

PARTNERSHIPS FOR DEVELOPMENT: BAKUBUNG-BA-RATHEO AND WESIZWE PLATINUM CASE STUDY



TRAINING FOR TOWNSHIP RENEWAL INITIATIVE



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wesizwe

TRAINING FOR TOWNSHIP RENEWAL INITIATIVE CASE STUDY SERIES

The Training for Township Renewal Initiative (TTRI) is a partnership between the National Treasury (Neighbourhood Development Programme), South African Cities Network (SACN), the Department of Cooperative Governance (Urban Renewal Programme), the Development Bank of Southern Africa (DBSA), and Urban LandMark. The partners are also supported by occasional associates. TTRI aims to promote, encourage and support township development and renewal in South Africa through the training of township managers and practitioners.

The TTRI case studies series aims to document experiences that illustrate innovative approaches to area-based development in order to share practical ideas and lessons to inform future development initiatives and practices for South Africa's townships. The case studies are primarily for role-players involved in township regeneration, including planners, trainers, policy makers, investors, community leaders and municipal officials.

The Bakubung-Ba-Ratheo and Wesizwe Platinum case study is about a unique partnership. It is the first time in South Africa that a mining company initiated a partnership with a community based on the community owning shares in the company. This complex partnership is still evolving as the partners grapple with the challenges of balancing commercial pro-profit interests with the long-term interests of the community.

This case study focuses on the partnership process so far, its key achievements and challenges. It provides a valuable opportunity to learn about how mining companies can work in new and more sustainable ways with local communities.

ACRONYMS

BBBEE: Broad-based

Black Economic
Empowerment

CLO: Community
Liaison Officer

IDP: Integrated
Development Plan

SLP: Social and
Labour Plan



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1. INTRODUCTION

AN INNOVATIVE PARTNERSHIP IN PROCESS

The Bakubung–Wesizwe Platinum partnership was inspired by the need for a new approach to mining – one that seeks to lay the foundations for sustainable economic community development beyond the life of the mine.

For the first time in South Africa a mining company initiated a partnership with a community based on the community owning shares in the company. After only five years into a potential 30-40-year partnership, the story is still unfolding. However, the partners' experience so far provides a useful learning opportunity for how a company may aspire to be both for profit and pro-development, and how a community can endeavour to play an active role in its own development. There are ongoing challenges for both partners and it remains to be seen how well this approach to partnership works.

The key role-players in the partnership are shown below. The partners operated in a context of new legislation and a Mining Charter that sought to transform the way mining companies operate (see page 5).

Role-players

The Bakubung-Ba-Ratheo community – the residents of Ledig, with a population of about 30 000 in 2009, plus a diaspora of community members who do not live permanently in the area but who regularly return to visit family there. A diverse community, represented by both traditional and new governance structures.

Wesizwe Platinum Ltd – a junior mining company that developed from a mining exploration company in 2004 to a potential market leader in platinum production.

The Moses Kotane Municipality – legally responsible for the provision of basic services for the residents of Ledig.

Figure 1: Location of Ledig



The municipality's Integrated Development Plan (IDP) needs to take account of the proposed mine and its impact on the long-term development of the area.

North West Provincial Government –

Offices of the Premier and the departments responsible for local government, traditional affairs and the use and protection of natural resources.

National government – in particular the Department of Mineral Resources.

A NEW APPROACH TO MINING

Despite the contribution of mining to economic development, past mining practices in South Africa have left a legacy of social and environmental degradation in many areas. Post-1994, legislation related to mining changed in order to encourage black economic investment in the industry and reduce the negative impact of mining. Such legislation provides the regulatory framework within which this partnership operates (see Box 1).

The concept of sustainable development in relation to mining means planning ahead to ensure that the community

established during the mining operation can continue to develop beyond the life of the mine. This means ensuring alternative sources of income, infrastructure that can serve the wider community, and access to healthy environmental resources.

A more sustainable approach to mining calls for long-term planning so that a mine leaves a legacy that has practical value for people living in the area after the mine closes. Such planning involves:

- Identifying opportunities for developing other industries alongside the mine, such as tourism
- Integrating infrastructure development

needed for the mine, such as water and sanitation, electricity supplies, and houses for migrant workers, with infrastructure that can be used by the community in the long term – after the mine closes.

The economic impact of the mining operation, and its closure, needs to be considered not only in the area where the mine is located, but also in the faraway places where the families of migrant workers live. A 20-30-year life span of a mine may be long enough for a rural community to become economically dependent on the mine and lose the skills and resources that sustained it long ago.

NOTE: This case study was informed by interviews with Wesizwe staff, members of the Royal Family, and a municipality official. Due to unforeseen circumstances it was not possible to interview members of the Traditional Council.

Box 1: Key elements of the legal framework that governs new mining operations

- Mineral and Petroleum Resources Development Act (MPRDA) (No. 28 of 2002).
- The Mining Charter and Scorecard which requires mining companies to develop a community development plan in consultation with stakeholders in host and labour-sending communities.
- Codes of Good Practice for Broad-based Black Economic Empowerment (Act No. 53 of 2003) which requires community investment and enterprise development.
- National Environmental Management Act (No. 107 of 1998) and water laws.
- Other national and international protocols that guide good practice.

WHY THE PARTNERSHIP WAS FORMED

Background

The story of the Bakubung–Wesizwe Platinum partnership began in 2004, in a rural area near Rustenburg, North West Province, South Africa. The area is rich in mineral resources and biodiversity. Economic activities mainly focus on mining, eco-tourism ventures and agriculture. Historically marginalised from such activities, the Bakubung-Ba-Ratheo, in the small village of Ledig, were grappling with a high unemployment rate, and the challenges of inadequate water and sanitation services.

The Bakubung-Ba-Ratheo given mineral rights

As a result of the post-1994 changes in mining legislation, Rustenburg Platinum Mines abandoned its mineral rights on two pieces of land which traditionally belonged to the Bakubung-Ba-Ratheo. The government awarded those mineral rights to the Bakubung community.

The emergence of Wesizwe Platinum

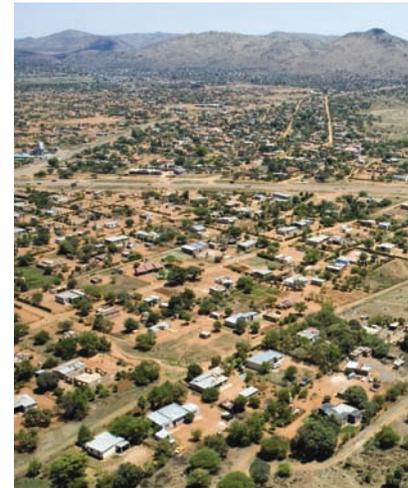
In 2004, mining companies were busy

consolidating mineral rights and prospecting in the area, one of the richest platinum mining areas in the world. One such company was Wesizwe, a new mining exploration company that had a small portfolio of mineral rights, including some near Ledig. However, they needed to acquire additional mineral rights to get a prospecting venture going.

A basis for partnership

One of the preconditions for a partnership is that each partner identifies at least one potential benefit from partnering with the other. With the mineral rights from the Bakubung, Wesizwe could begin exploration. The Bakubung did not have the capacity to initiate a mining company on its own. If they wanted to benefit from the minerals on their land they would have to negotiate an agreement with a mining company, subject to approval from the Department of Rural Development and Land Reform and the Department of Mineral Resources.

See page 28 for an overview of the partners' initial stake in the partnership.



View over Ledig toward the Pilanesberg

2. KEY ELEMENTS OF THE PARTNERSHIP

THE PARTNERSHIP AGREEMENT

Negotiations between Wesizwe and the Bakubung-Ba-Ratheo resulted in Wesizwe getting the mineral rights for their land in return for a 33 per cent share in the company, which at that time represented the largest single shareholding in the company. In addition, community representation on the Board of Directors was agreed. Negotiations began in December 2004. The agreement was ratified at a high profile meeting in May 2005, attended by about 2 000 people, including dignitaries from national and provincial government.

Ensuring commitment and ownership

Representation on the Wesizwe Board was essential if the Bakubung-Ba-Ratheo was to be an active partner and have some influence in the strategic development of the company. It was also strategically important for Wesizwe in terms of broad-based black economic empowerment (BBBEE).

Managing expectations

A challenge for Wesizwe during the negotiations was managing the community's expectations of short-term community economic development. Initially, dividends on shares in the company could not be guaranteed, as ore reserves that were economically viable to mine had yet to be found, after which it would still take up to ten years before any dividends would accrue from sales of the minerals. In recognition of these risk factors, it was also agreed that Wesizwe would support:

- The establishment of a Community Development Trust Fund – with an initial donation of R10 million to fund non-mining economic development
- The establishment of the Bakubung Economic Development Unit to administer non-mining related community development projects funded by the Trust
- A bursary programme for young people from the community to study mine-related topics at university.

Communication channels

It was agreed that the main channel of communication between Wesizwe and the Bakubung-Ba-Ratheo would be via the Traditional Council, as required by legislation relating to local governance and administration.



Community members ratify a decision to form a partnership with Wesizwe, May 2005

THE BAKUBUNG-BA-RATHEO AS A PARTNER IN THE BUSINESS

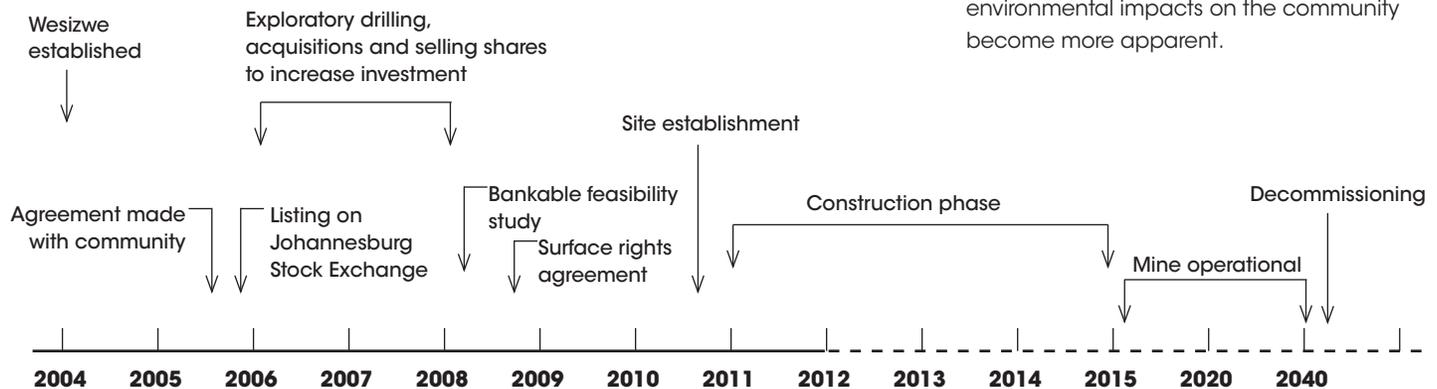
The long-term development of the Bakubung-Wesizwe Platinum partnership depended on exploratory drilling activities resulting in a bankable feasibility study for the mining operation. By 2008, Wesizwe had proven platinum-rich ore reserves and was on track to raising the capital needed to develop the mine and begin production in 2016. The timeline below highlights the key steps in this process.

Wesizwe's strategy for growing the business was to raise capital by selling shares in the company, as well as through mergers and acquisitions, whilst not diluting the percentage of black-owned interests in the company.

Another element of Wesizwe's work at this stage was putting in place strategies, guidelines and procedures for complying with, and where possible, going beyond the new laws and regulations. An important aspect of this was planning for community development initiatives and managing stakeholder relations.

The Bakubung-Ba-Ratheo influenced the growth of the business as their shareholding provided the black economic investment needed to comply with government regulations. The community development work also earned Wesizwe some good standing with overseas shareholders. There was also potential for active participation of the community at board level, which would add value to the company's social investment and, presumably, act as a balance to pressures to increase profit at the expense of social and environmental costs. This role is likely to become more important as the mining operations progress and their social and environmental impacts on the community become more apparent.

Figure 2: Timeline



However, there were also challenges related to community participation in the company. One of these was a delay in a decision to begin construction of the mine, due to conflict in the community (see page 14). Some of the reasons for the conflict relate to two aspects of the community's participation in the business – community representation on the board and community shareholding.

Community representation on the board

As agreed, two members of the community were appointed to the Wesizwe Board by the Traditional Council. However, this was done without a resolution taken at a community meeting and without consulting other members of the traditional governance system, particularly the Royal Family. The repercussions of this emerged later (see pages 14-17).

The community's board representatives were given some training in the mining business. They also received remuneration from Wesizwe for their services to the board. In 2007 they chose a company to assist them with commercial financial advice. These advisors also attend

the board meetings. From Wesizwe's perspective the advisors made it easier to discuss and take commercial business decisions at board meetings. However, it is unclear to what extent these advisors, who were paid for their services, represented the interests of the broader community.

Community shareholding

In order to comply with regulations, Wesizwe has to retain over 50.1 per cent black-owned investment in the company. In the early days, the Bakubung-Ba-Ratheo shareholding, plus other black investors, helped Wesizwe to attain this percentage. However, as new shareholders invest in the company, the relative percentage of BBBEE investment will change. Any dilution of the BBBEE investment has to be made up by investment from other BBBEE companies or individuals.

The overall effect of selling shares on the stock market and the investment of other BBBEE companies was a dilution of the overall percentage of shares held by the Bakubung-Ba-Ratheo. By 2007 the community shareholding had declined from 33 per cent to about 24 per cent. However, it was still the largest single BBBEE

shareholder, and the predicted value of their investment over the life of the mine was R1 billion in 2007. Nevertheless, the relative decline in their shareholding was likely to contribute to disagreements about the partnership, for example if it was unexpected and if there was concern that the other investors would be less committed to the long-term development of the local area.

Community land rights

The Bakubung-Ba-Ratheo's major contribution to the partnership was its land, which has a value beyond the financial value of its minerals. It is unclear the extent to which the community considered alternative mining companies, or even other uses of its land, before the negotiations with Wesizwe.

One of the benefits for Wesizwe of working on land that was owned by the Bakubung is that there have been no land ownership disputes. In other areas such disputes, or the presence of informal settlements on land designated for development, have caused delays and presented challenges for developers and municipalities.

WESIZWE AS A PARTNER IN COMMUNITY DEVELOPMENT

Among the benefits for the Bakubung-Ba-Ratheo from the partnership were some community development initiatives in the short term – before the mine became operational. A summary of these is given in Table 1. They consist of specific things negotiated in the partnership agreement as well as certain social and labour commitments defined in Wesizwe's Social and Labour Plan (SLP). The areas of focus of the SLP projects link to the area's IDP. The SLP is a legal requirement according to the regulations governing mining companies.



Jewellery making, Sebenya Art Cooperative

Before implementing any initiative in the community, Wesizwe liaised with the Traditional Council and obtained their advice. The primary project beneficiaries were Ledig residents, who had to be in receipt of a letter from the Traditional Council as proof of residence.

Some residents had unrealistic expectations for what Wesizwe could be expected to fund. As a commercial company, Wesizwe has to balance its social investment with its core business of developing a profitable mine.

At some stage, around 2008-2009, the community's financial advisors monetised part of the Bakubung shareholding. Some of the money raised went to the Bakubung Economic Development Unit for community development projects. However, a lack of transparency related to the way in which this was done has been a source of conflict amongst the community.

The mining venture is also expected to contribute to local economic development through using local supplies and services and planning for economic development

after mine closure. Such economic development is also important to ensure the sustainability of infrastructure services (see page 12). For example, equitable, affordable cost-recovery systems for service provision need to be complemented with economic development that generates the necessary income for households and businesses.

Procurement

Wesizwe has committed to sourcing services, supplies and labour from within the community. The Traditional Council was notified of any vacancies or services needed and advertised them. However, probably due to the highly skilled and technical nature of Wesizwe's operations in the area, there have been relatively few procurement opportunities for local people. This may improve as the mine develops. Wesizwe commonly receives enquiries from residents seeking to establish their own businesses to become future suppliers for the company.

Planning beyond the mine

In line with the new approach to mining, Wesizwe plans to facilitate the development of local enterprises that are independent of the mining industry and so will be financially sustainable after mine closure. For example, one of Wesizwe's SLP projects has focused on developing a small business related to tourism which is an important industry in the area.

Ensuring the long-term economic development of the area also involves reducing the mine's impact on the environment in order to safeguard natural resources for future generations. The Bakubung-Ba-Ratheo and other stakeholders have the potential to play an important role in helping Wesizwe to meet high standards in environmental management.



Table 1: Community development initiatives as a result of the partnership

In fulfilment of the terms of the partnership agreement, Wesizwe has:	Wesizwe's SLP projects initiated by December 2009, linked to key areas in the IDP
<ul style="list-style-type: none"> • Provided information and training related to the mining business to assist community representatives to participate in decision-making at board level. • Established structures for community-led development: the Bakubung Community Trust, whose initial funds of R10 million had grown to R14 million by the end of 2009. • Supported bursaries for six students to study mining-related topics at university. • Employed some local people for initial operations. 	<ul style="list-style-type: none"> • The provision of improved drinking water supplies. • Skills training courses in basic adult education, computer skills, carpentry, brick-laying and first aid. These courses were run during 2008/09 and were well attended and appreciated by participants. Many residents have succeeded in getting further employment as a result of the training. • A partnership with the Department of Education to improve reading and writing skills in the Foundation Phase, and Maths and Science skills in the Senior Phase. • A pilot sustainable livelihood project related to tourism – a bead-making business, the Sebenya Art Cooperative.

INFRASTRUCTURE DEVELOPMENT

Mines require infrastructure. A mine needs roads, water supplies, electricity, sanitation facilities, housing for its workers, hospitals and so on. In the past, mines often ring-fenced such resources for their own mine workers' community, and they were planned to serve only for the life of the mine. However, Wesizwe aims to change that pattern by adopting a new approach to mining that leaves a legacy that facilitates non-mining economic development. This includes the provision of infrastructure that can benefit the community after mine closure. In order to achieve this, the company needs to work in partnership with the municipality.

In terms of infrastructure provision, Moses Kotane Municipality is a key role-player in the partnership. Not only does the municipality have a constitutional responsibility to provide access to basic services, such as water and sanitation, but it also has to be notified of any plans for new developments on the Bakubung-Ba-Ratheo land so that:



A street in Ledig during Wesizwe's exploratory drilling phase

- They can be reconciled with the municipality's five-year IDP, which is reviewed annually
- The municipality can check that they comply with relevant laws and regulations.

The first community infrastructure project in which Wesizwe invested was the provision of water supplies (see Box 2). Although

the municipality had plans to develop the water infrastructure in the area, due to budgetary constraints the plans had not been implemented. Wesizwe's intervention helped the municipality's plans to be pushed forward. However, the water supply project was a steep learning curve for Wesizwe. It turned out to be a complex project that involved the investment of substantial funds – more than expected.

Box 2: Provision of water services

Wesizwe needed a lot of water for its drilling activities, which began in 2006. Yet, Wesizwe could not be seen to be using water while households nearby struggled to live without adequate water supplies.

Water tanks – a short-term solution

In 2007, after getting permission from the municipality, Wesizwe installed water tanks in the community and paid a local farmer to keep them filled. At first water was collected from the farm water point, but later Moses Kotane Municipality provided an alternative water point to draw water for the community. This water supply system amounts to a monthly cost to Wesizwe of approximately R200 000.

Towards a piped water system

Wesizwe worked with Bigen Africa, a specialist provider of water infrastructure, to connect an existing reservoir to existing pipes servicing Ledig residents.

"We then discovered that the municipality owed R9 million to Magalies Water Board.

That's why the project was stopped, and the reservoir never connected to the community."

(Wesizwe's Operations Officer)

The estimated cost of providing yard taps for each household in Ledig came to R80 million – more than Wesizwe could afford to invest. It was decided to seek funds and implement the project in phases.

Wesizwe spent R2.8 million on the first phase – to fix the old reticulation system and provide piped water for residents in the southern half of Ledig. The municipality would be responsible for maintenance. In August 2009, at a ceremony to turn on the pumps, it was discovered that the system leaked! The municipality had no funds to fix it, so Wesizwe fixed it at a further cost of R2 million.

In the second phase of the project, another reservoir will be built and households in the northern part of Ledig connected. In the meantime, Wesizwe will provide a water tank service for those residents.



Water being used during drilling



Community water tank being filled by Wesizwe



CONFLICT AND COMMUNICATION IN THE PARTNERSHIP

The emergence of conflict

During the early days of the partnership (2004-06), things seemed to be going well for both sides. There was strong support for the partnership from national and provincial government – as indicated by the senior officials who attended the initial community meetings in 2005.

In 2008, as Wesizwe was preparing to move into the operational phase of the mine, a stakeholder perception survey revealed that there were many groups in the community that were opposed to the mining operation. This was to be expected, given the impact of mining. However, at a tempestuous meeting in September 2008 it became clear that there was conflict within the community relating to the Traditional Council's activities (see Box 3).

Box 3: A flashpoint

In September 2008, Wesizwe representatives attended their second big community meeting since 2005, arranged by the Traditional Council. The aim was to consider a surface rights agreement, as required by the Department of Land Affairs. Such an agreement would allow Wesizwe to start construction of mine-related structures such as mine shafts.

"I was lucky enough to attend and for the first time I met some of the people

within the Wesizwe camp. It was only then we realised just how bad things were – community members were asking genuine questions about stuff they should have known about long before."
(Royal Family member)

"The day turned out to be full of unresolved issues for us to listen to and address. Unfortunately, we were not able to table the resolution. Out of this difficulty came an opportunity for Wesizwe to lend an ear to you and

we listened hard. ... Wesizwe wants to conduct business with integrity; this means listening to the stakeholder and being accountable."
(Wesizwe Chief Executive Officer in Wesizwe's newsletter, October 2008)

The surface rights agreement was passed in a follow-up meeting on 4 October 2008.

The Traditional Council played a powerful role as the gatekeeper between Wesizwe and residents, and appeared resistant to Wesizwe taking issues directly to the community – as if Wesizwe usurped the Traditional Council’s power by doing so. In hindsight, some may perceive the Traditional Council’s actions as individuals using their power and influence to manipulate the partnership process for their personal gain.

Wesizwe had relied on the Traditional Council to report back to the community and take account of the community’s concerns. However, this was not being done effectively (see Box 4) and created misunderstandings that fuelled conflict situations. In particular:

- People were concerned about how the Traditional Council was managing the community’s assets (indicating a lack of transparency from the Traditional Council regarding financial issues, particularly the monetisation of community shares).
- The distinction between the projects that were funded by Wesizwe and those funded by the Traditional Council



Over 600 people gathered for the surface rights agreement meeting in September 2008

or other sources was not clear (this may have fuelled suspicion that some members of the community were profiting unfairly from the association with Wesizwe).

- There was a need for more effective consultation between members of the Traditional Council and other traditional leaders.

Box 4: Leadership dynamics

The Bakubung-Ba-Ratheo traditional leadership includes the Royal Family and Heads of Clans. Their role is to act as custodians of the community assets.

In the early days of the partnership, when the original agreement was developed: *"We had a group of people that were initially trusted to look after the interests of the community."* (Royal Family member)

However, in 2005 there was a change in leadership within the Traditional Council. It appears that the new members of the Traditional Council did not follow regulations and customary laws with regard to the appointment of members to the council and processes of consultation with other traditional leaders and community members before taking decisions.

"A Kgosi cannot make decisions on his own...The BaKgosi is an institution, not an individual." (Royal Family member)

It appeared that individuals in the Traditional Council were putting their personal interests before those of the community. In addition, party politics appeared to be influencing the Traditional Council.

"When you put people in positions of power and authority you expect them to report truthfully ... [But] there's a lot of money involved here and money will change people's thinking." (Royal Family member)

Another interesting dynamic related to the community is the fact that many members of the Bakubung-Ba-Ratheo, including some members of the Royal Family, do not live permanently in Ledig, although they visit frequently.



Managing conflict

The emergence of conflict highlighted the need to rebuild trust between community groups and the company in order to manage conflict, deal with contentious issues constructively, and work towards shared long-term visions.

"It's about trust and buy-in and that takes time - and you need to be dedicated to it."
(Sustainable Futures Executive)

Wesizwe responded by revising its communication strategy (see page 18). As part of this, Wesizwe appointed a Community Liaison Officer (CLO) in 2009. This enabled Wesizwe to communicate directly with the community, for example through:

- **Keeping the Traditional Council informed:** Regular weekly meetings between the CLO and the Traditional Council that provide an opportunity for the partners to share information about the status of Wesizwe's operations and community projects, raise any issues or concerns, and discuss any new programmes.

- **Understanding the community dynamics:** The CLO attends community meetings organised by the Traditional Council as an observer. This provides an opportunity for the CLO to listen to residents' concerns, including those that may not be directly related to Wesizwe's operations, but which indirectly affect the partnership.

From the community's side, it was clear that there were concerns related to governance and accountability that needed to be addressed within the traditional community structures (see Box 4). This initiated a process of change within the Traditional Council, which included the appointment of new community representatives to the board, and greater involvement of members of the Royal Family in the partnership. In particular, it drew their attention to the need for effective systems to manage the partnership processes from the community's side and to help guard against individuals usurping them for their own self-interest.



Samples of rock from the exploratory drilling being measured before going for analysis

Communication between partners

The current (2009) communication channels between the partners are shown in Figure 3. These were developed in response to the need:

- To avoid misunderstandings and conflict resulting from misinformation
- For Wesizwe to engage more directly with residents as the mining operations begin to have more impact in their area.

Two key features of the system are that it provides:

- Different forms of communication, such as face-to-face contact or newsletters
- Multiple channels of communication, for example direct communication between Wesizwe and individual residents, and the formal channel through the Traditional Council.

In addition to generally sharing information about the mining developments and community development initiatives, the system has other specific functions, as discussed below.

Listening and responding to residents' concerns

Wesizwe's CLO engages directly with residents of Ledig that have queries or concerns related to Wesizwe's activities. The CLO is based at the Wesizwe office in Ledig. Residents can visit the office at any time, or call the officer on the mobile phone 'hot line'.

Most of the enquiries relate to training and employment opportunities, particularly people interested in becoming entrepreneurs and suppliers of goods or services to the company in the future. There have also been some complaints related to the exploration work, such as suspected cracks in houses, and that grazing land will be threatened once construction commences. Wesizwe takes action to address such complaints, for example by undertaking a survey to determine the cause of the cracks in existing houses, and through the provision of alternative grazing land.

"You need to give [people] confidence based on the reality of what the company is saying ... you can't afford not to tell the truth" (Community Liaison Officer)



Monitoring air quality, March 2009. Small dust particles can cause serious breathing problems. This PM10 monitor measures dust particles that are less than one tenth of a millimetre in size. Wesizwe has to keep the dust produced by its activities to a minimum.

Monitoring trends

The enquiries from residents are recorded on a management database. In order to inform the company's future work, the issues and concerns raised are analysed each month (i.e. which are the most prevalent issues and why, which issues have been resolved, and which are still outstanding).

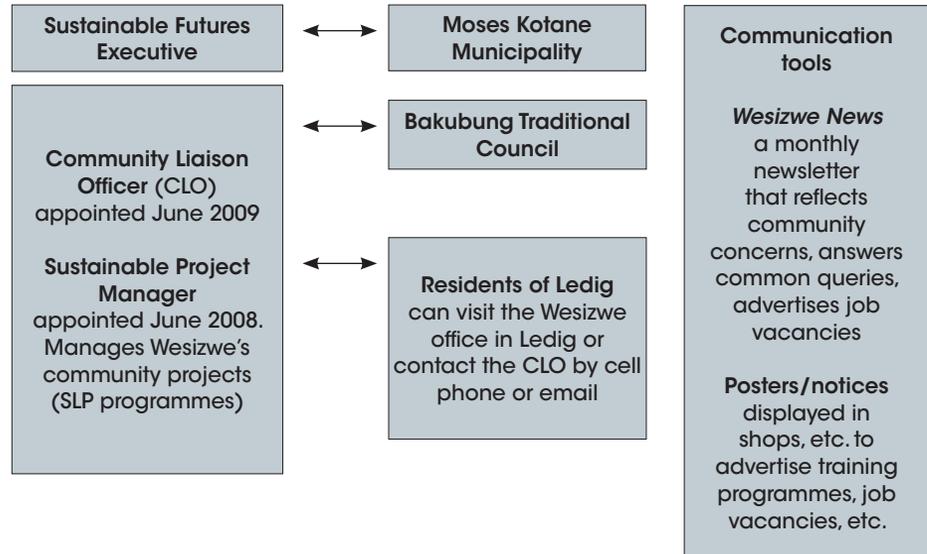
"That is very useful because in a way you have the heartbeat of the community,"
(Sustainable Futures Executive)

The database also provides Wesizwe with useful contacts for individuals whom they can liaise with regarding specific issues – which may be particularly useful in relation to managing conflict situations.



Figure 3: Main communication channels between partners

WESIZWE REPRESENTATIVES



3. LESSONS LEARNED

A community-mining company partnership based on the community having a shareholding in the company is an innovative approach to the need for more sustainable mining practices. Some key lessons that can be learned from the experience of the Bakubung-Ba-Ratheo-Wesizwe Platinum partnership are given below. They show that such partnerships are complex and not always predictable nor easily managed. However, there is potential for such partnerships to shape more sustainable mining operations through balancing commercial pro-profit interests with the long-term interests of the community.

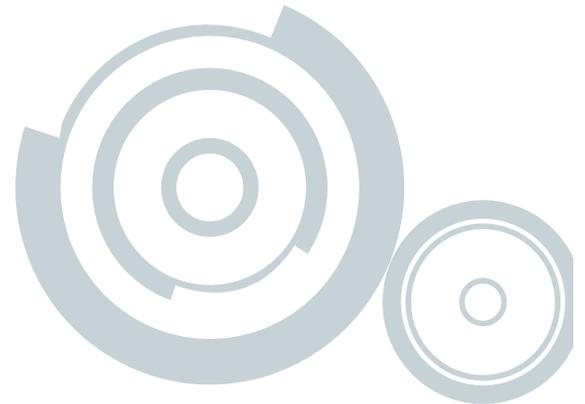
3.1 A COMMUNITY IS DIVERSE AND NOT HOMOGENEOUS

Any community is diverse. Different groups within the community will have different perceptions of the partnership, competing interests, power bases and existing conflicts. Any one structure is likely to use information and access to resources or power to further its own interests or sphere of influence.

It is critically important that strategies are put in place to prevent or minimise such behaviour from taking place.

Leadership and power structures in a community, and the systems through which they are held accountable can be complex and require an understanding of the customs and practices within the community. For example, a lack of understanding of community dynamics will make it difficult for a company to know who the legitimate leaders are.

Some members of a traditional community may not reside permanently in the village, having left for jobs and opportunities elsewhere, yet they return regularly and consider themselves part of the community, linked through family bonds and a sense of place and heritage. Such community members need to be included in the partnership processes. They may also be able to contribute relevant knowledge and skills, for example, act as advisors for community representatives on the board, or work with any 'external' advisors in working groups or committees.





Communities change and grow. For example, over the next few years more people are likely to move into Ledig seeking job opportunities related to the mine, including migrant workers with mining skills and experience.

Recommendations

During the early stages, the mining company needs to conduct detailed socio-political research in order to understand the

community dynamics, including community-based decision-making systems and leadership and power structures. This should be done before a partnership is agreed.

A company should avoid relying on any one structure for communicating with community representatives. Open relationships with all relevant community structures should be maintained. Such relationships should allow for two-way communication and not be unilateral.

Guard against a situation where a single community structure can gain power and use it to make unilateral decisions that could either be to the detriment of the community as a whole or favour only one part of the community. This is the rationale for recommending the establishment of a community trust, which should also be used to coordinate community-company interaction and which has clear management systems for ensuring accountability.

A partnership needs to be responsive to changes in community dynamics, and be able to learn and adapt to them. There have to be checks and balances.

3.2 MONEY CHANGES PEOPLE

Within a community, benefits gained by a few individuals, in terms of jobs or remuneration for services, can create tensions, jealousy or even allegations of corruption. The introduction of new sources of money and other resources into a community will create conflict. Such conflict should be regarded as inevitable and unavoidable and should be uppermost in the minds of all role-players during planning and operations as it can lead to community breakdown and even bloodshed. There is the potential for community representatives and power groupings to be influenced by the prospect of their own financial gain and for them to lose sight of the longer-term interests of the community as a whole – on whose behalf they are working.

Recommendations

The overriding recommendation is to structure the partnership so that benefits to resource-poor communities are managed, both by the partnership and within the community, in a transparent way, and multi-sectorally, so that



individuals or groups cannot manipulate the situation for personal gain.

A primary strategy to achieve the above could be to establish a community trust, managed by the community, with multiple community representation (for transparency and as a check and balance) through which community representatives on the mining company board and external community advisors may be paid. Make it clear to all through the communications strategy that the trust funds belong to the community as a whole.

Community representatives on the board should be there as community trustees, not in their personal capacities. Remuneration of such community representatives needs to be very carefully considered and should be done in a transparent manner.

Financial arrangements need to be transparent and agreed through legitimate, accountable, decision-making structures.

3.3 EXPECTATIONS CAN CAUSE CONFLICT

Even though a municipality may not have the capacity in terms of funds and human resources to provide infrastructure services such as water supplies, it is not the company's responsibility to provide such services and neither the municipality nor the community should expect the company to take on such a role. The provision of such services requires coordinated planning (including through the IDP process), consideration of how the services will be maintained and paid for in the future, and a significant investment of funds.

Getting involved in an infrastructure project in order to meet people's basic needs in the short term can put a company at risk of not only investing more resources than it can afford, but also of being blamed if things go wrong and services do not function properly. It would be better for an assessment of such needs to be made before the partnership is agreed. That would enable the provision of such services to be planned with the municipality and issues of capacity addressed, for example,

through identifying other potential funders or organisations that can help with capacity building.

As a mining company develops infrastructure for the mining operation and to service its workers, there is potential for this to be done in a way that can also lead to a higher level of service provision for residents. For example, existing residents may be able to benefit from a full waterborne sewage works planned for the mine. However, municipalities often lack the capacity for the long-term planning required to integrate the infrastructure needed for a mine with the provision of community services.

Recommendations

Facilitate initiatives that help to build the capacity of local government to meet its obligations relating to service provision and sustainable development. These may involve civil society organisations as well as corporate partners.

Plan any community infrastructure project carefully with the municipality and other partners.

Set realistic goals for community infrastructure projects in which the company can invest.

Establish an independent forum through which stakeholders can share their visions for the future of the area and reach consensus on community development projects on which they could work collaboratively to implement.

3.4 MANAGE PERCEPTIONS OF FAVOURITISM

In a context where new opportunities arise, particularly for benefits gained by a few individuals, perceptions of favouritism will often be far stronger than reality. It is critical to avoid such perceptions from arising in the first place. For example, if a company pays community representatives on the board fees for their services it will fuel perceptions that loyalties have been bought, of underhand dealings and so on. As these individuals represent community shareholders, it is up to the community to remunerate them if appropriate, for example through the community trust.

Recommendations

Ensure that community board representatives have the community's support. Board representatives from the community need to be chosen by their community through an open and inclusive consultative process. It is critical that any single community structure cannot place its favoured person on the board. In terms of governance structures and lines of accountability it is recommended that the community board

representatives should come from the community trust or become trustees once they are elected onto the board.

Clarify roles and responsibilities of community board members. Encourage these representatives to act specifically in the community's interests and ensure that they personally can have no significant material gain from serving on the board – all gains must be vested within the community trust.



3.5 COMMUNICATION IS CRITICAL

Ineffective communication systems lead to misunderstandings and conflict between partners. Access to information is a source of power that can be abused in different ways by both partners.

Recommendations

Put in place communication systems that enable partners to engage meaningfully with each other, and inform transparent decision-making systems.

Include handover mechanisms in partnerships to facilitate continuity of processes when key individuals change.

A company cannot assume that information about its activities will be accurately reported back to the relevant community groups. It also needs to develop its own systems for engaging directly with community members.

Provide opportunities not only for the community's representatives on the board to report back to the community but also for community concerns to be reflected back to the board. Non-executive

representation of the company on the community trust is one such opportunity.

Make sure community members understand the role of active shareholders in a company, for example, that they can participate in annual general meetings.

3.6 PARTNERSHIPS REQUIRE EFFECTIVE PARTNER STRUCTURES

Both partners will need mechanisms and structures to manage their side of the partnership processes. These need to be transparent, accountable and flexible so they can adapt to change. They also need to be allowed to work without party political interference or influence.

A local community may lack the capacity to manage such a structure. If so, a partnership agreement should be delayed until the relevant capacity can be built, or provision made for training and mentorship as required. Independent civil society organisations may be able to help with this.

Relying on an existing community structure, such as the Traditional Council, to manage

the partnership process may cause problems later due to existing tensions and dynamics between council members or other community structures. It is preferable to establish a new and fully representative structure, such as a community trust, that can have a clearly defined role and which can represent all community members and be seen to be independent. Any funds related to the partnership would then be managed by the trust.

The role of a community trust would include coordinating community-company interactions, managing community funds for the benefit of the whole community, and ensuring good governance related to partnership projects and processes.

Recommendations

Establish clear guidelines and mechanisms for the effective management of partnership processes. This will include a community trust.

Provide support as needed to develop the institutional and organisational capacity of community and local government.

3.7 PARTNERS ARE NEVER EQUAL

In any partnership, each partner will have different interests. They will also differ in the ways in which they can influence the partnership process. The ability of each partner to influence, or contribute to, the partnership will vary. For example, community leaders may lack financial expertise or an understanding of the social and environmental impact of mining.

Although both the community shareholders and the mining company share an interest in making a profit from the mine, they also have potentially conflicting interests. A mining company may only be interested in the area for 30 years, whereas a community will have an interest in the land for generations to come and an interest that extends back into the past through cultural heritage. A partnership is a dynamic process that involves negotiating both shared and conflicting interests.

A sense of commitment and ownership in a partnership stems not only from the benefits that each partner will derive from

the partnership, but also from the extent to which each partner feels that they can contribute to the process. This includes their involvement in discussions and decision-making processes.

Recommendations

Be clear about the roles and responsibilities of each partner, and set realistic expectations.

Implement measures that reduce power imbalances between partners, such as training and capacity building for community partners, effective two-way communication systems, transparent financial arrangements, and allowing enough time for community consultation and decision-making processes.

Ensure that any technical experts that advise community representatives are independent of the company and any particular group/s in the community, and are appointed and paid by the community trust.

Put monitoring and learning mechanisms in place. Partners will learn through experience.

3.8 THERE MAY BE A CLASH OF CULTURES

A partnership between a corporate and a semi-rural community will inevitably bring together individuals with very different understandings of the world. Corporate culture and traditional rural culture are very different and the way in which they make decisions are different. For example, in the corporate world, decisions often need to be made rapidly and implemented decisively – delays cost money. Generally, businesses do not have a highly consultative culture. Traditional rural communities, on the other hand, generally require longer time periods for discussion and consensus building before collective decisions are made. Corporates tend to have a financially dominated culture whereas traditional rural communities tend to operate in socially mediated ways. Such a clash of cultures will affect communication between partners and, if not managed appropriately, lead to misunderstandings and conflict.

This clash of cultures not only affects relationships between partners but also between individuals within the community. In a modern, consumerist society



corporate ethics tend to dominate and there is a tendency to disregard traditional customs and values. It is important to remember that money cannot solve everything. For example, some traditional leaders may lack knowledge of modern business practices and technology, but their knowledge and experience related to the land and the importance of consensus building are just as relevant to making decisions about sustainable development and the long-term interests of the community.

Recommendations

Put in place partnership processes that allow for exchange of information and understanding before key decisions need to be made. Members of the 'corporate culture' need to allocate much more time for consultative processes than they would normally consider necessary. Members of the 'traditional culture' need to respect the need to make decisions quicker than might normally be the case. Overriding this is the fact that 'traditional culture' simply cannot be pushed into decisions; to do so is to breach trust and create potential minefields of difficulties.

Employ 'translators' (for example experienced business people from rural backgrounds) at high-level business meetings so that representatives of both cultures can have the other culture interpreted (for example during separate small group discussions), and differing use of language (i.e. cultural codes) can be explained. Alternatively, make no assumption that agreements made are understood in the same way by the two partners.

Ensure that community structures that manage the partnership processes on behalf of the community are inclusive and do not disregard traditional customs.

Table 2: An overview of initial stakes in the partnership

	Primary interest in the partnership	Expectations	Concerns and risks
Wesizwe Platinum	To develop a profitable mining company	<ul style="list-style-type: none"> • Clear agreement between partners • Clear roles and responsibilities for key role players • Streamlined relationships with government departments, such as the Department of Mineral Resources 	<ul style="list-style-type: none"> • Loss of autonomy through having to work in partnership • Managing tension between commercial and community development interests • Maintaining financial sustainability of mining while making social investments • Changing policy environment • Lack of clear understanding of community development and dynamics
Bakubung-Ba-Ratheo	To gain benefit from the mineral resources on their land	<ul style="list-style-type: none"> • To act as a full partner in the strategic development of the company, environmental management considerations and community development • Community is the primary beneficiary of community development programmes, including skills training and job opportunities • Financial benefits from the partnership to be invested in community development 	<ul style="list-style-type: none"> • Lack of understanding and experience of mining business leading to reduced ability to engage and to secure community interests, as well as to protect against impact of mining • Personal interests and vested interests influencing effectiveness of community structures

	Primary interest in the partnership	Expectations	Concerns and risks
Moses Kotane Municipality	Economic and social development of the area	<ul style="list-style-type: none"> • Mine to enhance the provision of infrastructure • The mine would attract investment to the area that would stimulate the development of other economic activities and thereby enlarge local tax base • All partners would observe laws and regulations 	<ul style="list-style-type: none"> • Lack of capacity, including funds, to plan and implement development projects • Lack of capacity to enforce regulations • Conflict between stakeholders potentially leading to disruptions or civil unrest • Long-term negative social or environmental impacts • Increased service delivery expectations
National government and provincial government	<ul style="list-style-type: none"> • Transformation of the mining sector • More sustainable mining 	<ul style="list-style-type: none"> • A partnership model to inform future cross-sector initiatives • That regulations would be observed, including BBBEE policies 	<ul style="list-style-type: none"> • Lack of capacity at local government level • Lack of capacity to enforce regulations • Long-term negative social or environmental impacts

