to SLP investment from the mining houses in the municipality (Kgatelopele Municipality, 2013) and similar results were also experienced in a study done by IFC (2007) on the positive impact of mining social investment on infrastructure development and creation of jobs for local communities.

Economically, the municipality has rich lime and diamond deposits which have seen a steady increase in population due to mining industrialization (Atkinson, 2007). In research published by Gaffneys Group (2004 – 2006), it was indicated that the majority of the working group (1 061) was in the mining sector while 684 were in manufacturing, 500 in private households, and 484 in agriculture. Of the remainder, 389 were in community and personal services, while trade and construction had 338 and 269 respectively. All these factors are significant for the development of the municipality as they form the framework of the economy. Thus their integration into the IDP and their alignment with the SLP will assist in moving towards

sustainability in the area. The Sector Gross Domestic Products (GDP) Profile of Kgatelopele illustrates that the economy is highly unbalanced and dominated by the Mining Sector, which contributed 59.3% to the local economy in 2010. This was followed by manufacturing at 10% and government services sectors at 8.4%. The rest of the sectors, like construction, trade, transport and finance all contributed less than 8% to the local economy. From 2000 to 2010 an average growth rate of 5.4% was observed, which was inadequate to create sufficient jobs in the local economy to reduce the current unemployment rate. The location of Kgatelopele local municipality, where case study 1 is located, is indicated in Figure 2 below. This municipality falls under the ZF Mgcawu District Municipality of the Northern Cape Province – refer to figure 2.



Figure 2: The location of Kgatelopele Local Municipality (Adopted from http://commons.wikimedia.org/wiki/Maps_of_South_African_municipalities)

Table 5: Case Study analysis of the alignment between Mine A SLP and the Kgatelopele Local Municipality IDP

Tier of decision-making and Key Performance Indicators (KPIs)	SLP function (Alignment level with IDP)	Comments
KPI 1: <i>Social and Economic Background:</i> To what extent is the socio-economic background information of the community contained in the IDP aligned with the SLP planning process?	A	The socio-economic background of the SLP was aligned with that of the IDP as similar socio-economic background was mentioned in section 4.1 of the SLP report and section 3 of the IDP.
KPI 2: <i>Key Economic Activities:</i> To what extent does the SLP align its key economic activities within the mining community to those activities identified in the IDP?	B	Section 4.2 of the SLP was generally aligned with the economic activities of the host municipality IDP in which the mine is operating. Not all economic activities were mentioned in the SLP as outlined in the SDF of the municipality and section 3.1 of the IDP. But both the IDP and the SLP focussed on the following economic activities.
KPI 3: <i>Negative Social Impacts:</i> To what extent are the negative social impacts outlined in the SLP aligned with those in the IDP?	C	The mining social negative impacts were just aligned with the IDP. The SLP report did not indicate how various negative social impacts would be addressed as highlighted in section 3.4 and 3.5 of the IDP.
KPI 4: <i>Projects / Programmes:</i> To what extent are the SLPs aligned with the projects identified or prioritized by the IDPs?	B	Most of the projects in the SLP were generally aligned with the priorities identified in the IDP of the municipality. i.e. electricity and water pipes maintenance in section 4.3 of SLP and section 3.7.2 of the IDP
<i>Overall Plan:</i> Overall, to what extent does the IDP inform the SLP local economic development process?	B	Overall, there was a general alignment of the SLP with the IDP with all the identified KPIs. i.e. the implementation of SLP water and electricity projects in 2008 took place before the “proper” IDP was developed in 2009.

Note: Scoring criteria: A = Aligned; B = Generally Aligned; C = Just Aligned; D = Not aligned.

The SLP Socio-Economic Background of the community (*KPI 1*) was aligned (scoring criteria A) with the IDP, as the SIA gave an indication of some of the issues that affected the community, and these issues were also highlighted in the 2007 community survey. Hence, the Key Economic Activities (*KPI 2*) of the community were generally aligned (scoring criteria B) with the IDP needs, since there were few areas that indicated the enhancement of business opportunities for employment and economic growth in the area as required by the IDP. These activities should be directly linked with the poverty alleviation initiatives of the SLP.

The Negative Social Impacts of the mine (*KPI 3*) were just aligned (scoring criteria C) with the IDP. In this case study area, although there was no evidence of the relocation of community

members due to mining activities, there was a noticeable population increase (Census, 2011). This may also be because of the mining developments in the area and surrounding municipalities. The influx of job seekers and living out allowance for mine employees meant that there was an increased risk of the establishment of further informal settlements and a concomitant demand for basic services, especially housing, water, electricity and health services (Mitchell, 2013).

On the SLP Projects and Programmes (*KPI 4*) such as infrastructure, poverty alleviation and community development (bursaries and internships), the SLP and IDP were generally aligned (scoring criteria B) with each other. This can be attributed to the fact that the municipality already had a backlog of infrastructure needs and maintenance. These include among others water, sanitation, roads and electricity. Where projects were not in line with the IDP and did not address the urgent needs of the community, there were amendments in terms of section 102 of the MPRDA and its regulations.

As already stated in Chapter 2, the general underlying rule is that the SLP local economic development initiatives must be informed by the municipal IDP (DMR, 2010). However, in this case study (Table 5), the SLP process was conducted before the IDP had been properly drafted. It should be noted that the alignment of the SLP was therefore reviewed against an “outdated” IDP that was later improved upon. Hence, the SLP informed the IDP instead of the IDP informing the SLP. To improve the community’s social status the mine did a Social Impact Assessment (SIA) before the SLP was completed. Hence, there were number of amendments as per section 102 of the MPRDA of certain projects to align the SLP with the needs of the community as indentified in the IDP. The current alignment between the SLP and the new IDP may be improved and the scoring criteria in this case study do not reflect this improvement. The local economic development plan of the SLP was generally in alignment (scoring criteria B) with the municipal IDP. This can be attributed to the poorly drafted municipal IDP at the time when the mine was applying for a new mining right (the conversion of an “old order” mining right), which had to be accompanied by an SLP as per MPRDA regulations. Hence the SLP was implemented in 2008 before the well-structured IDP was drafted in 2009. Most of the projects were indentified through the SIA that was performed by the mine in 2005.

5.2.2. The alignment of Mine B’s SLP with the municipal IDP

The Merafong Local Municipality falls under the West Rand District Municipality, which is located in the Gauteng Province of South Africa (Figure, 3). The Census 2011 results indicate that the area has a population of 197 520, which is significantly lower than the 210 481

recorded in 2001. This population decline is mainly attributable to mine labourers being laid off and the closure of some mine shafts and some migrant labourers having moved away after losing their jobs (Merafong Municipality, 2013). In this area the official unemployment rate is currently at 27.2% with the youth unemployment rate standing at 37.8%, while 6.5% of the population does not have schooling and only 6.6% and 26.9% have matric and higher education respectively. In terms of household services, the municipality's provision of flushing toilets connected to sewage decreased to 81% from 83% in 2001. This decrease can be attributed to the high rate of informal settlement especially of migrant labour in the mining area (Merafong Municipality, 2013). There was a significant increase in weekly refuse removal (74.9%), the supply of piped water inside the dwelling (52.9%) and the use of electricity for lighting (82.8%).

Economically, the municipality's contribution to the district GDP is led by mining with 68.8%, followed by community services at 14.2%, while finance and trade contributed 7.2% and 6.5% respectively. Manufacturing services contributed 3.9% while transport contributed 2% and other services such as agriculture and construction contributed less than 2%. A similar trend is followed in terms of the employment rate for the municipality. This highlights the fact that the Merafong City Local Municipality has a comparative advantage in the mining sector, the agricultural sector and the community services sector. Figure 3 below indicates the location of Merafong City Local Municipality, which is within the West Rand District Municipality in the Gauteng Province.

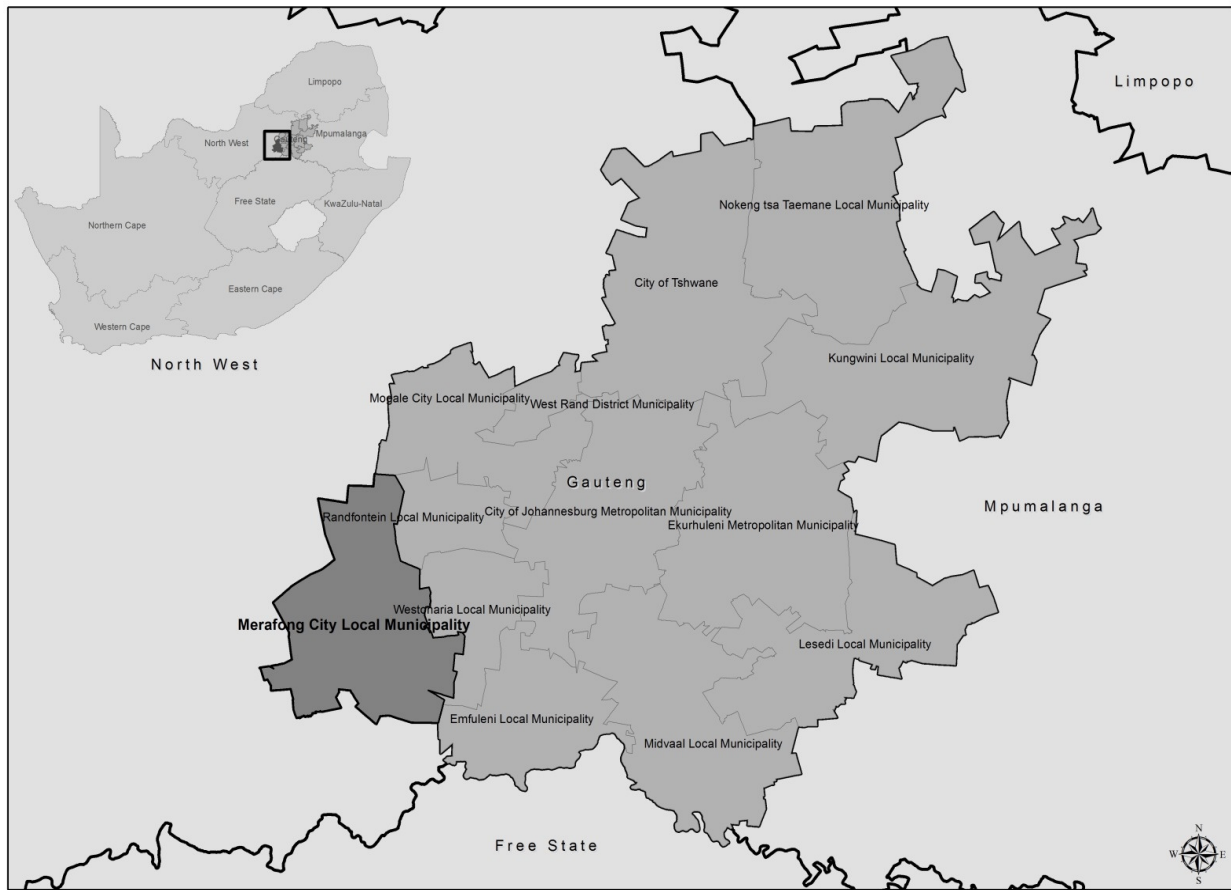


Figure 3: The location of Merafong City Local Municipality (Adopted from http://commons.wikimedia.org/wiki/Maps_of_South_African_municipalities)

Table 6: Case Study analysis of the alignment between Mine B’s SLP and the Merafong Local Municipality IDP

Tier of decision-making and Key Performance Indicators (KPIs)	SLP function (Alignment level with IDP)	Comments
KPI 1: <i>Socio-Economic Background:</i> To what extent is the socio-economic background information of the community contained in the IDP aligned with that in the SLP?	A	The mining company developed a Socio-Economic Development Framework (SEDF) in section 7 of the SLP in line with the LED strategy of the municipality as indentified in section B (3) of the IDP.
KPI 2: <i>Key Economic Activities:</i> To what extent does the SLP align its key economic activities within the mining community to those activities identified in the IDP?	A	The key economic activities were also aligned in the SEDF of the mine and aligned with section 7.2 of the SLP and section B (3) of IDP LED strategy of the municipality. For example, Mining and Agriculture activities.
KPI 3: <i>Negative Social Impacts:</i> To what extent are the negative social impacts outlined in the SLP aligned with those in the IDP?	B	There was a general alignment of most of the initiatives especially on health and education, to focus more on community members. This was evident in section 8.1 of the SLP and section 6 of the IDP.
KPI 4: <i>Projects / Programmes:</i> To what extent are the SLPs aligned with the projects identified or prioritized by the IDPs?	B	There was general alignment as some projects were part of the CSI which formed part of the discretionary spending (section 7.2 of SLP). E.g. the building of schools for labour sending-area communities and sponsorship programmes. This is in line with section 6 of the IDP, which identifies the need for similar LED priorities.
<i>Overall Plan:</i> Overall, to what extent does the IDP inform the SLP local economic development process?	B	Most of the KPIs covered in the SLP formed part of the municipal IDP and covered most of the community needs such as health, education, poverty alleviation and infrastructure development

Note: Scoring criteria: A = Aligned; B = Generally Aligned; C = Just Aligned; D = Not aligned.

The underlying rule as per the DMR guidelines and regulations is that the local economic and community development initiatives should be in line with the host municipality’s IDP (DMR, 2010). In this case study, the SLP was drafted after consultation with all the stakeholders and the IDP forum. For the social and economic background (*KPI 1*), the mining company developed the Socio–Economic Development Framework (SEDF), which was aimed at integrating the development of the local communities into core business activities and to assist the company with SLP legal compliance. Hence in this KPI there was an alignment (scoring criteria A) between the SLP and the IDP. A similar trend was observed in the key economic activities of the communities (*KPI 2*). The SEDF addressed most of the current economic activities in the community, ranging from mining, manufacturing, environmental management and infrastructure development. Hence there was an alignment (scoring criteria A) with the

IDP. The negative social impacts of mining activities (*KPI 3*) were also taken into consideration when the SLP was approved. Several initiatives especially on health and the environment were implemented as identified in the municipal IDP. The only concern is that there are a number of employees who were given living-out allowances (Mine B SLP Report, 2011), which might put more pressure on the local municipality to provide basic services e.g. housing, water and electricity. In the process, there was no indication as to how these employees were going to impact the community services, hence the SLP and the IDP were generally aligned (scoring criteria B) in this regard. Most of the projects and programmes (*KPI 4*) were generally aligned (scoring criteria B) with the IDP. A number of discretionary CSI projects were also implemented and this included projects like the building of schools for the community. Apart from this, most of the SLP projects were in line with the IDP, especially with respect to infrastructure development and job creation through enterprise development initiatives.

In general, although this is an SLP report, it also covered the mining charter extensively, which is very important for the local communities, especially in connection with the community development initiatives and projects. The only shortcoming is that the Mining Charter also covers CSI spending, which is neither entirely mandatory nor regulated by the DMR. Overall, there was a general alignment (scoring criteria B) between the SLP and the IDP.

5.2.3. The Alignment of Mine C's SLP with the municipal IDP

eMalahleni Local Municipality falls under Nkangala District Municipality of Mpumalanga Province (Figure 4). Census 2011 indicates that the current population numbers increased significantly by 3.58% to 395 466 compared with 276 413 in the 2001 results. The official unemployment rate is currently at 27.3% compared with 38.4% in 2001. The youth unemployment rate also declined significantly to 36% in 2011 compared with 50.2% in 2001. This can be attributed to booming mining activities in the area, which contribute significantly in terms of creating opportunities for the community. The number of people without schooling decreased to 5.8% in 2011, thus increasing the number of people with matric and higher education in 2011 to 12.5% and 32.8% respectively. On household services, the municipality has experienced a decrease in the number of households with flushing toilets connected to sewage from 71.6% in 2001 to 68.8% in 2011. As in other case studies, this can be attributed to the number of migrant job seekers flocking into the municipality looking for employment, which results in the construction of more informal settlements in the municipality. The supply of other services such as weekly refuse removal, piped water inside the dwelling, and access to electricity for lighting has increased significantly in 2011 compared with 2001 statistics. Figure

4 below shows the location of eMalahleni local municipality, which falls under Nkangala District Municipality of Mpumalanga Province.

At the economic level, eMalahleni local municipality is one of the 21 largest economically activity centres in South Africa. The municipality contributes 46% of the total GDP in the district municipality. The major driver of the economy is mining with more than 50%, followed by electricity at 12.1% and finance at 10.8%. Other contributing factors to the economy have been community services at 7.9% while transport and trading contributed 6.3%. A minimal contribution by the construction and agricultural sectors was recorded at 2.3 % and 0.6% respectively (eMalahleni IDP review, 2012/13).

To improve the stakeholder engagement process, the municipality initiated an IDP representative forum to encourage the participation of communities and other stakeholders, including the mining industries. The purpose of the forum was among other things to monitor the planning and implementation process of community projects. On the other hand, there is a serious shortage of human resource capacity at the municipality and there is a growing demand for basic services by the community. The demand can also be attributed to the municipality's economic dominance in the region, which in turn influences population migration from neighbouring areas, thereby putting a strain on the provision of job opportunities and basic services. Hence, the municipality has seen an increase in informal settlement in the area (eMalahleni IDP, 2011).

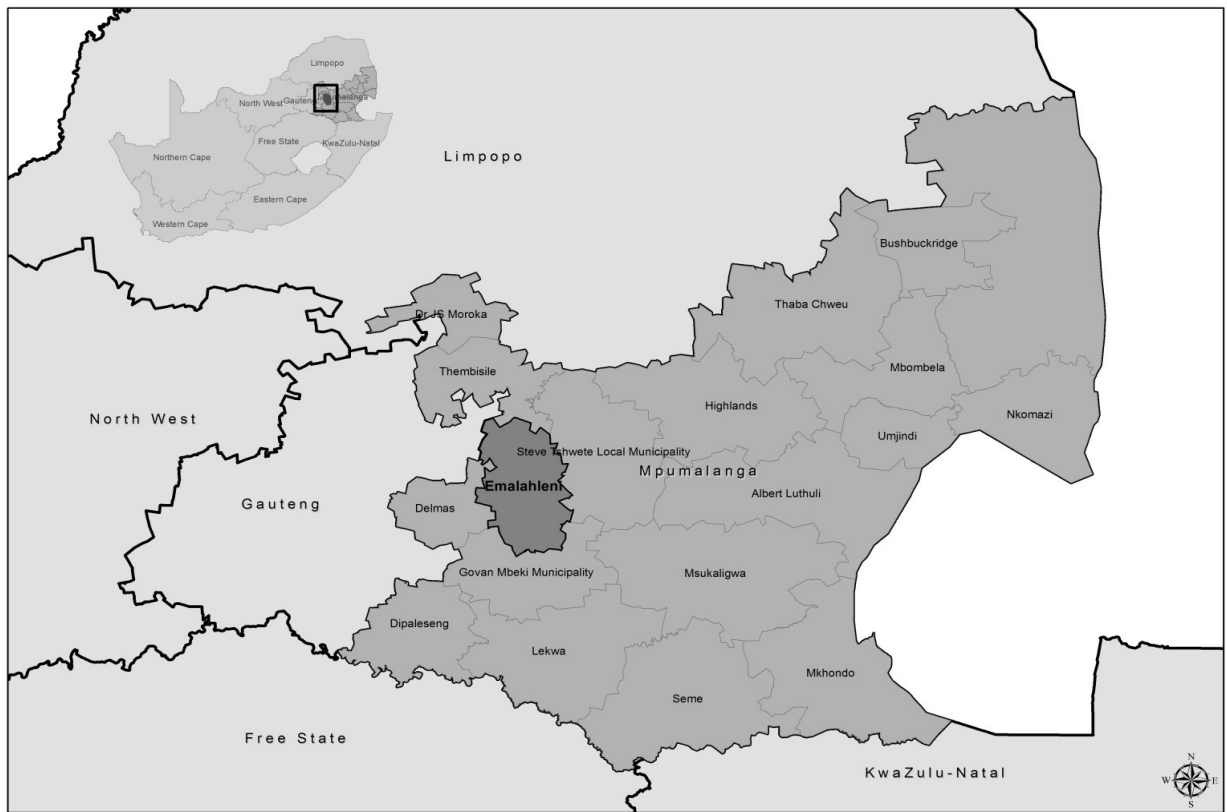


Figure 4: The location of eMalahleni Local Municipality (Adopted from http://commons.wikimedia.org/wiki/Maps_of_South_African_municipalities)

Table 7: Case Study analysis of the alignment between Mine C’s SLP and the eMalahleni Local Municipality IDP

Tier of decision-making and Key Performance Indicators (KPIs)	SLP function (Alignment level with IDP)	Comments
KPI 1: <i>Socio-Economic Background:</i> To what extent is the socio-economic background information of the community contained in the IDP aligned with that in the SLP?	A	The socio-economic background was taken into consideration during the planning phase in section 3.1 of the SLP. Hence there was an alignment with chapters 2 & 3 of the municipal IDP.
KPI 2: <i>Key Economic Activities:</i> To what extent does the SLP align its key economic activities within the mining community with those activities identified in the IDP?	B	The key economic activities in the community were also taken into consideration during the drafting of section 3.2 of the SLP and this was generally aligned with chapter 3 of the municipal LED and IDP, although there was no indication of any other mining houses in the same municipality.
KPI 3: <i>Negative Social Impacts:</i> To what extent are the negative social impacts outlined in the SLP aligned with those in the IDP?	C	There was just an alignment between the SLP mining negative social impacts and the municipal IDP. The SLP did not indicate how the negative social impacts resulting from mining activities were going to be addressed, except to mention in section 3.4 that this will form part of an EMP which was still to be drafted. The environmental impact of the mining activities was noted under Chapter 3 of the IDP, which strives to promote environmental sustainability.
KPI 4: <i>Projects / Programmes:</i> To what extent are the projects in the SLP aligned with the projects identified or prioritized in the IDP?	B	The SLP projects were generally aligned with chapter 3 of the municipal IDP, as most projects focused mainly on enterprise development, bulk water, and waste and sewage infrastructure. There were exceptions in the SLP with some CSI projects being reported as well.
<i>Overall Plan:</i> To what extent does the IDP inform the SLP local economic development process?	B	Overall, the SLP local economic development was generally aligned with the municipal IDP.

Note: Scoring criteria: A = Aligned; B = Generally Aligned; C = Just Aligned; D = Not aligned.

In this case study the socio-economic background (KPI 1) of the community was aligned (scoring criteria A) with the municipal IDP, while the key economic activities (KPI 2) in the community were generally aligned (scoring criteria B) with the municipal IDP. The general alignment with the economic activities was as a result of the fact that the mine did not take into consideration the presence of other mines in the same local municipality. Other economic activities such as agriculture, manufacturing, transport and construction were linked as part of

the municipal IDP. The negative social impacts (KPI 3) were just aligned (scoring criteria C) with the municipal IDP. The company put little emphasis on the health impacts of its mining activities on the community, such as environmental pollution, HIV/AIDS and labour migration as a result of new mining activity in the area, where it could have provided a healthcare centre for the community and invested in education and roads. On the other hand, more focus was put on enterprise development initiatives to create jobs for local communities. The SLP projects and programmes (KPI 4) were generally aligned (scoring criteria B) as most of the project were linked with the IDP, with some programmes being funded through CSI. This is quite confusing because CSI programmes are not necessarily regulated by the DMR or municipalities, so their alignment with municipal IDPs is not mandatory. The overall SLP local economic development plan was generally aligned (scoring criteria B) with the municipal IDP. The lack of identification of negative social impacts as a result of mining activities seems to be the main KPI that is not well described and linked with the municipal IDP.

5.2.4. Cross-cutting analysis and discussion of case studies

The municipal IDP is a living document that is updated and amended as necessary. An IDP should act as a guideline for the identification of community projects in areas in which mines are operating (DMR, 2010). Table 8 provides a cross-cutting analysis of the case studies.

Table 8: Summary table of the alignment of SLPs with IDPs for the three mines

Tier of decision-making and KPIs	Mine A (Kgatelopele Local Municipality)	Mine B (Merafong City Local Municipality)	Mine C (eMalahleni Local Municipality)	Overall score
Key Performance Indicators (KPIs)	SLP function (Alignment level with IDP)			
KPI 1: <i>Social and Economic Background:</i> To what extent is the socio-economic background information of the community contained in the IDPs aligned with the SLP planning process?	A	A	A	A
KPI 2: <i>Key Economic Activities:</i> To what extent do the SLPs align their key economic activities within the mining community with those activities identified in the IDPs?	B	A	A	A
KPI 3: <i>Negative Social Impacts:</i> To what extent are the negative social impacts outlined in the SLPs aligned with those in the IDPs?	C	B	C	C
KPI 4: <i>Projects / Programmes:</i> To what extent are the projects in the SLPs aligned with the projects identified or prioritized in the IDPs?	B	B	B	B
Overall Plan: To what extent does IDP inform the SLP local economic development process?	B	B	B	B

Note: Scoring criteria: A = Aligned; B = Generally Aligned; C = Just Aligned; D = Not aligned.

Across all the three case studies there seemed to be an alignment (scoring criteria A) of mine SLP social and economic backgrounds (*KPI 1*) as well as key economic activities (*KPI 2*) with those outlined in the municipal IDPs. The identification of key economic activities in the SLP (*KPI 2*) from the local municipality is critical for the alignment with municipal IDP and for alignment with other mines in the area. This will assist in aligning the needs of the community and work together to address the community needs as recommended by the DMR in many sectors of mining (Mitchell, 2013). The negative impacts of the mining (*KPI 3*) seem to be less aligned with the municipal IDPs across all the case studies, as they were just aligned (scoring criteria C). The SLPs provided less information on how the mines are going to deal with the negative social impacts resulting from their mining activities, especially impacts affecting the community. Most of the challenges arise from the migration of labour looking for jobs, which results in the construction of informal settlements around the mining communities. Because of the lack of infrastructure and basic services, the municipalities are unable to provide basic

service for these communities and the living out allowance offered by mining companies is also one of the contributing factors (Mitchell, 2013). This in turn results in more pressure being placed on local municipalities to provide basic services such as water, housing and electricity. This gap was identified in the IDPs but not well addressed in the SLP reports.

In the case of mine A, the social impact assessment assisted the mine to link the SLP with the community's needs in case there were challenges to the IDP process. Again historically, mining operations have assigned lower priority to the management of social impacts than to workplace health and safety and environmental performance (Brereton & Forbes, 2004). But the recent demand for sustainable benefits from mineral wealth by immediate community members has driven mining companies and local authorities to respond by implementing measures to deal with community development (MMSD, 2002). Most of the mining SLP projects and programmes (*KPI 4*) in this case study were generally aligned (scoring criteria B) with the IDP as per the needs of the community. The local economic development projects and programmes focussed mainly on basic services such as water, electricity and roads infrastructure for the community, and this is also in line with the research done by Mitchell (2010a), where similar results of social support programmes, waste management, recycling, and the upgrading of community infrastructure were also found. A number of enterprise development initiatives were also initiated to address the unemployment challenges in the community.

In some case studies, there were quite a number of CSI initiatives that were reported on the SLP and this created a bit of confusion since CSIs are discretionary and not regulated by the DMR. As per section 102 of the MPRDA, some mining companies amended their initial projects through proper consultation with stakeholders in order to address the challenges faced by the community.

SLP local economic development for communities in these case studies was generally aligned (scoring criteria B) with that in the municipal IDPs. This is an indication that the mining companies are really trying their best to align their local economic development initiatives as required by the DMR. To improve the alignment between SLPs and IDPs, two of the mines and their municipalities signed MOUs to strengthen the compliance and commitment of the SLPs. This was evident with Mine A and Mine B and their host local municipalities. A similar strategy was also adopted by the Platinum Producers Forum, where the DMR recommended this to address the community development issues in the immediate labour-sending areas (Mitchell, 2013). The main function of these forums is to improve the service delivery rate for

sustainable projects by collaboration between the mines and community representatives, as well as to ensure that there is no duplication in the process of addressing these community needs (Mogotsi & Rea, 2011; Chamber, 2011b). . According to the DMR (2010) SLP template, impacts of mining on the social environment which might affect the surrounding communities negatively should also be identified and planned for when the SLP is compiled. This highlights the importance of SLPs, in that they may help to improve the IDPs, as some of the gaps in local government are identified in the SLP during assessments. As indicated by one of the LED directors of the municipality in a response to the questionnaire, “municipalities are also faced with challenges relating to poor planning and budget shortfall thus affecting the alignment with mining SLPs”.

Poor alignment of local economic development in SLPs with that in IDPs can lead to rejection by the DMR approval committee and may lead to community unrest and affect the reputation of a mining company (Franks, 2009). The alignment of SLP projects with those that are identified in the IDP limits the mining companies to actually investing less in discretionary Corporate Social Investment (CSI) initiatives but rather focussing on the mandatory issues that were raised by the community through the IDP process. As emphasized by Evans and Kemp (2011), the history of mining in the country and the region where mining companies operate can influence the community’s attitudes to the mining companies and pose a risk in the alignment and implementation of projects. Alignment between the SLP and IDP provides a platform for investment opportunity for economic growth, poverty reduction and infrastructure development. This has been proven in Australia, Chile and Botswana, where mining social investment has increased the national economic growth (ICMM, 2006).

5.2.5. Initiatives to improve SLP and IDP alignment

Below are some proposed initiatives that could deal with the challenges faced by the alignment of SLP with IDP in areas where the mining industry operates. This is also important for the effectiveness and alignment between SLP community development and the municipal IDP. These initiatives will also include some ideas derived from the interviews with stakeholders and the questionnaires re the alignment of SLPs and IDPs.

5.2.5.1 Anglo American Socio-Economic Assessment Toolkit (SEAT)

An example of an innovative programme designed by a mining company is the Socio-Economic Assessment Toolkit (SEAT) which was designed by Anglo American plc. It provides managers with a framework to promote training programmes, community partnerships and small business development, for instance, in areas where their operations are based (Kumba

Iron Ore Limited Sishen Mine SEAT Report, 2011). This helps to maintain the mining right and also focuses on the creation of more job opportunities, especially through LED. Among the main objectives of the SEAT are to identify and manage the current social and economic impacts on the community and to develop a proper community engagement plan to redress these impacts. The SEAT process is divided into steps, which include the profiling of operations, the identification and assessing of socio-economic impacts, developing management responses, and finally reporting the assessment results to communities. Marais (2010) summarizes SEAT as a toolkit that is “treating the cause and not the symptoms” by making communities take part in the solutions to determine their own future. This is very critical for the alignment of SLP with the municipal IDP as there is constant consultation with communities and identification of basic needs for host communities. Similar suggestion was made by one of the mining officials in answering the questionnaire that both the municipalities and the mining companies should consult extensively with local communities so that the identified LED projects make a significant impact on the communities.

5.2.5.2. Building capacity at local level

One of the initiatives taken by mining companies could be to build capacity in local government using the SLP local economic development proposal as a baseline (Rogerson, 2011). One of the mining companies proposes in its SLP the establishment of a community trust for enterprise development that will finance small businesses in the area not only to access opportunities in mining but also for non-mining-related activities. The SIA could assist in identifying needs for the community and give recommendations on how to address these needs. This could also inform the IDP through the mines’ participation in the IDP forums and stakeholder participation in the drafting of the IDPs. This enterprise development model is widely practiced by Anglo American under Zimele, which is Anglo American’s enterprise development initiative that provides funding and support to previously disadvantaged South Africans with the aim of creating and developing commercially viable and sustainable small and medium enterprises (SMEs).

The municipal skills audit can form a benchmark to identify gaps in the local government system and more mentoring and training for local municipality technical and support staff can be supplied. The audit committees at local government level need also to be functional to help the management of the municipality. A portion of mining taxes and royalties should be invested back into the local municipalities as per the contribution of each mining house in the host communities to help build capacity in the municipalities. It is essential that the

management of social issues be part of the strategic management of the municipality and not be considered in isolation from other parts of the business (Franks, 2011).

5.2.5.3. Social Impact Assessment (SIA) in the Mining Industry

The SIA can provide the strategic response to anticipated social changes and can identify key social impacts that can affect stakeholders and provide a social impact management strategy. It is most effective when undertaken across the life cycle of mining and resource processing from exploration, construction, extraction and processing, as performed with an environmental management plan, and concurrent rehabilitation (Franks, 2011). Among other common issues is the resettlement of people, especially when minerals are located in their vicinity (Evans and Kemp, 2011). As a best practice, mining companies are required to undertake and review their SIAs at regular intervals, particularly when there are major changes to the scale of mining or the shape of a project or community (Franks, 2011). A very good example is the Socio Economic Assessment Toolbox (SEAT) of Anglo American plc, which assists and encourages their operations to regularly review their social impacts at different stages throughout the life of the mine. As indicated by the director of LED from one of the municipalities, “there is a need to do a thorough impact assessment before any community project can be done”. This will help to realize the exact need of the community through proper consultation in a public participation process.

As discussed by Barclay *et al* (2009), most of the mining companies have resorted to an extensive risk management process that includes many elements such as policies and procedures for both environmental and community dimensions. For sustainability purposes, it is certainly crucial that the outcomes of SIA be integrated into all aspects of the business especially at corporate level (Franks, 2011) including the social risk assessments. To address all the social challenges resulting from mining activities, a series of processes should be undertaken from the start to the finish of the mining project. This will include social mapping, baseline studies, risk assessments and community planning (Evans and Kemp, 2011). This will then be used to inform the SLP and the IDP to form part of the bigger plan to enhance positive impacts and alleviate negative social impacts arising from mining activities.

5.2.5.4. Amendment of the MPRDA

One of the issues that were raised in the answers to the questionnaires was that there is a need to have a clear regulatory framework from the DMR especially when dealing with the alignment of SLPs and IDPs. As mentioned in Chapter 3 on the legislative requirements, the current form of the MPRDA seems not to be explicit in terms of the process of SLP and IDP

alignment. The MPRDA is currently being amended, and there have been some queries about the incorporation in the bill of the principles of administrative justice, in particular in relation to consultation and access to information. At the moment the SLPs remain confidential documents for the use of mining companies. Unfortunately the current bill focuses more on penalties than on improving transparency and the stakeholder engagement processes.

5.3. Conclusion

The overall results derived from the case studies indicate that mining companies align the socioeconomic and key economic elements of their SLPs with the equivalent in the municipalities' IDPs when they draft their SLPs. The key strengths were identifying socio economic background and key economic activities while the key weakness found was that, the negative social impacts of mining are very slightly aligned with those in the municipal IDPs. One of the challenges that affect this alignment is how the mining companies deal with community grievances and risks. The limited resources at the municipalities affect the implementation of the projects and their alignment with the IDP. Hence it is recommended that there should be proper consultation with all the stakeholders when the SLP and IDP are drafted to ensure alignment, as well as a constant evaluation of community dynamics through SIA, as is the case with Anglo American's SEAT. SLP programmes can contribute positively to uplifting the LED of local communities, but the challenge will always be how to meet the ever increasing community demands. The proper integration of SLP projects with the municipal IDPs would assist the mining companies to target their social initiatives more effectively.

CHAPTER 6

RESEARCH SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.1. Introduction

This research looked at the extent at which the mining Social and Labour Plans (SLP) and municipal Integrated Development Plans (IDP) can be aligned to improve local economic development (LED) in areas where mining companies operates. To answer this question, the legal mandate for the SLP and IDP, the debates around the alignment of SLPs and IDPs as well as the review of SLP and IDP documents alignment were analysed. The sustainability of developments in the mining sector requires initiatives that are economically sound, environmentally healthy, socially responsible, and governed responsibly with the integration of the community through thorough consultation with the municipal IDP. Hence, the primary objectives of the SLPs and IDPs in regard to LED through their alignment are to alleviate poverty, uplift communities and improve infrastructure development in the host community of the mine's labour sending area(s), where the majority of the workforce is sourced. To ensure more effectiveness, mining companies should analyse the social impacts of their LED programmes as aligned to the host municipality IDP. The main objective of this chapter is to summarise the research performed, summarise the findings, present the conclusions drawn, and make recommendations based on the key findings from the case studies.

6.2. Summary

The concept of Corporate Social Responsibility (CSR) surfaced in South Africa in the 1970s and was taken to another level by the introduction of the Reconstruction and Development Programme (RDP) in the 1990s, which was aimed at addressing the existing socio-economic imbalances. This gave rise to the mining Social and Labour Plans (SLP), which must be submitted to the Department of Mineral Resources (DMR) when mining companies apply for mining rights. The local economic development part of the SLP should be aligned with the equivalent in the municipal IDP. The IDP should also be aligned with the Provincial Growth and Development Strategy (PGDS), the National Spatial Development Strategy (NSDS) and any other national priorities. This alignment provides an opportunity for the development of infrastructure, poverty alleviation and economic growth. The mining industry is very critical to the growth and development of the South African economy as it accounts for approximately 8% of the GDP and employs approximately 500 000 workers (DME, 2009).

The researcher employed a qualitative method to conduct this project, including case study analysis, a literature review, a review of (SLPs and IDPs) documents, the administration of

questionnaires and engagement in interviews to determine the extent to which mining SLPs are aligned with municipal IDPs. Mining companies are being required to take account of the social impacts in areas where they are operating by implementing strategies to mitigate negative impacts and promote positive outcomes. Throughout the development of these strategies, there needs to be engagement with communities in order to ensure that their issues are monitored and managed, focusing on the concerns raised by communities through the IDP forum. The formation of mining forums in certain areas of the mining sector as per the DMR recommendations seems to be a good option, especially where there is more than one mining company in the same municipality. The alignment between SLPs and local government IDPs has also been proven to be fruitful in other countries such as Australia, Chile and Botswana, where mining not only led to growth in the local economy but also contributed to national economic growth (ICMM, 2006). Table 9 below summarises all research questions asked above and the answers that arose from the research.

Table 9: Summary of research questions and answers (results).

Research Questions	Chapter	Answer/Results
What are the legal mandates for mining SLPs and municipal IDPs?	3	The core legislative framework governing LED is the Constitution of South Africa, especially section 152 (1) (c), which promotes social and economic development. The local government Municipal Systems Act 32 of 2000 governs the development of local communities through the development of IDPs as per section 29 of the Act. For mining, The MPRDA is the main legal framework which governs the SLPs through the DMR, especially sections 23, 24, 25, 47 and 102 and regulation 46. In line with the MPRDA is the mining industry charter, which also gives mining companies targets for the development on local communities both on the SLP and the CSI. The King reports on corporate governance and the Mining Charter policies also give the mining industry ways in which to report on their performance of their corporate social responsibilities.
What are the debates regarding the alignment of mining SLP commitments with municipal IDPs to improve local economic development?	4	Currently, there are debates on increasing the amount of local beneficiation performed by mining companies, using royalty payments and taxes as incentives. Also, there is a growing demand that a portion of the royalties and taxes be paid directly in the municipalities to improve the current development and service delivery in areas where mining companies operate.
What are the challenges facing the mining industries with regards to the alignment of mining SLP commitments with municipal IDPs?	4	The main challenges are how mining companies deal with related community grievances and risks (Kemp & Bond, 2009). Other challenges are capacity constraints especially in local government, poor stakeholder engagement, and the lack and backlog of service delivery at local government level (Action Aid, 2008; DME, 2009; COGTA, 2009). In addition, there were also a number of challenges identified through case study analysis such as the lack of identification of the negative social impacts of mining, and poorly drafted IDPs.
To what extent are mining SLP commitments aligned with municipal IDPs?	5	Overall for the three case studies, the SLPs were generally aligned with the municipal IDPs, which indicate that there is general legal compliance with the DMR regulations and guidelines as indicated by the MPRDA. The areas of the SLPs dealing with the socio-economic background of a community and key economic activities were aligned with the equivalents in IDPs, as were projects and programmes in general. The greatest weakness was that the sections dealing with the negative social impacts of mining were barely aligned with the IDP.
How can the alignment between mining SLP commitments and municipal IDPs be improved?	4, 5 & 6	More beneficiation and the direct payment of some royalties and taxes to local municipalities where mining companies operate could address service delivery challenges. Some of the initiatives that have proven to reduce the negative social impacts are the Anglo American Socio Economic Assessment Toolkit (SEAT) and continuous Social Impact Assessment (SIA) throughout the life of a mine (Marais, 2010; SEAT, 2011). Most importantly, there is a need to improve capacity in local government especially for dealing with local economic development (Rogerson, 2011).

6.3. Conclusion

The alignment of SLP community development with municipal IDPs is a legislative requirement as per the DMR guidelines and regulations. Currently, there are various challenges that hamper the alignment of the two strategic documents. In some instances, the alignment between SLP local economic development and the municipal IDP is hampered by the poor drafting of IDPs (Mine A case study) as well as a lack of resources in and planning by local governments (Action Aid, 2008; DME, 2009; COGTA, 2010). The key performance indicators of the section dealing with the social and economic background of local communities and the key economic activities of the local communities are well aligned with the IDPs of local municipalities. The KPI that seems not to be well aligned between SLPs and IDPs is the identification of the negative social impacts of mining and how these impacts will be addressed. The social impacts of mining occur throughout the entire lifespan of the mining project until the closure of the mine, and hence there is a need for SIA to be done throughout the life of a mine in the same way as the SLPs and EMP are regularly reviewed (Kilian, 2008). The SIA can help the industry to identify areas of concern in the community and develop ways of mitigating these impacts (Petrova & Marinova, 2012).

The SLP has become a way in which mining companies may demonstrate their commitment to minimizing the negative social impacts associated with operating their business, in partnership with the government and civil society groups. This is done through the identification of different projects and initiatives that appear in the IDP, and where there is no alignment, the mining houses can amend these projects to suit the needs of the community. The local economic development projects and programmes in the SLPs reviewed focussed mainly on basic services such as water, electricity and roads infrastructure for the community. This is in line with the research done by Mitchell (2010a), where similar results were found. Of late, communities are demanding that mining companies invest more in the labour sending areas (Petrova & Marinova, 2012). Where there are serious challenges to meet the needs of communities, different alternatives have been proposed, such as more beneficiation at local level and the reinvesting of tax and royalties back into the local municipalities where mining is operating. Best practice includes the establishment of mining forums and agreement on an MOU between all the stakeholders to avoid any duplication and delays in the implementation of agreed projects and initiatives. At local level, because municipalities lack resources, mining companies should not be seen as service providers for the municipalities and both the IDP and SLP should in fact inform one another on community development needs. The mines should be seen as funding providers to the municipalities. This could resolve lots of conflict with communities and ensure that resources are channelled to where they are most needed.

Finally, based on the study of these cases it is possible to conclude that SLPs and IDPs are generally aligned, which shows that mining companies do consult their local municipalities' IDPs when drafting their SLPs. They realise the benefits that may arise from coordinating with the local municipality and all stakeholders for local economic development.

6.4. Recommendations

The following are recommendations for an improvement in the alignment of the SLPs with IDPs. They derive from the findings of this research. These recommendations will also identify some issues that could be addressed through the performance of future research in this field.

- Proper stakeholder engagement both with the mining industry and with local municipalities is needed in order to ensure that communities are well aware of any proposed activities. This will ensure that there are no delays when it comes to alignment and implementation of the SLP local economic development projects.
- Capacity building in local government could be a tool that the mining companies could adopt to ensure the proper implementation of LED projects (Rogerson, 2011). Because of the lack of resources in most of the municipalities in which mining companies operate, a certain percentage of taxes and royalties should be paid directly to local municipalities to address the immediate challenges in the community and increase beneficiation at local level. This would increase the number of available job opportunities and develop the skills of community members.
- A cross-sector partnership between South African local governments and mining companies is needed to ensure sustainable development in areas where mining is operating, and the IDP can offer an opportunity for consultation and the forging of multiple partnerships. The municipal IDP offers a basis for cooperation between mining enterprises and the local government, which could also be informed by mining SIA, which should be performed in line with the review of SLP throughout the life cycle of the mine.
- At international level, the alignment of SLP reporting with the GRI framework which requires companies to provide a description of their policies aimed at managing impacts on communities in areas affected by mining activities could help improve the alignment with the real community challenges as identified in the IDP, as would the description of

the procedures and programmes in place to address these challenges, including descriptions of the monitoring system and the results of monitoring.

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Annexure A: Questionnaire and interview form

Organization

<i>Mining Company</i>	
<i>Municipality</i>	
<i>Community Member</i>	
<i>Department of Mineral Resources</i>	
<i>Other</i>	

According to the DMR guidelines and MPRDA regulations, the local economic development (community development) of the mining SLPs must be aligned with the municipal IDP.

1) To your understanding and knowledge, what are the main factors that affect mining SLP – LED alignment with the IDP?

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2) To your understanding and knowledge, how can the alignment between mining SLP - LED and municipal IDP be improved to make more impact on the local communities?

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