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THE IMPACT OF MINERAL EXTRACTION ON LOCAL ECONOMIC DEVELOPMENT OF MINING TOWNS:

A MARIKANA PERSPECTIVE

BY

Bheki Khenisa

A mini dissertation submitted in partial fulfilment of the requirements for the degree of Masters of Management (in Public & Development Management) at the University of the Witwatersrand, Johannesburg

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ABSTRACT

The research examines the relationship between mineral extraction and sustainable economic development of local mining communities. The research will focus specifically on Marikana within the Rustenburg Local Municipality. The research investigates the efficacy and implementation of the regulation and legislative framework relevant for the transformation of the mining industry as well as the sustainability of the local economic development.

In terms of the MPRDA, mining companies are obligated to submit a social and labour plan (SLP) when applying for mining rights. The main purpose of the SLP as per the guidelines, regulation 46, is to ensure the improvement of infrastructure, poverty alleviation and community development of the host community and in the situation from which most of the labour is sourced and being addressed. The Act further prescribes that the SLP should be aligned to the municipality's integrated development plans (IDP). Sec 100 of the MPRDA further prescribes the development of the mining industry charter. The charter, aims at addressing the integrated sustainable LED of the host communities, the facilitation of meaningful participation of HDSA in the mining and mineral industry.

This research adopts an interpretative social science approach. The design that the research took is a qualitative approach. Primary data was collected through semi-structured interviews conducted with eight interviewees. Participants consisted of two companies (mining house, Research Company), four policy experts from local and national government, two community representatives from the ward committee and the business forum. Secondary data is from the journals, academic writings, SLP and the IDP of the municipality.

The results show there are challenges with compliance with SLP and the Charter prescripts from the mining houses, also there is a debate about mining houses' commitment in implementing sustainable LED as there is a view that they are only focused on small, economically unsustainable projects and that they reserve mega

projects for white established businesses to the exclusion of black start-up companies.

The view that the regulator is encouraging lack of accountability of the mining houses because of lack of applying punitive measures against non-performance is also gaining traction. The issue of lack of capacity of the regulator to monitor local projects was highlighted as a contributor to mining houses' noncompliance.

Inadequate stakeholder engagement, lack of alignment of the SLP, IDP and the priorities of the community creates a challenge due to lack of buy in and ownership of LED projects implemented.

The research found that there is a need to improve alignment of the IDP, SLP and the community's priorities, improve stakeholder engagement process and also to enforce the prescripts of the Act where there is lack of adherence.

KEY WORDS: Local economic development, Social and labour plans, Integrated development plans

DECLARATION

I declare that this research report, apart from the contributions mentioned in the acknowledgements, is my own, unaided work. It is submitted in partial fulfilment of the requirements of the degree of Master of Management (in the field of Public and Development) at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination at any other university.

Bheki Khenisa
30 November 2016

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LIST OF ACRONYMS

BBBEE	Broad Based Black Economic Empowerment
DPLG	Department of Provincial and Local Government
GDP	Gross Domestic Product
HDSA	Historically Disadvantaged South African
IDP	Integrated Development Plans
LED	Local Economic Development
MPRDA	Mineral and Petroleum Resources Development Act
MRT	Mining Resource Theory
MSA	Municipal Systems Act
MGDS	Merafong Growth and Development Strategy
SALGA	South African Local Government Association
SME	Small and Medium Enterprises
SLP	Social and Labour Plans

DEFINITIONS OF 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.

Demographics: means the numerical characteristics of a population (e.g. population size, age, structure, gender, race etc.)

Historically Disadvantaged South African: 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 (MSA, 2000).

Labour sending Areas: area from which a significant number of mineworkers are on 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)

Social and labour plans: 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.

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 ONE
INTRODUCTION

1.1 INTRODUCTION

It could be assumed that countries with large mineral deposits should consider themselves fortunate. Minerals, like any other asset, are part of the natural capital of a nation and therefore should contribute to wealthier economies. With that view, mining activities can extract economic value from latent wealth in the form of underground mineral deposits, so it could be converted into business, education, infrastructure and other various forms of capital that directly contribute to economic development. Likewise, at the local and regional level, it has often been accepted that economic development would be a natural by-product of mining activities, as the east coast of the United States testifies, together with Western Australia and Victoria in Australia or Johannesburg in South Africa among many others (Eggert, 2001).

Yet, over the second half of last century, empirical evidence has questioned the positive relationship between natural resources and economic development, and has argued that large natural resource endowments delay, rather than accelerate growth, promote social distress and also attract extensive local disruptions. Based on case studies of individual countries, and then on more comprehensive comparisons among countries and economic development (Auty, 1993; Sachs & Warner, 1995; Ross, 2001), which has since been commonly referred to as “The Resource Curse Theory’ (RCT) or ‘The Mining Curse Theory’ (MCT); when referring to mining specifically. Attempts to explain the allegedly disappointing performance of some mineral producing countries have been numerous and varied in nature (Davis & Tilton, 2002)

The study will therefore examine the role played by the mining industry through mineral extraction in the local economic development. This study will specifically focus on Rustenburg Local Municipality in Ward 38 ordinarily known as Marikana.

Marikana was chosen specifically because of the tragedy that happened in 2012 where 34 people were killed in the confrontation with the police for demonstrating about lack of proper housing, and lack of employment opportunities. Subsequently the commission known as the Farlam Commission was established by the state president to investigate and make recommendations on the causes of the confrontation.

The research uses an interpretative social science and qualitative approach. Interviews with stakeholders which included mining houses, a research company, the regulator, municipality officials and the community representatives from both political and business sectors. Interviews were conducted as a primary means of collecting data and document analysis of the mining houses' Social and Labour Plans (SLP), Municipal Integrated Development Plan (IDP), Farlam Commission report, the broad-based socio-economic empowerment charter (Mining Charter) and the Mineral and Petroleum Resources Development Act (MPRDA) were used as a secondary means of data collection. The data was analysed using the successive approximation method.

1.2 BACKGROUND TO THE STUDY

1.2.1 Overview of Rustenburg Local Municipality

Rustenburg local municipality is one of the five local municipalities forming the Bojanala District Municipality in the North West Province. The municipality is divided into 45 wards. It has a total population size of 549,575 comprising of 57% males and 46% females (Census 2011). Rustenburg Local Municipality contributes 50% of Bojanala's economic output, the highest contribution relative to four local municipalities. The municipality is reputed to be one of South Africa's fastest growing urban areas with annual compound economic growth rate of 6%. This significant growth is largely attributed to the impact of the world's four largest mines in the immediate vicinity of the town namely, Anglo Platinum, Impala platinum, Xstrata and Lonmin. With approximately 97% of the total platinum production occurring in Rustenburg, the mining sector provides around 50% of all formal employment (Quantec, 2013).

With regards to sectorial output, mining and quarrying activities are the most dominant in Rustenburg. Unlike at national level where the finance sector is the largest in terms of economic output, the North West Province's economic activities are dominated by mining. This sector contributes 55% of the entire Rustenburg economic output, followed by services (11%), Finance (11%) and transport (8%).Although mining and quarrying remains the key sector in the North West Province, this sector's contribution to the national output is only 6% (Quantec, 2013).

This study will further focus on Marikana town known as Ward 38 of RLM. This town has a population size of 19,522 with a racial makeup of 98.3% Black Africans and the rest being coloureds and whites people. The main economic activity is mining, mainly with PGM's and Chrome. The town's rise to notoriety happened in August 2012 when the South African Police Service opened fire on a crowd of striking mine workers and left 34 mine workers dead, 78 wounded and more than 250 arrested (RLM Annual Report, 2013).

1.2.2 Mining and economic transformation

This study takes place against the backdrop of the transformation of the economy of South Africa broadly. This economy before 1994, was seen as an enclave of a few in that it was non-representative of the broader population. (DME, 2008a). After the 1994 general elections, a white paper on Minerals and Mining Policy was published and subsequently the draft Mineral Development Bill was also published. One of the main objectives of the policy was to ensure that all mining companies engaged in pro-active social planning. Giving rise to the Mineral Petroleum Resources Development Act (MPRDA) which then established the mining charter. The main vision of the mining charter is 'to facilitate sustainable transformation, growth and development of the mining industry (MPRDA, 2002).

The charter was developed in the main to address the apartheid legacy which led to high unemployment and a proliferation of informal settlements due to migration to mining towns. This unemployment rate lead to lack of intergenerational transfer

of wealth and the continued discrimination of Black Africans especially those wanting to do business with the mines. (Franks, 2011).

1.3 RELEVANT LEGISLATIVE AND POLICY CONTEXT

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

The MPRDA was passed by South African Parliament in 2002.There have been subsequent amendments on certain sections since then, and at present there is a bill out for public comments on the amendments of some of the critical sections such as the law governing ownership. The aim of the Act is captured as 'To make provision for equitable access to and sustainable development of the nation's mineral and petroleum resources; and to provide for matters connected therewith.'

The preamble of the Act, amongst others affirms the state's obligation to protect the environment for the benefit of present and future generations, to ensure ecologically sustainable development of mineral and petroleum resources and to promote economic and social development'. It further recognizes the need to promote local and rural development and the social upliftment of communities affected by mining "and also more pertinent is the community affected by mining", and also the commitment to eradicate all forms of discriminatory practices in the mineral and petroleum industries."

The Act on sections 23&24 prescribes the development and implementation of the social and Labour plans as part of the prerequisites for the granting of the mining rights. The Act also prescribes that during the drafting of the SLP, the affected communities must also be consulted including the local, district and provincial government as well as Labour sending areas. (MPRDA, 2002).

Section 47 of the Act read together with section 90 gives the minister of minerals the power "to suspend or cancel rights, permits or permission, and sec 90 gives the minister powers to "suspend or cancel permits or rights." In terms of both these sections the minister has the powers to suspend or cancel mining rights of holders who are non-compliant with the prescripts of the Act.

In terms of section 100 of the Act, a provision is made for the minister of minerals to develop a code of good practice for the minerals industry in the Republic.

1.3.2 Broad-based socio-economic empowerment charter for the South African mining and minerals industry (Mining Charter) 2010.

In terms of see 100(2) (a) of the MPRDA, the objective of the charter is to "ensure the attainment of government's objectives of redressing historical, social and economic inequalities as stated in the constitution. It sets the framework, targets and time-table for effecting the entry of historically disadvantaged South Africans (HDSA) into the mining industry and allow such South Africans to benefit from the exploitation of mining and mineral resources.

In line with the transformation provisions of the MPRDA, the charter aims to facilitate meaningful participation of host communities through the following elements: *ownership, procurement, employment equity, beneficiation, and human resource development, mine community development, housing and living conditions*. The Mining Charter further emphasizes the responsibility of both the local government and its stakeholders to cooperate in the formulation of integrated development plans for the communities where mining is taking place, especially with the host communities and the labour sending areas.

1.3.3 The Municipal Systems Act 32 of 2000

The Act provides as its core objective the provision of mechanisms and processes that are necessary to enable municipalities to move progressively towards the social and economic upliftment of the local communities, and ensure universal access to essential services that are affordable to all. The Act further defines the legal nature of a municipality as including the community and clarifies the executive and legislative powers of municipalities.

In terms of this Act, the IDP is described as the planning instrument which guides and informs all planning and development and all decisions with regards to planning, management and development in a municipality. Further describing 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 terms of this 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.

1.3.4 The constitution of the Republic of South Africa (Act 108 of 1996)

The constitution's preamble amongst others 'recognizes the injustices of our past'. Meaning that it is focusing on restorative justice in correcting the past. In achieving the aims of the preamble, the constitution set objectives for the local sphere of government. Sec 152(1)b; c; e, implores the municipalities "to ensure the provision of services to communities in a sustainable manner, to promote social and economic development and finally to encourage the involvement of communities and community organizations in the matters of local government.

In terms of the above legislative framework, it is clear that the legislature acknowledges the impact mining has on the communities around the mines and also of the fact that Black Africans specifically were excluded in the participation of the mining industry before 1994 and with these legislative frameworks the legislature is trying to correct the injustices of the past." There are themes that are common in all the Acts such as sustainable local economic development, community involvement and stakeholder engagement.

The abovementioned legislations are mainly the backbone of the mining environment within the South African mining sphere.

1.4 PROBLEM STATEMENT

It could be assumed that countries with large mineral deposits should consider themselves fortunate given that minerals, like any other assets, are part of the natural capital of a nation. However, based on case studies of individual countries, and then on more comprehensive comparisons among countries from cross-country analysis, a growing number of scholars have reported a negative correlation between the economic specialization on the exploitation of natural resources and economic development (Auty, 1993; Sachs and Warner, 1995).

Harvey (2014) posits that mining has instead created enclave economies, benefiting neither that country nor near-mine communities in terms of its potential contribution to sustainable development outcomes. This view is known as the resource curse theory which in the main advocate for an inverse correlation between economic growth and natural resource abundance among developing countries. The effects of this theory are captured in the quotation below:

> "*So here's my prediction: you tell me the price of oil, and I'll tell you what kind of Russia you'll have. If the price stays at $60 a barrel; it's going to be more like Venezuela, because its leaders will have plenty of money to indulge their worst instinct, with too few checks and balances. If the price falls to $30, it will be more like Norway. If the price falls to $15 a barrel, it could become more like America with just enough money to provide a social safety net for its older generation, but with too little money to avoid developing the leaders and institutions to nurture the brainpower of its younger generation"* (Freeman; 2007:156-158).

The above quotation explains the challenge of underdevelopment in mining towns and the subsequent socio-economic challenges of poverty, unemployment as captured in the case study of Merafong local municipality: The following case study illustrates that there is not always a correlation between rich mineral resources and the economic benefits of the local community:

Merafong is part of the West Rand district municipality in Gauteng. The area discovered rich gold deposits in the 1930s. Presently mining contributes 50.7% of the economy of Merafong, trade 9.7%, finance & business 9.9% and general government 9.1%(MGDS;2014).

Employment: The unemployment is high especially for youth at 37.80%, and general unemployment at 27.20%. This was aggravated by decline of formal sector employment as a result of mining houses following the mechanization route and therefore retrenching 4,000 unskilled workers at the beginning of 2013 (MGDS;2014).

Households: Many households are dependent on social grants as their sole source of income. There are around 27 000 recipients of social grants. Most families also depend on remittances from children working mostly in Johannesburg (MGDS; 2014).

Education: As a result of unemployment, many young people are unable to continue with school. This is evidenced by only 26.30% of the population having matric, 6, 5% with no form of schooling and only 7.10% of higher education qualification (MGDS, 2014).

1.5 PURPOSE STATEMENT

The purpose of this research is to investigate the role played by the mining industry in the economic development of local communities with specific reference to Marikana. The study will specifically interrogate the efficacy and implementation of the regulation and legal framework and the following elements employment, SME development and procurement.

1.6 RESEARCH QUESTIONS

The research seeks to answer the primary question, which was in the main informed by the background and the purpose statement and mainly seeks to

understand the role played by the mining houses in the economic development of the local communities.

Primary question:

What is the economic impact of resources extraction on the Marikana community of Rustenburg?

Secondary questions:

- What is the efficacy of the implementation of the regulations and the legislative frameworks relevant for the transformation of the mining industry?
- How sustainable are the local economic development initiatives introduced by the mining houses?

1.7 STRUCTURE OF THE RESEARCH

This research report comprises six chapters.

Chapter one: Introduction: This section provides the background of the study, legislative framework relevant to the study, the research problem, the purpose of the research and the research questions.

Chapter two: Literature Review: The section outlines literature around the topic of mineral resource extraction and local economic development and also looks at the resource curse theory and its manifestations. The discussion covers both international and South African literature regarding the resource curse theory and the mineral resource extraction. The section concludes by consolidating concepts to identify and harmonize their working relationship, whereby the literature argues that there is no direct link between sustainable local economic development and mineral resource extraction.

Chapter three: Research methods and design: This section outlines the methodological background with the research approach and design of study. The chapter combines arguments with the theory as well as concepts outlined in the literature review. The chapter also presents the limitations of the study as well as the significance. Finally developing a conclusion wherein the relationship between the problem statement and the methodology used are truly reflected.

Chapter four: Data presentation: Following the field work whereby relevant stakeholders were interviewed, responses of interviewees are presented in this section. The interviews were semi-structured and their responses are presented in a narrative format. In conclusion, the chapter captured the different views of the interviewees in terms of what the role and expectations are in mineral extraction and economic development.

Chapter five: Analysis of findings: This chapter will mainly focus on analysis and interpretation of findings. In this chapter, raw data collected during the research is analysed to support the findings of the research. Data that emerged out of interviews, academic literature and secondary sources such as SLP, IDP is analysed to verify and reflect on the findings, thus transforming raw data into meaningful information.

Chapter six: Conclusion and recommendations: This chapter concludes the research report with a summary, conclusions and recommendations. It provides a brief summary of each chapter. This section provides a final assessment of the study to determine whether there are economic benefits from mineral extraction for local communities. The chapter then provides recommendations to address the identified gaps that emerged from the findings of the research.

1.8 CONCLUSION

This chapter introduced the research topics and background information by presenting an overview of Rustenburg generally and Marikana specifications. Thereafter the relevant legislative framework dealings with issues of mining and mining transformation. The problem statement, purpose of the research and

research questions were presented to give direction to the argument of the research. The chapter was concluded by including the structure of the research. The main objective of this research seeks to explore the benefits of mineral extraction in the economic development of the local communities based on the context of this chapter one could make a dedication that there is not an automotive benefit to local communities where there is mineral extraction. It further makes a deduction that the legal frameworks passed needs to be enforced if their objectives are to be attained.

CHAPTER TWO
LITERATURE REVIEW

2.1 INTRODUCTION

This chapter reviews literature and the interplay between local communities in resource rich regions, and their economic growth. The literature explores the aforementioned relationship by looking at three dimensions, primarily Local Economic Development (LED), Mining and LED, and finally the 'natural resources curse'. The literature also examines various examples around these themes.

The first dimension explores the concept of LED (Local Economic Development). This theme forms an integral part towards understanding the interplay between local communities in resource rich regions, and their economic growth. It quickly emerges that LED is both an economic and social imperative that international and local authorities place centrally in both policy and implementable programmes. It also emerges that the three societal stakeholders (government, private sector, local communities) all should play an integral part if LED is to be effective and realisable. The approach and major programmes to LED is discussed both from a general perspective and ultimately how LED looks like in South Africa is also examined.

The second dimension addresses the effects of mining and the development of local communities. The main objective is to investigate mining and its sustainability (LED). It also pays attention to international and local approaches in achieving sustainable LED in mining regions. Furthermore, the specific LED challenges which manifest themselves in unique mining localities are explored. This dimension is then viewed in the South African context; this focus is around LED approaches, frameworks and implications within South African mining localities.

The third dimension investigates strange phenomena and negative effects brought on by an endowment of natural resources. The expectation is to see better development outcomes after countries discover natural resources; however, resource-rich countries tend to have higher rates of conflict and authoritarianism, and lower rates of economic stability and economic growth, compared to their non-resource-rich neighbours. International, Sub-Saharan Africa and in particular South African literature is examined in the pursuit of understanding this phenomenon.

2.2 LOCAL ECONOMIC DEVELOPMENT (LED)

The International Labour Organization (ILO) describes LED as a process that arranges coalitions between the private and public sector stakeholders; has a very strong emphasis on developing the local population; and as a development strategy seeks to create buy-in from all stakeholders (ILO, 2002). ILO (2002) further states that the development strategy should be cantered on the creation of sustainable economic activity through the utilization of local resources and competitive advantage in the global context.

LED can also be defined as: “a process in which local governments and/or community based groups manage their existing resources and enter into partnership arrangements with the private sector, or with each other, to create new jobs and stimulate economic activity in an economic area” (Zaaijer & Sara, 1993). According to the World Bank (2000): “LED is the process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation. The aim is to improve the quality of life for all”.

Meyer-Stamer (2008) describes LED as the ability of a specific area or locality or even region to generate increasing income and improve local quality of life for its residents. LED attempts to remedy market failures such as to remove barriers to enter markets for small business and availability of information. According to Swinburn et al (2006), LED is a process whereby public, business and non-

governmental sectors work collectively as partners to create a better quality of life for local residents through economic development.

Improved local governance performance regarding LED requires co-operation and partnerships. The service delivery triangle can be used to depict this relationship. It consists of three partners namely government, private sector and local communities (Meyer, 2013). Figure 1 below provides an illustration of the service delivery triangle for LED.

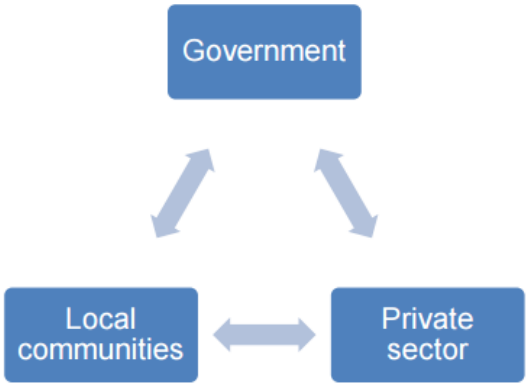


Figure 1: Service delivery triangle for LED Source: Meyer (2013)

Local economic development (LED) offers local government, the private and not-for-profit sectors, and local communities the opportunity to work together to improve the local economy. It focuses on enhancing competitiveness, increasing sustainable growth and ensuring that growth is inclusive. LED encompasses a range of disciplines including physical planning, economics and marketing. It also incorporates many local government and private sector functions including environmental planning, business development, infrastructure provision, real estate development and finance (World Bank, 2003).

To conclude with regard to a definition of LED, LED is the total of all economic activities by all relevant stakeholders within a specific defined geographical region, working together in partnership to create economic development and ultimately improvement of quality of life for all residents in the area (Swinburn et al, 2006).

LED can be instituted through the implementation of LED programmes that may be offered by the national government in the form of national LED policy, guidelines and programmes (Nel & John, 2001). Tomlinson (1994) argues that in order to achieve local economic growth public involvement is required to promote private investment with the hope that it will lead to new employment opportunities, poverty reduction, higher personal incomes, greater demand for goods and services, increased private investment, the creation of income and employment multipliers.

Tomlinson (1994) further explains that increased private investment will create a larger tax base through additions to the capital stock, employment opportunities and personal incomes. It would also allow for a lower tax rate that may enhance the investment climate, or higher tax revenue that may contribute to the realization of improved public services and amenities (Tomlinson, 1994).

One of the new variants amongst the numerous emerging forms of LED initiatives are LED projects that are conducted by local communities with the support of Non-Governmental Organizations (NGOs). These aim to promote human capital development and economic diversification (Nel, 1999). In this case LED is concerned with skills development for the local population, to enable the community to own and take part in local economic activities taking place within their jurisdiction.

2.3 APPROACHES TO LOCAL ECONOMIC DEVELOPMENT (LED)

The phenomenon of LED is evident and is occurring globally; there are different approaches and applications to LED from region to region but the fundamentals remain the same. Literature available on the subject points to a dualistic approach to LED. The one approach is a top-down and focuses on pursuing economic growth imperatives; and seeks to attract investments from the business sector. The second is a bottom-up approach and focuses on community development; it focuses on emerging enterprises, specifically on emerging micro and community businesses.

There is a consensus amongst scholars that both approaches have validity and should be pursued simultaneously (Rogerson, 2000). Scott and Pawson (1999) are also of the view that using these approaches concurrently meets the needs of wider audience and stakeholders. This leads to balanced growth and capital from large business generating meaningful spin-offs for the small and emerging business sector.

Implementing agencies (e.g. development associations) are responsible for LED interventions; they achieve these interventions by either pursuing market-led and/or market-critical development, but generally tend to pursue standard intervention measures (HSRC, 2003). Examples of the interventions and support are training and tax rebates. According to Nel et al (2002) the five major LED interventions are:

(1) Financial support;
(2) Land and building development;
(3) Information and marketing assistance;
(4) New planning and organisational structures;
(5) Training and Employment

HSRC (2003) indicates that LED interventions, tend to focus on attaining goals and objectives aimed at both economic growth and empowerment. These goals and objectives are primarily achieved by support agencies pursuing similarly outlined array of programmes.

According to the World Bank (2002) the most common of these programmes are: (i) Encouraging local business growth; (ii) Support for new enterprises; (iii) Improving the local investment climate; (iv) The promotion of inward investment; (v) The provision of both hard and soft infrastructure; (vi) Sector support for identified lead sectors; (vii) Area targeting to address unique challenges; (viii) Poverty reduction to ensure equity; and (ix) Regeneration endeavours in areas subject to economic change.

2.3.1 LED in South Africa

Local Economic Development as a concept has been applied in many industrialised countries. In South Africa, local economic development has been promoted for almost two decades. A bottom up approach to LED has been the prevailing strategy and thinking; this bottom-up strategy is encouraged more as opposed to a centralised, top-down approach. These are integral to development thinking (Zaaijer & Sara, 1993:120-124).

According to Rogerson (2003) LED in South Africa "tends to have a more distinctive pro-poor orientation and the degree of national state endorsement of local-level action is particularly noteworthy". In the South African context, LED usually refers to actions initiated at the local level, typically by a combination of partners, to address particular socio-economic problems or to respond to economic opportunities (Nel, 2001).

LED only became widespread in South Africa during the 1990s. In its early stages, activities were geared towards bringing focus to specific locations in the bid to attract external investors; these encompassed tax breaks, reduced costs of public services (such as water and electricity) and infrastructure development. During the apartheid regime, government strongly focused on central planning and control, in most cases there was no role for local authorities in economic planning and development, beyond certain spatial (town) planning responsibilities. Furthermore, policies evidently neglected many non-white areas.

DPLG (1996) states that under apartheid, distinct regional planning policies were underpinned by racial segregation; this was most evident in settlement patterns and the population being displaced and living in marginalised townships. Most importantly LED was given impetus by the demise of the apartheid regime and the need to meet the service delivery requirements of various localities which never received adequate attention under the apartheid regime (Rogerson, 1997).

In post-apartheid South Africa, LED has taken a development planning role expressed as a variety of initiatives which include the advancement of cities as

centres of production, consumption, knowledge, information processing and the provision of government surplus (Xuza, 2008). The post-1994 government has placed a strong emphasis on community and grassroots initiatives and participation. Notably, local government is now viewed as a sphere (as opposed to a tier) of government (Rogerson, 2006).

Moreover, a range of roles and responsibilities have been allocated with respect to economic and social development. This environment is said to be more supportive of the model of Local Economic Development (LED). This is in line with empirical evidence of the 1994 democratisation leading to a new vision of development, and the concept of LED attracting more and more attention in government circles and amongst policy makers, ultimately leading LED to being an explicit government priority today (DPLG,1996).

In the post-apartheid South African context LED can be described as a partnership between the public sector, communities, local actors and the private sector. This partnership is usually developed with the aim of enhancing the livelihoods of the local population or increasing economic activity in a particular area (Nel, 1999).

2.3.2 Approaches to LED in South Africa

In the South African case, LED is now a local government mandate, but can also occur as a result of private or community-level initiatives. The present study will focus on all possible variations as partnerships are critical in the application of LED.

The development and implementation of LED plans and strategies has been different in different parts of South Africa, not least because it was only after the December 2000 local government elections that every piece of land within South Africa fell under the jurisdiction of a municipality. Therefore, in many areas concepts and ideas around LED are fairly new (SALGA, 2010).

Under the Local Government Municipal Systems Act (2000) all local authorities are required yearly to draw up a five year IDP (Integrated Development Plan), an LED

strategy must be contained within the IDP. Most municipal LED initiatives were focused on projects aimed at developing the community, many however proved untenable and their long-term effectiveness in terms of poverty alleviation decreased when donor funding and public funding disappeared (DPLG, 2000).

The other initiatives implemented by government to assist with the LED of local mining communities are informed by the Mineral and Petroleum Resource Development Act (2002). This Act prescribes that social and labour plans be developed within local and rural communities, and social upliftment of mining communities are encouraged. In terms of the Act, SLP and the IDP of the local municipality must be aligned. As outlined in the SLP guidelines, Regulation 46, the LED must ensure that the improvement of infrastructure, poverty alleviation and community development in the host community.

The Act also prescribes the development of the Charter which 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. The department uses both the SLP and the charter to ensure that mining companies contribute to the LED of the host communities (DMR, 2010).

South Africa's macro-economic policy framework, Growth, Employment and Redistribution (GEAR) gave support and ensured many LED interventions focus on the alleviation of challenges faced by the poor ('pro-poor'). These initiatives became visible in many urban areas where the promotion of local competitiveness could be observed; more importantly where initiatives such as city improvement programmes and support of small, medium and micro enterprises amongst other initiatives could be observed (Rogerson, 2006).

According to Rogerson (2006) there is a need to direct LED interventions towards the alleviation of unemployment and poverty, and believes that pro-poor LED initiatives can achieve this in many of South Africa's local areas. The 2002 LED policy document entitled 'Refocusing Development on the poor' clearly outlines and articulates this approach (DPLG, 2002). The aforementioned 2002 policy is

aimed at targeting lower income earners as well as indigents; and seeks to provide the right tools to aggravate unemployment and poverty (Rogerson, 2006).

According to Rogerson (2006) pro-poor LED strategic interventions can be categorised as being the following: (i) economic development projects based in the community; (ii) development of linkages; (ii) developing human capital and capacity; (iii) emphasis on infrastructure development; (iv)bolstering municipal services and several formal and informal activities. The above-mentioned are primarily aimed at retaining and increasing local economic activity (Rogerson, 2006).

Additionally, the LED policy document focus on “pro-poor development” has been met by different reactions from stakeholders in different areas. Evidence points to the size of a metropolitan area determining the approach to LED; larger metropolitan areas adopt an approach that focusses on fostering a competitive pro-business environment e.g. regeneration of inner city and high growth sectors with great employment prospects (Xuza, 2008).

In contrast, most of the smaller metropolitans tend to pay attention to increased service delivery, extension of the social grant system, public works amongst other interventions. The latter approach offers a much more effective and sustainable way of leveraging public-sector funds into economic growth and development (Nel & John, 2001).

2.3.3 LED Programmes: Case Studies

There are various LED interventions and examples of its practical applicability as a means to improve communities. This was a central topic in an LED Dissemination study conducted by the European Union and South African government (a study of pro-poor local economic development in 30 urban and 50 rural municipalities of South Africa). Very different conditions can be seen ranging from the small rural to large urban municipalities, but examples of more–or-less success can be seen in all size groups. Below are a few of those case studies (CWCI, 2006).

(i) From an economic perspective Johannesburg is the most important city in sub-Saharan Africa. The municipal policy is overtly pro-growth in focus, albeit that it clearly makes allowances for support measures which directly or indirectly will facilitate economic growth in the poorer sections of the community. The Johannesburg Fashion District initiative is examined as an example of a catalytic project which has significantly pro-poor growth implications. The initiative has involved some 1000 clothing micro-manufacturers and has encouraged a focus on niche markets, outsourcing and integration of migrant workers.

(ii) EThekwini has a long-established track record in the area of economic development, and is recognised as one of the most efficient and effective metropolis in the country. Overall industrial growth has been slow and sectors such as textile and clothing have been negatively affected by cheap imports; also unemployment is growing as a result of the challenge of rapid urbanization. Key pro-poor and well known projects include the key Warwick Junction project and the Regeneration Fund. However in terms of funding only about 15-20% of the capital budget is allocated to pro-poor issues and there is a reliance on national government rather than local funds for pro-poor projects.

(iii) Alicedale is a declining former railway town where unemployment levels reached 90%+. A public-private partnership has led to the establishment of a hotel complex which has had significant economic and social spin-offs in the local economy creating 500 permanent and temporary jobs, and indicates that small towns can undertake fundamental economic renewal. It demonstrates that a private sector led initiative (with buy-in by other partners) and a meaningful public-private partnership can revive a flagging small town economy provided there are marketable business opportunities in place.

(iv) Wuppertal is a small mission community in the Cedarberg Mountains in the Western Cape with an unemployment rate of around 75-80% and

considerable outmigration for employment. The active support of an NGO enabled the identification of rooibos tea as a niche market product which has been developed as a commercial crop with 170 farmers now growing rooibos and many more employed on the farms and at the tea-court.

2.4 MINING AND LOCAL ECONOMIC DEVELOPMENT (LED)

There is extensive literature which argues that mineral resources as a national asset can be problematic, and at times leads to long-term negative impact on the surrounding physical environment coupled, with the sector having volatile prices (Walker, 2006).

The operations of mines can be categorised according to different stages namely: (i) exploration stage; (ii) construction phase; (iii) production phase; and (iv) mining closure phase. According to Starke (2002) these stages engender the following:

(1) The exploration phase: The most significant phase as it is the first encounter between the community and the mining company. Low economic impact on the community as mining activities have not commenced.

(ii) The construction phase: This occurs over a short-term period and has an enormous impact with long-term implications, responsible for the provision of employment opportunities and develops infrastructure and stimulates migration into the area. It has the potential to cause several physical and social disruption.

(iii) The production phase: This is also associated with long-term effects as it introduces the generation of income and several negative and unintended outcomes e.g. negative environmental impact and threatening of community livelihoods.

(iv) Mine closure phase: This is associated with both long- and short-term effects exacerbates tensions within communities especially when they feel inadequate compensation from the mining company operating in their community

infrastructure that is established during mining operations may be underdeveloped or neglected when mining operations cease

Mining's positive contact with communities is said to be on the decline as many mining communities distinctly receive less in terms of employment and business opportunities and the multiplier effects synonymous with mining operations (Otto & Cordes, 2002). Starke (2002) mentions that ''the latter is said to have been given impetus by a variety of factors which include a substantial decrease in the costs of transporting large materials and the materialisation of multinational companies as primary players in the industry enabling mines to be located at a considerable distance from where the ore is processed''.

In the South African context, there is compelling evidence to certain regions experiencing economic development tantamount with the mining sector and others where the inverse holds true, particularly due to apartheid regime practices and policies (Terreblanche, 2002). Furthermore, the employment of an unskilled workforce in the mining industry has experienced a decline whilst demand for skilled technical workers has been on the rise, this is due to mining operations becoming more technical (Starke, 2002). In other mining jurisdictions mining operations have become specialist enclaves segregated from other sectors of the economy (Eggert, 2004).

The denial of several socio-economic and civil rights has led to clashes between mining industry key stakeholders, namely the mining companies, communities and the government. The latter has included complaints from landowners and communities who may be directly affected by mining operations (Starke, 2002). The most pertinent of issues leading to the clashes are the loss of land, loss of individual and collective sustainable livelihoods, degradation of the environment, natural resources, and human rights abuses (Otto & Cordes, 2002).

Otto & Cordes (2002) states that previously and as a result of mining companies negotiating contracts directly with government, insufficient consultation was had with communities regarding mineral wealth development policies. They go on to

explain that recent international developments pertaining to mineral policy and legislation obligates governments who administer mineral rich countries to incorporate public engagement in the formulation of mineral policy and legislation. According to Mtegha (2004) community engagement in formulating the policies, enables the mineral hosting country to derive socio-economic benefits from the development of its mineral resources.

Mtegha (2004) states that the mineral policy development process requires adequate and full support from stakeholders. Otto & Cordes (2002) share the same views and state that the community participation process in the formulation of mineral policy allows the process to be conducted in an adequate manner which enables the community to be represented and to engage in a process that will have a positive impact on their livelihood based on values, goals and their aspirations.

In the case of non-permanent mining operations (fly-in, fly-out) operations, communities living near the mine gain less socio-economic benefits (employment opportunities, business opportunities, and multiplier effects). Empirical evidence shows that socioeconomic benefits derived from traditional mining such as mining towns and labour force absorption (outside workers are employed) do not occur when non-permanent mining operations are erected (Otto & Cordes, 2002).

Several democratic governments have decentralized government's responsibilities to other spheres of government structures (Jordan et al, 2005). The lack of capacity in local government structures is evident in numerous mining jurisdictions especially those located in the developing world. Jordan (2005) explains the latter by noting that most local authorities in the developing world fail to negotiate mining agreements that reflect the interests of its constituency while other local government structures have failed to integrate land use policy with a long-term perspective, managing, collecting and distributing revenues obtained from mineral development equally to its constituency (Jordan et al, 2005).

Most mining operations increasingly take place in the developing world, a large percentage in Africa and Latin America (Raw Material Data, 2008). In these regions women play a significant role in the reduction of poverty in the household and at a community level. The sexually biased nature of mining operations as they largely employ male labour has the potential to perpetuate socio-economic gender inequality.

Steyn (2008) explains that the domination of employment opportunities by males in the mining sector can contribute to the enhancement of their social status as they are offered access to income and business opportunities. In other mining communities, women become passive recipients of the benefits emanating from mining operations as they are usually spouses of mine employees. When they do work in the mines they may be confined to clerical, catering, nursing staff, adult education and human resources (Starke, 2002).

The environmental degradation emanating from mining operations has a direct impact on the immediate mining affected community. The effects may be spread to other regions especially in the case of water catchments and air pollution. Degraded environments have a direct adverse effect on the health of the people who make use of the affected environment (Otto & Cordes, 2002). These environmental impacts may stem from waste rock, tailings dams, buildings, roads, airstrips (Rogers, 2004).

Furthermore, environmental degradation resulting from mining operations can affect women's agricultural activities. The latter can also be affected by a shortage of male labour since they will be attracted by employment opportunities offered by mining. In the case of fly-in, fly-out operations women are left at home to manage domestic affairs and are susceptible to socio-economic dangers which may include crime, breakdown of the family, breakdown of the social fabric, and increase in sexual violence. These factors are said to result from men being away from their households working in the mines (Steyn, 2008).

The broader economic participation of women is seen to be an economic imperative for many governments and institutions. Impacts of mining on women are given impetus by the failure to recognize women as an important element of stakeholders in the planning and operation of mine sites. Patriarchal customs are still practiced in regions in the developing world. This may be an obstacle to women taking part in the deliberations of the issues that may affect their community as a result of mineral development (Otto & Cordes, 2002). Most decisions affecting the community are usually taken by community leaders who are customarily male (Starke, 2002).

Binns and Nel (2003) identify retrenchment and relocation as being a significant negative feature within the mining industry (Binns & Nel, 2003). They maintain that retrenchment has a detrimental effect on the socioeconomic conditions of mining affected communities as community members may find it difficult and in some cases impossible to meet the new challenges emanating from the end of economic activity within their communities (Rogers, 2004).

The decline in local economic activity, in certain instances, obligates community members to relocate to other economically active communities (Tapela, 2008). Rogers (2004) argues that in some cases members of an affected mining community may be forced to relocate. The aforementioned is a result of forceful removals and loss of land emanating from the introduction of mining operations in their respective area they once occupied. According to Starke (2002) this may lead to communities leaving their well-resourced land to a region that is less resourced in comparison to the area they once inhabited.

Lately, several countries have attempted to redistribute some of the benefits derived from mining activities to the local level. These countries include Bolivia, Canada, Colombia, Indonesia, the Philippines, South Africa and Venezuela, amongst others (OECD, 2008).

An example is seen in the Philippines, where mining royalties that usually went to the central government, have been shifted towards empowering local government.

OECD (2008) further explains that following a new mining law passed in 1995, local government now benefits in three ways: (i) 40% of the excise tax goes to local governments, (ii) local governments can impose a real estate tax on mining companies, and (iii) mining companies must donate 1% of their operating costs to a social development plan that is used in local communities.

Depending on the annual profitability, Ghana's mines pay the government a 35% corporate tax; royalties that range from 3% to 12%; and take 10% equity stake as well. To ensure that these funds trickle to the local communities a Mineral Development Fund was established (MMSD, 2001). This fund has received mixed reactions as communities say that the funds are useful but inadequate; whilst the mining companies prefer the fund as it lessens the pressure of them but at times is being misused.

Similarly, several mineral-rich countries and regions have also established investment funds whose purpose is to spread some of the wealth derived from mineral operations. A successful fund of this nature is located in Alaska and was established in 1976. The mechanism used saw 25% of all oil and gas revenues in the state deposited into the fund; money was not permitted to be withdrawn and lead to the fund growing to US$25 million. The result is a dividend scheme that ensures every citizen of Alaska receives an annual cheque, amounting at present to around US$2,000.

Another example can be seen in Australia where exploration licence agreements benefit traditional Aboriginal owners to receive an average of 5% equity on any exploration project developed on their land (Altman 1983). In other instances, the landowner can increase equity by receiving an interest free loan from the developer.

Mining companies and governments have increased their focus on forming projects, funds, and foundations geared towards ensuring communities share in the profits of mineral development. The Rossing mining company in Namibia has created a highly effective and successful foundation. Some of the successes of the

foundation are; (i) it contributes 3% of its net earnings to the foundation; (ii) by 1996 it had invested US$25 million; and (iii) it is estimated that more than 15% of Namibians have benefited from the activities of the foundation (World Bank, 2003).

A number of companies have adopted preferential procurement policies towards local suppliers and distributors. Many of these are increasingly enforced through provisions in national policies and legislation concerning foreign direct investment through, for example, joint ventures, partnerships, and outsourcing as a way of localising multiplier effects (World Bank, 2012).

In Western Australia Gumala Enterprises Pty Ltd (GEPL), the business arm of the Gumala Aboriginal Corporation, launched three new enterprises after signing an agreement with Hamersley Iron (a subsidiary of Rio Tinto) – an earthworks business, a catering and servicing company, and a business hiring equipment and fuel supplies. GEPL now employs 100 people and has significant Aboriginal representation (GEPL, 2013).

In South Africa AngloGold has increased efforts to promote local economic development by implementing a programme focused on small enterprise development. AngloGold sources a substantial proportion of purchases from small firms; including non-mine opportunities such as management and technical assistance, venture capital, loan finance, bridging finance, loan facilitation, and joint ventures (Luiz, 2001).

The Red Dog mine in Alaska provides another example. It is- the largest zinc mine in the world, operating under a lease with NANA Regional Corp, Inc., an Alaskan native corporation (Mowatt et al, 1991). The mine has around 6,800 shareholders, with the majority being residents from the local community. The Red Dog Operating Agreement emphasises training and employment and stipulates an increased share scheme to the NANA shareholders; currently around 62% of NANA shareholders (McDowell, 2012).

2.5 NATURAL RESOURCES AND ECONOMIC GROWTH

The seminal work of Sachs and Warner (1995) entitled the “curse of natural resources” is a well-known phenomenon in which they provide evidence that an inverse relationship exists between resource-rich countries and economic growth. This relationship results in resource rich countries having lower economic growth rates than their resource-poor counterparts.

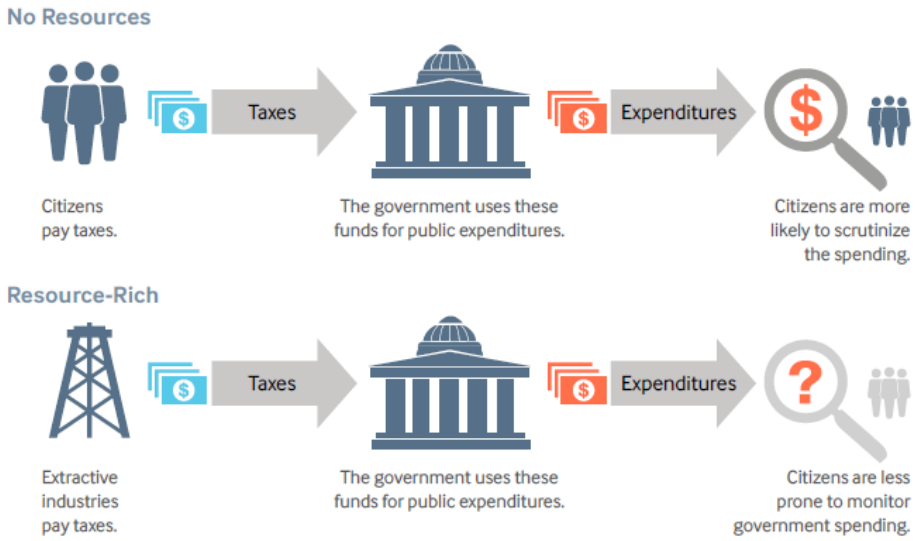
Sachs and Warner (2001) first examined the correlation between natural resources and economic growth, and since then a vast amount of literature analysed the existence of and possible mechanisms through which an abundance of natural resources can negatively impact economic growth.

Various theoretical and empirical studies have attempted to understand the relationship between natural resources and their associated “curse” rather than a “blessing” for economic development. One outcome from the studies is that natural capital crowds out other forms of capital (human, institutional, physical, and foreign) (Gylfason, 2001).

Furthermore, recent contributions indicate that the type of natural resources also matters. Resources such as oil, ore and crop plantations are said to have more detrimental effects than other resources. Another case study and historical analysis that provides evidence of a “resource curse” is found in the following examples; (i) Asian Tigers are not considered resource-rich though they exhibit the highest growth rates, noting the second part of the 20th century; (ii) Similarly, Japan experienced better economic performances in the 19th century than its resource-endowed counterpart the Russian Empire (land, forests, mining products, hydrocarbons).

Figure 2 below provides a graphical representation of the resource curse phenomenon.

RESOURCE 'CURSE' REPRESENTATION:



Oversight incentives in resource-rich and resource-poor Countries: Source NRGI

Figure 2: Resource-curse phenomenon Source: NRGI

Gylfason (2001) identifies four key linkages between abundant natural resources and economic growth, namely the Dutch disease; Government and changes in commodity prices; Rent seeking behaviour, conflict and corruption; Education and Human Capital. These are discussed in the section below.

2.5.1 The Dutch disease

Natural resource abundance can lead to the Dutch disease, which can appear in several guises. A natural resource boom and the associated surge in raw-material exports can drive up the real exchange rate of the currency, thus possibly reducing manufacturing and service exports (Corden, 1984).

The Dutch Disease theory was developed in the 1970s to explain economic difficulties the Netherlands had to face after the discovery of natural gas in the North Sea. This discovery led to a shift in prices in non-gas sectors and in the exchange rate, making previously competitive exporters lose market share and decrease their export ("The Dutch Disease", 1977). The rising gas exports caused The Netherlands exchange rate to appreciate against other currencies, which, in

turn, resulted in wages increases of the natural-gas sector faster than productivity in non-gas sectors.

The main idea of the theory is that natural resource abundance (discovery and/or a price increase) causes an overvaluation of national currency (Corden & Neary, 1982). The resultant and recurring booms and busts tend to increase exchange rate volatility (Gylfason et.al, 1999), thus reducing investment in the tradable sector as well as exports and imports of goods and services (Dixit & Pindyck, 1994). Fluctuations in exports earnings trigger exchange rate volatility which creates uncertainty that can be harmful to exports of goods and services and other forms of trade including foreign direct investment.

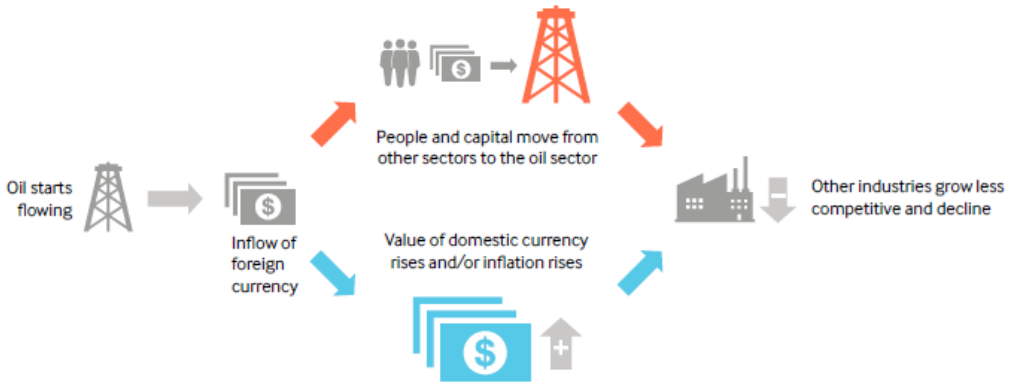
Gelb (1988) found in his research of six oil-exporting countries (Algeria, Ecuador, Indonesia, Nigeria, Trinidad and Tobago, and Venezuela); that their non-resource tradable sectors (agriculture and manufacturing) were neglected during the resource boom period. He also notes that some countries borrowed more money using their natural resource as collateral, and when oil prices fell, they faced unfavourable adjustments.

The Dutch disease can also strike in countries that do not have their own currency, such as Greenland, which uses the Danish krone (Paldam, 1997). A boom in the primary sector then increases wages in that sector, thereby attracting labour from other industries or imposing higher wage costs on them, especially in countries with centralised wage bargaining. The detrimental effect of natural resources on other industries has been well documented in Iran, Russia, Trinidad and Tobago, and Venezuela, all of which have either stunted manufacturing sectors or saw a precipitous decline in manufacturing (Gylfason, 1999).

Through some or all of these channels, the Dutch disease can reduce total exports relative to GNP (Gross National Product) (Gylfason, 1999) or at least skew the composition of exports away from manufacturing and service exports that may contribute more to economic growth.

These impacts can be minimized if the country has the absorptive capacity to transform resource revenue inflows into tangible investments, such as roads and electricity; the government uses resource revenues to make investments in the economy that generate non-resource sector growth; or the government places a portion of its resource revenues in foreign assets. Over the last 25 years, Chile, Indonesia, Norway and the United Arab Emirates (UAE) have largely managed to overcome Dutch disease (Auty, 2001).

DUTCH DISEASE REPRESENTATION:



Dutch Disease: Source NRGI (Natural Research Governance Institute)

Figure 3: Dutch disease representation

2.5.2 Government and changes in commodity prices

A second argument relies on the observation that commodity prices tend to be more volatile and, until early 2000, exhibited a long-term decline. Thus, economies with high dependence on natural resources may be exposed to higher volatility of terms of trade (Fernando, 2014). The link with growth is similar to the Dutch disease argument.

Abundant natural resources may infuse people with a false sense of security, leading governments to lose sight of the need for good and growth-friendly economic management including free trade, institutional quality and sustainable development, and bureaucratic efficiency (Sachs & Warner, 1999). Incentives to create wealth through good policies and institutions may wane because of the relatively effortless ability to extract wealth from the soil or the sea.

Gylfason and Zoega (2001) states that natural resource abundance may blunt private and public incentives to save and invest and thereby impede economic growth. Specifically, when the share of output that accrues to the owners of natural resources rises, the demand for capital falls, and this leads to lower real interest rates and less rapid growth.

Put differently, abundant natural capital may crowd out social capital in a similar manner as human capital (Woolcock, 1998). Bruno and Easterly (1998) states that high inflation reflects flawed policies or weak institutions which impede growth and this is the reason why high inflation tends to hurt economic growth. Mature institutions are said to encourage the efficient use of natural resources; the inverse then holds true with natural resource abundance retarding the development of financial institutions in particular and hence discourage saving, investment, and economic growth through that channel as well (Gylfason, 2001).

Resource-rich governments have a tendency to over-spend on government salaries, inefficient fuel subsidies and large monuments and to underspend on health, education and other social services. In addition, governments often over-borrow because they have improved credit-worthiness when revenues are high. Examples of this type of behaviour debt crises when revenues declined in Mexico, Nigeria and Venezuela in the 1980s. The private sector can be similarly impacted, as it can over-invest in boom times and then experience widespread bankruptcy during busts (Auty, 2001).

As in the case of education, it is not solely the volume of investment that counts because quality – namely, efficiency – is also of great importance. Unproductive investments may seem unproblematic to governments or individuals who are flush with cash.

2.5.3 Rent-seeking, corruption and conflict

Large natural resource rents, especially in conjunction with ill-defined property rights, imperfect or missing markets and lax legal structures in many developing

countries and emerging market economies, may create opportunities for rent-seeking behaviour on a large scale on the part of producers, thus diverting resources away from more socially fruitful economic activity (Gelb, 1988).

Auty (2001) states that two major economic challenges associated with the resource curse are rent seeking and corruption. Rent-seeking occurs when "individuals or firms compete for economic rents that arise when government restrictions are imposed" (Collier & Hoeffler 2005). Corruption is defined as the abuse of public or private office, position, or power for private gain in contravention of established rules or norms (Kaufmann & Vicente 2011). Corruption diverts resources from productive activities and increases costs of investing.

The combination of abundant natural resources, missing markets, corruption, and lax legal structures may have quite destructive consequences. In extreme cases, civil wars break out – such as Africa's diamond wars – which not only divert factors of production from socially productive uses but also destroy societal institutions and the rule of law. Collier and Hoeffel (1998) shows empirically how natural resources increase the probability of civil war.

In countries where authoritarian governments control power, evidence substantiates that resource revenues are not reported, ultimately existing as a theft from the population. For example, a 2007 study shows that "at least one in every eight barrels of oil currently entering the United States has been stolen from its country of origin" and sold by local corrupt officials to international extractive industries (Wenar, 2008).

The tendency of oil rich states to instigate or be targets of international conflict has been observed in some cases, such as with Iraq's invasion of Iran and Kuwait, but researchers debate whether the data supports the conclusion that resource-rich countries do this at a greater rate than non-resource-rich countries. Moreover, an abundance of natural resources may tempt foreign governments to invade with destructive consequences and the possibility of such an event may prompt the domestic authorities to spend vast resources on national defence. Military

expenditures tend to inhibit growth through their adverse effects on capital formation and resource allocation (Knight et al, 1996).

Natural resources can, and often do, provoke and sustain internal conflicts as different groups fight for control of the resources or use natural resources to finance their fighting. Since 1990, oil-producing countries have been twice as likely to have a civil war compared with non-oil-producing countries. Political scientists point to examples of the Democratic Republic of the Congo, the Niger Delta, Iraq, Libya and Angola to illustrate this tendency (Auty, 2001).

Rent seeking can also take more subtle forms. For example, governments may be tempted to thwart markets by granting favoured enterprises or individuals privileged access to common-property natural resources, as, for example, in Russia, or they may offer tariff protection or other favours to producers at public expense, creating competition for such favours among the rent seekers (Krueger, 1974).

Extensive rent seeking – such as seeking to make money from market distortions – can breed corruption in business and government, thus distorting the allocation of resources and reducing both economic efficiency and social equity (Shleifer & Vishny, 1993). Empirical evidence and economic theory suggest that import protection, cronyism and corruption all tend to impede economic efficiency and growth (Bardhan, 1997).

2.5.4 Education and human capital

Natural resource abundance may reduce private and public incentives to accumulate human capital due to a high level of non-wage income – e.g., dividends, social spending, and low taxes. Economic agents tend to underestimate the long term benefits of education when they benefit from natural resources revenues. Particularly, in resource-rich countries, there is a lower public sector spending on education and school enrolment rates tend to be lower than in resource-poor countries (Gylfason et al, 1999). This matters because more and

better education stimulates growth. For example, Temple (1999) shows that economic growth varies directly with educational attainment across countries.

Birdsall (1996) further posits that abundant natural capital appears to crowd out human capital. Crowding out is a situation in which resource-led projects direct human and social capital to the resource sector at the expense of other sectors in the economy. The literature provides evidence of human and social capital crowding as one of the economic explanations of a resource curse. An example is in Sub-Saharan African countries, where significant amounts of resources are being discovered, many workers are lured to the booming resource sector, neglecting their current work and sector (Corden & Neary 1982).

Birdsall (1996) emphasises the importance of education for economic growth stating that as far as economic growth is concerned, however, the supply of education may matter less than demand. This is relevant here because public expenditure on education tends to be supply-led and of mediocre quality, and at times fails to foster efficiency, equality and growth; in contrast to private expenditure on education, believed to be generally demand-determined and therefore, possibly, likely to be of a higher quality and more conducive to growth.
Stijns (2006) noted that in certain instances natural resources can promote education. He states that Gylfason's results are not very robust because of his measure of natural resource abundance (the share of natural capital in national wealth). Empirical evidence also shows that the rent stream from abundant natural resources may enable nations to give a high priority to education – as in Botswana, for instance (Temple, 1999).

2.5.5 The impact of different natural resource types

Isham et.al (2003) offered a classification of natural resources based on their geographical concentration and their degree of distinctness. Their results indicated that resources characterized by a high level of geographical concentration and a high degree of distinctness (oil, mining products and crops plantations) have an increased negative effect on the growth of the economy than less distinctive (wheat, rice, maize) resources. Several studies have stressed the predominantly

negative effects of oil on growth (Karl, 1997), on institutions (Sala-I-Martin, 2003), on political stability and on the prevalence of civil wars (Ross, 2004).

2.5.6 Avoiding the resource curse: Natural resources contribution to Local Economic Development

There are several examples where the abundance of natural resources has led to economic growth. Countries such as Botswana and the Congo are both abundant in diamonds; however, Botswana performs better than most African countries in terms of democracy, stability and rapid growth of income (Delacroix, 1977). Numerous studies have found there to be no evidence of the natural resource curse (Davis, 1995). Recently a study found that oil wealth and mineral wealth have had positive effects on income per capita in East Asia and Latin America (Alekseev & Conrad, 2009).

There are examples where rapid development and mineral resources led to successful institutions and industrialization. It is a historical fact that the discovery of coal and access to iron ore led to the industrial revolutions in England, and the American Great Lakes region (Frankel, 2010). Successive cases of countries who managed to effect strong economic from their natural resources include: Venezuela from the 1920s to the 1970s, Australia since the 1960s, Norway since its oil discoveries of 1969, Chile since adoption of a new mining code in 1983, Peru since a privatization programme in 1992, and Brazil since the lifting of restrictions on foreign mining participation in 1995 (Shaffer & Ziyadov, 2011).

Canada which is a major net exporter of natural gas and coal also holds what is estimated to be the world's second largest oil reserves (Saudi Arabia being number one). Despite this, Canada has so far managed to avoid becoming a victim of the resource curse (Kaznacheev, 2013). This is attributable to the regulatory environment and implementation. Much of the royalties, taxes, incentives, permits and licensing for oil and natural gas are done through provincial bodies, while a federal National Energy Board oversees regulation and is partnered with respective provinces in offshore drilling (Findlay, 2016).

Norway has a unique approach to its resource rich endowments (vast reserves of oil and gas). The Norwegian government took a long-term view and actively sought to ensure they do not fall into the resource trap. Their approach is unique in that the country decided to set aside 100 percent of its oil earnings as they had concerns about currency appreciation and the prospect of cash inflows becoming too tightly intertwined with the government (Torres, 2014). Additionally, every year, 4 percent is taken out from this fund and used for public services. This creative approach has encouraged countries such as Israel, Chile and Colombia to adopt similar measures with the aim of preventing wealth concentration, currency appreciation and mismanagement and corruption by public officials.

Chile is the world's number one copper producer, controlling an estimated 20 percent of the world's copper reserves and accounting for 11 percent of total global production (Brink et al, 2012). Chile has avoided the natural resource curse by bringing in a high degree of transparency, primarily through published information on revenues, royalties, taxes, mining export, values and production volumes, and finances by the government (Barma et al, 2012). While receiving generally high marks for transparency, the country does not publish information about mining contracts.

Since the 1970s Botswana has held the status of being the world's largest producer of diamonds. The country, unlike some of its African counterparts, has avoided the trapping of resources endowment such as conflict and corruption. Given that minerals account for three-quarters of its exports and over 40 percent of its GDP, this is a remarkable feat. It has achieved this feat through a three-pronged approach (Maipose, 2008). First, with foresight, the country pursued economic diversification. Second, it divested revenues, seeking to make the economy less susceptible to global markets. Third, it invested surplus revenues (African Development Bank, 2009).

2.6 CONCLUSION

The literature review explored the interplay between local communities in resource rich regions, and their economic growth. It was discovered that Local Economic Development (LED), both internationally and nationally, has become an economic imperative for most countries, and is a preferred tool for development interventions. It was further comprehended that from the standpoint of LED, there is a strong reliance on local resources, leaders and institutions to respond to locally-based economic crises and opportunities. In South Africa, the legacy of apartheid was such that development and LED only occurred within the white community and disregarded the black population in the country. Therefore this meant there was a very narrow approach to local community development.

The abolition of the oppressive apartheid system presented all tiers of government with an opportunity to prioritise and embrace the new dispensation and democratic principles in the country. Moreover, there was a growing call to enable all stakeholders to have a say in the interventions which directly affect them. This assertion is highlighted in the elevated role of local government and its additional powers post 1994. However, even though LED has been encouraged in South Africa for over ten years, it is apparent that it is not without its difficulties and not all LED projects succeed. It was discovered that LED challenges include: (i) grant-dependence, (ii) critical staff and resource shortages, and (iii) difficulties in designing projects in terms of being fundamentally economically sound. Various LED interventions and examples of its practical applicability as a means to improve communities were discussed; these were in the City of Johannesburg and eThekwini municipality to mention but a few.

Mining and its role in local economic development was explored and some distinct insight was attained. Mining as an economic activity, can lead to the development of a region that is impacted by its operations. Mining can however have adverse negative effects on the surrounding communities as it may introduce certain undesired practices which may affect the environment, disturb existing social practices, and promote gender inequality and the unequal distribution of economic

benefits. The end of mining activities can at times become the end of a community's economic existence, which can result in misery emanating from economic hardship or migration to another region that offers economic opportunity. Mining has however led to local economic growth and sustainable LED programmes. There were instances where mining had a positive effect on both the local government structures and communities in which they operated. A case in point being the reallocation of royalties and taxes in Ghanaian and Philippine mines to local government structures and communities. Furthermore, in Australia mining exploration licences are benefiting the local Aboriginal people.

Literature revealed that the resource curse is a complicated phenomenon that results from a variety of reasons, including the Dutch disease, rent-seeking, crowding out of human capital, and crowding out of social capital. It was also seen that firstly, natural resources, by themselves, do not seem to be bad for economic growth. But they do become a problem in the absence of good institutions. Secondly, the problem is bigger for some type of resources that are easily appropriated (such as oil, minerals and diamonds). Finally, de-industrialization and price volatility may also matter, but not as much as initially believed.

It became evident that some countries have performed much better than others and have even succeeded in attaining economic growth and development. In contrast to countries performing poorly, like Nigeria and the Democratic Republic of Congo, counter examples exist, like Botswana and Norway. Leading scholars on the subject seem to believe that natural resources should be a source of wealth and development, and that resource revenues can be a significant source for escaping the development trap and attaining the major thrust needed for economic growth and development.

Overall the literature review assisted towards providing an understanding on the critical issues facing local communities in mining communities; more so in helping to understand the economic growth imperative and its outlook in these communities. Additionally, the literature assisted in addressing the problem statement and research questions; primarily towards understanding if (i) there has

been a positive economic trickle down impact from mineral extraction for the community of Rustenburg local municipality; (ii) is the resource curse theory having an effect on the economic beneficiation of the local community; and (iii) will the local community be functionally and economically sustainable post mineral resource extraction.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 INTRODUCTION

The literature review in Chapter Two reviewed aspects of the interplay between local communities in resource rich regions, and their economic growth. The literature explored the aforementioned relationship by looking at three themes; primarily Local Economic Development (LED), Mining and LED, and finally the 'Natural Resource Curse'.

The first dimension explored the concept of LED (Local Economic Development). This theme forms an integral part towards understanding the interplay between local communities in resource rich regions, and their economic growth. The second dimension addressed the effects of mining and the development of local communities. The third dimension investigated strange phenomenon and negative effects brought on by an endowment of natural resources.

This chapter presents the research methodology used to carry out the research. The data collection techniques including individual interviews and document analysis are explained. As outlined in Chapter One, the purpose of the research was to investigate and provide an understanding on the critical issues facing local communities in mining regions, primarily Rustenburg; more so in helping to understand the economic growth imperative and its outlook in these communities.

As explained above, the study attempts to answer the following research questions;

1. What is the economic impact of mineral extraction on the local mining communities with specific focus on Marikana?
2. What are the efficacies and implementation of the relevant regulation and legislative framework for the transformation of the mining industry?

3. How sustainable are the economic development processes/projects implemented by the mining houses**?**

This research adopts a qualitative approach because in-depth and rich information was expected from the informants. It is the preferred method of investigation when investigating critical issues facing local communities. Qualitative research allows one to collect rich data while using a very small sample, where the richness of the data compensates for the relative smallness of the sample (Collins 2003). This study adopts an action research methodology, using interviews as the main research strategy

3.2 RESEARCH APPROACH

The practical approach followed by the researcher for this particular study included the following process; the researcher identified relevant literature pertaining to critical issues facing local communities in mining regions. The researcher used the literature to assess the viability of the research project. The next phase attempted to relate the issues raised in the literature to Rustenburg and the critical issues facing the local mining community of Marikana. The review of such literature allowed the researcher to establish that the study would be an interesting topic to examine.

Interviews allowed for the collection of in-depth data for a better understanding of the research questions. The interviews were on a one-on-one basis in order to form a close relationship between the researcher and the interviewees. Merriam (1998) recommends that the researcher must go to the people, which involves fieldwork and this informed the qualitative approach undertaken.

The research adheres to the descriptive dimension approach because there is a need to understand in depth how mining activities have impacted the small town of Marikana in Rustenburg.

3.3 RESEARCH DESIGN

The study uses narratives from the interviews to capture the experience of the interviewees, and provides some insight into the Marikana community. The qualitative research is adopted for this study because the data was collected through semi-structured interviews. The researcher collected information from the field in this case from the municipal offices and at any place that the respondents preferred the interviews to be conducted. A qualitative researcher develops theory during the process of data collection and examines the same case over time, social relationships develop, an issue may evolve or conflict may emerge Neuman (2003).

3.4 DATA COLLECTION

3.4.1 Primary data

Primary data was collected in a form of semi-structured interviews with the key stakeholders affected by mining operations. Semi-structured interviews provide flexibility to explore the participant responses by asking for clarification or additional information, and are more friendly and sociable. Santiago (2009), states that this style of interviewing is most useful when one is investigating a topic that is very personal to participants. Benefits include the ability to gain rapport and participants' trust, as well as a deeper understanding of the responses. The semi-structured questionnaire comprised of three key areas; (i) Local Economic Development (LED), (ii) Mining and LED; and (iii) 'natural resource curse'.

A voice recording device and a notepad were used during the interview processes, these tools enabled the researcher to write notes during the interviews. To establish a rapport with respondents, the researcher consulted a key gatekeeper, namely a well-respected community councillor in the area whose sole purpose was to introduce the researcher to the families impacted by mining activities. He would then leave to allow the researcher to conduct the interview on his own accord; this method eliminated some of the accessibility limitations of the study, especially given the recent political developments in Marikana.

3.4.2 Secondary data

Secondary data was collected using research papers on previous research done on the effects of mining activities on local communities. This secondary information is useful in that, it has already been collected for some other purposes. It may be available from internal sources, or may have been collected and published by another organisation. An advantage of secondary data is inexpensive and easily accessible. Secondary data, on the other hand was obtained from sources such as academic texts, reports, expert reviews, electronic sources, books, conference proceedings, articles in periodicals, IDP and annual report documents of Rustenburg local municipality, Social and Labour Plans of the mining house, the Mining Charter and related legislative policies, Merafong local municipality's growth and development strategy, Farlam Commission report and other miscellaneous material, amongst others.

3.4.3 Sampling

Purposive sampling was used since the study is based on only interviewing the families and officials directly involved and affected by mining activities in Marikana. A purposive sample is a non-representative subset of some larger population, and is constructed to serve a very specific need or purpose. A researcher may have a specific group in mind, such as high level business executives. It may not be possible to specify the population – they would not all be known, and access will be difficult (Topp, 2003).

The researcher made an attempt to closely identify the target group, interviewing integral members of the local community, government and mining officials, business leaders as well as other key stakeholders. The main reason being, these individuals were members of a difficult-to-reach, specialised population.
Eight interviews were conducted with the following people, one members of a local business forum, one community member, a ward councillor, two officials from the Department of Mineral and Resources, a director of LED & Mining in the municipality, one vice president: stakeholder relations and managing partner of a

research company operating within the mining environment. These respondents were sourced from the Marikana community.

During the interview phase the researcher had the opportunity to engage with all eight of the respondents, as mentioned above. Additionally the researcher chose the respondents to gain a better understanding of their experiences and expectations regarding the research topic. The interview questionnaire comprised of open-ended questions because in-depth opinions from the respondents were expected.

3.5 DATA ANALYSIS

In this research, coding was used as a method of doing initial data analysis. Coding involves creating certain categories that relate to segments of a text. Each of these categories has dimensions, properties and consequences (Babbie & Mouton, 2001). This study used the thematic coding concept when analysing the collected data from both primary and secondary data. The collected data was organised into categories on the basis of similar features, concepts and themes.
The researcher then undertook to link concepts to each other in terms of a sequence as oppositional sets or as sets of similar categories that were interweaved into theoretical statements. Analysis of data pertains to the families' economic standing. Themes are also tied to the research questions and the different aspects they talk to.

According to Babbie and Mouton (2001), coding (in qualitative research) involves two procedures. This is, asking questions and making comparisons. They argue that coding begins with taking a segment of a text and labelling it according to a meaningful category (a code). This is done through asking certain questions as you are looking at a particular segment of a text. For example, 'What is this" or "What does this represent?" They say that after getting answers to these questions, the researcher can proceed and compare other segments of the text. The aim of this exercise is to find those segments that have similar answers to the questions.

With regard to coding, data analysis was conducted as follows: the research topics were used as a framework to begin data analysis. After gathering data, similarities were identified in the responses. Topics were created based on the categories of similar responses. In addition, certain sections developed into sub-sections. Secondly, much extra information that was also relevant in the study came up. This information became a building block in developing a grounded theory for this study.

3.6 VALIDITY AND RELIABILITY

Joppe (2000) defines reliability as the extent to which results are consistent over time and an accurate representation of the total population under study, and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable. Validity and reliability are important tests for social science research such as qualitative descriptive study. Mouton (1996) explains research validity as the extent to which the qualitative elements and the stages of the research such as conceptualisation, operationalization, sampling data collection, analysis and interpretation can be said to be thorough enough to produce more or less truthful outcomes or results.

Validity includes the collection of statement (s), data, theories and research methods used. Major sources of errors include vagueness, poor sampling, bias, incomplete sampling frame, interview bias and competing conclusions. It is therefore imperative that appropriate steps are taken at each stage of the research to minimise errors. For example, when collecting data it is vital to ensure that multiple sources of data are used (i.e. triangulation) (Mouton, 1996).

Validity refers to the degree in which our test or other measuring device is truly measuring what we intended it to measure. In extension, reliability is synonymous with the consistency of a test, survey, observation, or other measuring device. Interviews and document analysis from a wide range of sources were adopted to improve validity. Documents and sources which played a pivotal role in the study included the HSRC (2003) on the “Evaluation of Local Economic Development (LED) in the Free State”; Gylfason (2001) on “Natural Resources and Economic

Growth: What is the connection?"; Aragon et al. (2014) on "The Local Economic Impacts of Resource Abundance: Theory & Evidence"; and Patterson (2008) who presented the "Country Report Local Economic Development in South Africa".

As a result of this study being qualitative in nature, and because major sources of data were investigated through interviews, it then became necessary to cross-check information from other sources (member checks and reflective journals) because interview data is subject to personal bias and memory decay. The abovementioned sources that played a pivotal role in the study were crucial in the assistance of ensuring that information obtained from respondents was cross-checked from these sources.

Reliability then is the requirement that the application of a valid measuring instrument, when applied to a different group under different circumstances, will still yield the same outcomes or results (Lincoln & Guba, 1985).

Interviews can improve the validity of the data collected because direct contact with interviewees means one is able to check for accuracy and relevance of the information. However, data from interviews have several concerns, mainly reactivity, i.e. data is focused on what people say rather than what they do and the two may not correspond. Further to this, people's reactions to interviews are subjective, depending on the impact and experience of the interviewer and the context. It is in this context that multiple data sources were used. Data was also verified with multiple interviewees and documentary sources and these documentary sources are mentioned previously in this section.

Elders in the local community who had experienced the long-term effects of mining and its mechanisms thereof were used as a means of providing reliability and validity. In providing further reliability and validity, local business leaders, local government officials, and the mining directorate were some of the other constituencies consulted. The stakeholders had been involved in many facets within mining in the community, and as a result of this involvement were able to provide comprehensive insight into the issue being investigated by the study. This

was further cross-checked against the primary and secondary documentary sources described above.

The same set of questions were used to interview all respondents. The responses offered by interviewees differed in certain instances. This is the reason a senior government official from the Department of Mineral Resources who worked closely with mining communities was further consulted and interviewed which was essential in providing a realistic overview for this particular issue of mining and its economic effects on the local community of Marikana. The senior official was also important as well in strengthening and clarifying some of the responses from the interviewees which provided better validity and reliability.

3.7 SIGNIFICANCE OF THE RESEARCH

Neuman (2003) states that social research is a way of going about finding answers to questions, it involves learning something new about the social world and it is an exciting process of discovery, but requires persistence, personal integrity, tolerance for ambiguity, interaction with others and pride in doing quality work. The potential implications and outcomes of this research are anticipated to yield positive outcomes in the economic conditions of the local mining communities in Rustenburg. The main focus of the study is to gain a better understanding of the economic effects of mining on local communities, specifically around Marikana, and more significantly to make recommendations on how to improve the economic situation of this community.

3.8 LIMITATIONS

It is important to note that this research comes with its own limitations. An interviewee has the right to remain anonymous and this should be respected by the researcher. Due to the limitation of access to complete this research it was not possible or feasible for the researcher to interview all stakeholders in the local community of Marikana. The most noteworthy limitation was not being able to access and interview more community members and employees of the local authority.

The limitation of accessibility is a result of a number of different factors like, a refusal of certain persons regarding interviews; lack of interest in being interviewed; and the availability of other respondents due to work commitments. The researcher did however manage to interview the maximum number of respondents available at his disposal, and that could provide relevant information in the area of study.

The researcher attempted as much as possible to use relevant contacts in the local community to provide pertinent information for the study. The limitation of accessibility, as mentioned previously, were minimised by honing in on Marikana as it exhibited a good sample of the targeted group.

The other limitation came as a result of the recent political unrest in the area, made respondents less trusting of the research and its intended purpose. The other difficulty was in attaining comprehensive data and documents from government officials and regulatory agencies.

3.9 CONCLUSION

An overview of the nature of the problem and the challenges it posed was first examined in this chapter. The intention was to introduce the research questions that were embodied in the research problem. The research questions were interpreted to find actual meaning and effects on this research in connection with other concepts explored in the research. This chapter has presented a brief overview of the research methodology. It has provided a context of the research approach and design by presenting a brief historical background of the data collection methods. The chapter further captured a brief overview of limitations of the study followed by the significance of the study.

CHAPTER FOUR
PRESENTATION OF DATA AND FINDINGS

4.1 INTRODUCTION

This section of the research reports on the research findings from data collected during the interviews. The presentation of findings has been sorted according to themes, sub-themes and relevant research questions. The main themes are first, the implementation and efficacy of the regulation and second, the legislative framework and third, sustainable local economic development. The following sub-themes were also discussed under the above themes:

Theme one: Regulation and legislative framework:

a) Challenges with the implementation of social and labour plans and the mining charter

- Interpretation of legislation
- Consequences of non-compliance with the legislative framework

b) Alignment of SLP obligations with the community priorities

- Stakeholder engagement
- Collaboration and co-operation between mining houses.

Theme two: Sustainable local economic development:

- Procurement, SME development and enterprise development
  - ✓ Incubation
  - ✓ Funding
- Employment and skills development.

The themes and sub-themes above will be further discussed to understand where the bottlenecks are in the transformation of the mining industry and also in making sure that there is meaningful participation of Blacks in the economy of the mines.

4.2 PROFILE OF PARTICIPANTS

Name	Organization	Designation
Company A	Mining	V.P stakeholder relations
Company B	Research & Development	Managing Member
Policy Expert A	Municipality	Ward Councilor
Policy Expert B	Municipality	Director: Mining& LED
Policy Expert C	Mining Regulator	Chef Director
Policy Expert D	Mining Regulator	SLV Inspector
Community Representation A	Local Business forum	Chairperson
Community Representation B	Ward committee	Chairperson

The sample size for this research was limited to 8 respondents. All participants were chosen because of their direct involvement with the Marikana community at different levels. Of the two companies represented, one is the mining house around the Marikana area, and the other is a church NGO focusing on doing research work for the mining communities and acting as a pressure group on behalf of those communities.

The four policy experts are part of the government, both at national and local municipality levels. The other two participants are community representatives representing both the ward committee and business forum. The ward committee is a committee voted by the Marikana community to work with the ward councillor in representing their interests.

All the interviews were conducted face to face and participants were allowed to use vernacular language if they wished. Due to divergence of views and opinions of the respondents, most of the responses were quoted verbatim to accurately capture their sentiments.

4.3 THEME ONE: IMPLEMENTATION AND THE EFFICACY OF THE REGULATION AND LEGISLATIVE FRAMEWORK

With the objective of gaining an understanding of the policy initiatives that facilitate transformation and the meaningful participation of historically disadvantaged individuals in mining and mineral industry, the participants were asked:

- "What policy initiatives and regulation has government put in place if any and what are the gaps or challenges particularly in relation to addressing economic development within the mining communities?"

There is a general consensus that the broad-based socio-economic charter (mining charter) is a policy initiative by government and the mining houses to encourage and ascertain transformation of the mining industry. The charter has core elements namely ownership, procurement and SMME development, employment equity, beneficiation, human resource development, mine community development, housing and living conditions.

Another critical policy initiative raised is the Social and Labour Plans (SLP), which is a mandatory process designed for mining companies with the aim of embracing social responsibility and encourage a positive impact through its activities on employees, communities and stakeholders.

Policy experts' comments:

Policy experts agree generally that the mining charter and the SLP's were introduced with the aim of facilitating sustainable transformation, growth and development within the mining industry and also to offset the negative impact of mining and improve the quality of life of both the mine employees and the surrounding communities.

Company representative's comments:

Both companies agree with the critical role of the government's initiatives in the introduction of the two legislative frameworks, however company B is of the view

that government works well when it comes to policy development, but has a very poor track record regarding the implementation and monitoring.

Community representative's comments:
The community representatives are both aware of the policy however they are not familiar with the contents and as such they were not fully engaging on its efficacies.

4.3.1 Challenges with the effective implementation of SLP's and the charter

In trying to gain an even deeper understanding of the challenges experienced in the implementation of the policy framework initiatives, participants were asked:

- "What in your view, are the most significant challenges experienced in enforcing and implementing the mining charter and the SLP's?"

The findings highlighted a lack of shared vision between the government and those working to implement the government's vision. They also highlighted a lack of shared sense of accountability amongst the stakeholders. The participants commented that:

Policy Experts' comments:
Policy expert B commented "The difficulty with the implementation of both the charter and the SLP is that mining companies are playing local municipalities against the department of mineral resources (DMR). They are aware that DMR is not familiar with local community's challenges and as such are willing to approve projects that are not economically sustainable."

Company expert D on the other hand argues that mining is a national competency as such municipalities are not expected to monitor the implementation of the charter as well as the SLP's. They further add that what is expected from them is a clearly drafted IDP document which will then be incorporated in the SLP.

Company's comments:

Company A's comments further captured the territory battles between government institutions when they highlighted the differences in opinions between the municipal officials and the DMR in terms of which programmes and projects are acceptable within the social and labour plans. They also raised this confusion as a point of dissatisfaction of the community against the mining houses.

Company B on the other hand agrees with the municipal officials that monitoring of the SLP and the implementation of the charter should be a joined responsibility between DMR and the local council given that the implementation happens within their sphere.

Community representative's comments:

The community representatives agree that the mining houses are unaccountable to the community and as such they do not follow through with their commitments.

4.3.2 Alignment of SLP obligations with the community priorities

The Act prescribes that the SLP should be linked with the IDP which is seen as representing the community's priorities. Therefore to drill down the differences of opinion in terms of aligning community priorities with the IDP and the SLP, participants were asked to respond to the following sub-themes:

a) Stakeholder Engagements

   The stakeholder engagements assist in enhancing the ownership from the community if they feel they were part of the process. Therefore participants were asked the following:

   - **"**What process is followed in determining the community priorities and in your view how effective is the stakeholder's engagement process?"

The responses highlighted a gap in accommodating the community's lack of appreciation of the policy imperatives, it also raised a suspicion that the

engagement is done with a particular end result in mind and is just a compliance exercise.

Company representative's comments:
Company A commented that the municipality is the one tasked with consulting the community on their priorities through the IDP development process, and as such the mining houses rely entirely on the projects provided by the municipality.

Company B on the other hand questioned the sincerity of the mining houses in getting the whole process done correctly. Particularly where the community is allowed to raise their priorities in an open and non-threatening environment and then work with the community to priorities those projects. They further argued that this will assist in focusing on projects that are economically sustainable and impactful to the economic development of the community.

Policy expert's comments:
Policy expert B argued that the municipality consults with the community through the mayoral imbizos and in those meetings the community's priorities are established. However, he further argues that after the IDP has been drawn, the mining houses and the DMR will choose projects that are easy to implement but which are not economically sustainable and as such not making any impact in the lives of the local communities.

On the other hand, policy expert C puts the blame squarely with the municipality arguing that the municipality is complicating the process of engagement in that every time there is a leadership change both at political or administration level, agreed upon priority projects are interfered with leading to confusion for both the mining houses and the community.

Community representative's comments:
The community representatives feel undermined in that they are of the view that both the mining houses and the municipality do not engage with them, show little understanding of community priorities and just focus on compliance. This was

highlighted in the following comment “Mining houses and the municipality take advantage of the community’s lack of knowledge; they come with projects that they have already concluded and just need endorsement from the community, almost like just to tick the compliance box”.

b) Collaboration and co-operation between mining houses

To gain a deeper understanding of the workings of the mines in order to increase the impact of their SLP’s to the local communities, the following question was asked:

- “To what extend do the mining houses cooperate and collaborate in the drafting and implementation of their respective SLP’s?”

A strict adherence to individual SLP implementation was highlighted as a response to intransigent approach by the regulator in the implementation process.

Company representative’s comments:

Company A highlighted that the regulator was in favour of each mining house implementing their own SLP as opposed to them collaborating. This was evident in the following comment:

“Several discussions were held with the DMR on aggregation however they were of the view that each mining house focus on their SLP ,so not to add a layer of administration on their side and also to maintain individual accountability.’

On the other hand, company B is of the view that the regulator and the mining houses are missing an opportunity to make a serious economic impact by not aggregating their projects and programmes, in that the small projects that they are focusing on now are not sustainable but also do not yield the desired outcomes”.

Policy Expert’s comments:

Policy expert A&B are of the view that the monitoring of the SLP at national level is the cause of this problem, as both are convinced that the DMR has no capacity to guide the local mines. This is because they have a number of SLP’s to monitor

and therefore do not give each the attention it deserves. As a result they are not in a position to monitor joint SLP's thus they prefer individual ones.

They further argue that this is due to DMR not being aware of the local challenges and as such not able to understand and appreciate the opportunity cost of small, meaningless projects done by individual mines as opposed to joint catalytic projects.

Policy expert D however is of the view that mining houses are the ones who are not in favour of collaboration as they see each other as competitors and therefore uncomfortable with joint ventures. They see themselves as competing even on issues of an 'employer of choice' in the community's eyes.

The above clearly highlights a need for policy to be flexible to allow co-operation between the mining houses in order to aggregate the impact to the local communities.

c) Consequences of non-compliance with the Act.

In an effort to gain a much deeper appreciation of the challenges of implementing the policy framework initiatives, the following question was asked:

- "What are the prescribed consequences for non-compliance with the regulation and are they effective in your view?"

The responses highlighted a common thread of policy drafting without proper implementation or monitoring mechanisms. A further challenge of balancing the community's expectation with the attraction and retention of the foreign investors which leads to increased tax revenue, employment ,infrastructure development and other benefits that come with this investments.

Company representative's comments:

Both companies agree that there are consequences for non-compliance which might lead to the revoking of the mining licenses. However there seems to be a

difference of opinion as to whether the regulator is implementing the said consequences as prescribed.

Company A's representative argues that the regulator is bound by the Act to consider other circumventing issues when looking at the level of compliance of a mine to the charter and the SLP, such as 'the impact of material constraints which may result in non-achievement of the set targets'.

On the other hand company B is of the view that mines are unaccountable to the local municipalities because the tax revenue that they generate to the fiscus.

Policy experts' comments:

Policy expert C agrees with the mining houses' view that section 47 of the MPRDA allows for punitive measures however there are other considerations to be made before the application of the Act.'

Policy expert A however raises an issue of lack of accountability sharply and challenges the regulator to show any mine where punitive measures were applied leading to the operating license being confiscated.

This sentiment was also shared by the policy expert B with the following comment "the Farlam Commission was clear that the mining house did not meet its obligations in terms of the SLP and the mining charter, however they still have their operating license, this clearly demonstrating lack of accountability."

Community representative's comments:

The community representatives are alleging that the lack of accountability on the part of the mining houses is a sign of corrupt relationships between the mining houses and the regulator, leading to non-performance of the mining houses on their obligations.

4.4 THEME TWO: SUSTAINABLE LOCAL ECONOMIC DEVELOPMENT

The mining charter has prescribed elements that will be instrumental in achieving the transformation agenda of the mining industry of integrating the HDSA into the mainstream economy. Therefore in trying to gain an understanding of measures taken to achieve targets set through the elements of the mining charter, the participants were asked the following:

- "In your view, what challenges are experienced by the mining houses in complying with the mining charter?"

(a) Procurement

Procurement is a significant part of the mining activities in that it gets its supplies from service providers as a means of empowering the owners and also creation of employment. This section seeks to understand measures taken by the mining houses to increase SME participation in the economic benefits of mining. This section has highlighted that historically disadvantaged entrepreneurs still participate mostly at the level of services and rely on consumer goods, but do not play a part in the core business of the mine. This has a negative impact on achieving the set objective of the charter given that capital projects are the core of mining.

Company representative's comments:

Company A raised a number of challenges as to why HDSA companies are not participating in capital projects and this view was captured in the following comment

> *'Local companies are unable to participate in mega capital projects due to lack of capacity in terms of capital requirements but also due to highly technical skills needed at that level'*

Company B however differs with that notion and argues that there are Black qualified engineers who are knowledgeable of the mining environment. He therefore raised the issue of artificial barriers such as health and safety

requirements and also the lack of assistance with seed capital as major impediments.

Policy experts' comments:

Policy expert A is of the view that *"as a result of the definition of HDSA, the charter has created an unintended consequence whereby white females are used as a front for most companies operating at the capital level, this allowing mining companies to comply with the charter without necessarily meeting the main objective of including Blacks in the mainstream economy."*

Policy expert B on the other hand challenged mining houses to *'comply with the charter by contributing 0,5 % of their annual turnover as prescribed towards the social development fund wherein the money will be used to up skill local entrepreneurs to meet the requirements for mega capital projects*.'

Policy expert C agrees with the views expressed by policy expert A that the wording of the Act is in many ways different from the other Acts dealing with the issues of transformation e.g. BBBEE, which are specific to Blacks being Africans, Indians and Coloured communities. The HDSA on the other hand covers all those who are seen to have been marginalized and includes white women. As a result, the new Bill will bring the charter in line with other Acts to avoid unintended consequences.

Community representative's comments

Community representatives are in agreement that mines are reluctant to empower Black, local companies thus they crate barriers to entry. The issue of Health and Safety was again raised whereby they are of the view that the mining houses can train the entrepreneurs on this matters if they are committed to transformation, given that to compliance is capital intensive.

(b) Employment

This section is investigating measures taken to create employment and also for the creation of employment multipliers. However it was clear from this section that

employment creation will not be successful due to the strategic direction adopted by the mining houses whereby they focusing on mechanization.

Company representative's comments:

Company A raised the issues of mechanization as a cost-effective method of mining going forward and also raised the issue of lack of skills amongst the local community as the biggest barrier of employment. He further argued that because of the sector being highly unionized it becomes very costly to meet some of the demands of the workers, leading to unproductive strike days and loss of production for the mines.

Company B agrees that the mines are moving towards mechanization and argues that this situation is a result of companies not wanting to share profits with employees. However, these same companies expect employees to take the plunge when the market is down. Attributing this to greed by the mining bosses.

Policy expert's comments:

Policy experts agree that the mines record of employment of locals is very poor. This they attribute to mining houses' preference of migrant labourers because of their willingness to work for far less than what is considered a living wage.

Community representative's comments:

Community representatives share the same view as policy experts on migrant labourers being prioritized because of the salary differences between the locals and migrants. They are however also alleging corruption even though they could not back it up with facts that employment managers are benefiting from the employment of immigrants.

(c) SME and Enterprise Development

This section seeks to gain a deeper understanding of the role played by the mining houses in supporting small business enterprises' participation in the economy. This section highlighted a divergence of views from participants mainly from the

community's side due to expectations not being met. This was further unpacked by asking the following question:

- "What capacity building initiatives are offered by the mining house to small and medium enterprises?"

(C.1) Incubation and Skills Development.

Company representative's comments:
Company A representative is of the view that the mining house is assisting in the development of local entrepreneurs through its partnership with Shanduka Black Umbrella. He further explained that Shanduka's brief is to build capacity of the emerging small businesses to enable them to participate in mega projects."

Policy expert's comments:
Policy experts are in agreement that mining houses do not make an effort to upskill local SMEs.

Community representative's comments:
The community representative A raised a counter argument to the one raised by company representative A that Shanduka is assisting SME's to build capacity. He is of the view that this arrangement is not meant for small businesses operating locally because the people who enrol for the course have to pay R1,600 per month which they argue none of the Black companies can afford, leading to automatic exclusion. This view was captured in the following comment *"Shanduka is not accessible to every business person within Marikana purely because they charge monthly fees to enrol as a member. Most business people are unable to pay the monthly fee and thus they are excluded from the programme."*

(C.2) Funding
In order to understand what funding assistance is available to SME, participants were asked the following questions:

- “What funding vehicle or models are made available to SME’s by the mining houses?”

The responses from participants made it clear that there is no form of assistance offered by the mining house to SMEs and as a consequence it is difficult for them to participate in mega projects.

Company representative comments:

Company representative A confirmed that the mining house does not provide any form of financial assistance but they prioritize payments of SMEs by shortening their payment circle.

Company representative B on the other hand argues that without financial assistance SMEs will not be able to participate in mega mining projects and this on its own is tantamount to disqualification.

Policy expert representatives and Community representative’s comments:

Policy experts A and B, and community representative A corroborated the sentiments of company B representative that the mining house is excluding Black SME’s by not providing any form of assistance. They are of the view that mega projects are exclusively reserved for established businesses and not for the locals.

This sentiments were well captured by the following comments from the community representative: *“The biggest challenge for a small business owner is the upfront costs for compliance such as buying protective clothing, health and safety requirements and site establishment costs, it will go a long way if the mine could reconsider their policy on start-up costs.”*

4.5 CONCLUSION

This chapter presented findings that arose from the interviews with stakeholders from Marikana. The findings represent the views from semi-structured interviews held with mining and research companies, policy experts from government and local business forum. Given that it was not a homogeneous sample and

contradictory in a number of ways, divergent views were expressed and captured verbatim.

The data was presented according to concepts, themes and sub-themes. The findings presented in this chapter are discussed in detail in chapter five and the discussion will be aligned with the literature covered in the literature review chapter.

CHAPTER FIVE
ANALYSIS OF RESEARCH FINDINGS

5.1 INTRODUCTION

The previous section presented the data using categories divided into themes and sub-themes. This section presents analysis of the data collected through interviews and its link to the literature under reviewed the document analysis and the researcher's opinion. For purposes of obtaining data for analysis, the study recorded the views of eight respondents chosen because of their direct involvement with the Marikana community at different levels; including two companies, 4 policy experts and 2 community representatives.

The analysis and interpretation of data will be clustered into two main themes aimed at answering the research questions. These themes are:

a. Implementation and efficacy of regulation and legislative framework;
b. Sustainable local economic development.

5.2 IMPLEMENTATION AND EFFICACY OF REGULATION AND LEGISLATIVE FRAMEWORK

This theme was aimed at identifying topics surrounding the effectiveness of the regulatory and legislative framework governing mining in South Africa. With the objective of gaining an understanding of the policy initiatives that facilitate transformation and the meaningful participation of historically disadvantaged individuals in mining and the mineral industry.

5.2.1 Government policy in addressing economic development of mining communities

As highlighted by the respondents, there is a general consensus and understanding of government policy initiatives, primarily the mining charter and social and labour plans (SLP's). There was consensus amongst the respondents

that the main objective of the mining charter mandating mines to accommodate historically disadvantaged South Africans to fully participate in the mining industry; secondly the use of social and labour plans as a means to lessen the negative impact of mining and ultimate improvement of the quality of life of employees and mining communities. However, some respondents mentioned their observation at the lack of trust in governments' ability to meet this mandate, more so in its monitoring and implementation capabilities.

The abovementioned assertions are consistent with Jordan et.al (2005) who stated that the decentralising of responsibilities to other spheres of government structures in developing countries has had negative spill-over effects due to their lack of capacity in local government structures . He further notes that the majority of local authorities in the developing world fail to negotiate mining agreements that reflect the interests of its constituency while others have failed to integrate land use policy with a long-term perspective, managing, collecting and distributing revenues obtained from mineral development equally to its constituency (Jordan et al, 2005).

The researcher is of the view that government's intention in instituting both the mining charter and accompanying SLP's was a noble idea. It is noble in its endeavour of inclusivity in seeking to accommodate historically disadvantaged South Africans to fully participate in the mining industry. They have however fallen short of their intended targets and objectives. They've fallen short as the very recipients targeted do not fully benefit from these policy initiatives. It is evident that local communities either do not understand these policy initiatives or simply do not trust government to ensure that these policies are adhered to, implemented and more importantly monitored. There is ample research that explains this situation, suggesting a failure of government to negotiate mining agreements that reflect the interests of their constituency. An example is although government in 2012 committed to build 6000 houses in the 50 hectares of land donated by Lonmin; residents in the area state that although they've seen some housing development, there has not been real infrastructure improvement, moreso on the installation of sewage systems, construction of roads, bulk water supply and access to reliable electricity. Overall the researcher's observation and opinion is that government

still needs to go back to the drawing board as it doesn't seem that the very policies they effect are accompanied by complementary and strong institutions, as well as agents to ensure they work.

5.2.2 Challenges with the effective implementation of SLP's and charter

As mentioned in the preceding chapter, another key position in terms of the regulation and legislative framework was the effective implementation of SLPs and mining charter; particularly the challenges experienced in the implementation of these policy framework initiatives. There seems to be a lack of shared vision between the government and implementing agencies.

The divergence is evidenced with some respondents describing antithetical behaviour of mining houses in capitalising on the regulatory body's lack of understanding of local community challenges, enabling them to implement economically unsustainable programmes. Another respondent stated his view that the local municipality's key mandate is not to regulate or monitor how SLPs are implemented beyond the drafting of a clear IDP document. The mining houses came out strongly by responding to implementation difficulties due to diverging interests of community, local municipality and DMR, all raised their opinions on which SLP projects are acceptable or unacceptable.

The above is consistent with a SALGA (2010) report stating the development and implementation of Local Economic Development plans and strategies has been different in different parts of South Africa, not least because it was only after the December 2000 local government elections that every piece of land within South Africa fell under the jurisdiction of a municipality. Therefore, in many areas concepts and ideas around LED are fairly new.

It is the view of the researcher that the effective implementation of SLPs and mining charter is very difficult both from an interpretation as well as a visionary perspective. There is also overwhelming evidence that speaks to the mining houses' practices being unethical and often implementing economically unsustainable programmes. Again, government does not seem to have sufficient

resources in monitoring and ensuring adherence which ultimately impacts negatively on its constituency, that being local community members. The researcher is also aware that these policy initiatives are just over two decades old; interpreted differently in many parts of the country and therefore are too new in many parts to effectively gauge their effectiveness.

5.2.3 Alignment of SLP obligations with the community priorities

5.2.3.1 Stakeholder engagement

There were varying views on the effectiveness of the stakeholder engagement process and the understanding of the stakeholder process in determining community priorities. This highlighted a gap in terms of accommodating the community's lack of understanding of policy development, but it also highlighted that the engagement is done with a particular end result in mind and therefore leads to a lack of ownership from the community.

The majority of the respondents were of the view that mining houses take advantage of the community's lack of knowledge; do not undertake a thorough stakeholder engagement process and end up choosing unsustainable programmes with less of an economic impact. The municipality was both blamed and defended for its part it plays in the engagement process and rolling out of SLPs.

The above is consistent with Otto & Cordes (2002) view when they stated that, previously and as a result of mining companies negotiating contracts directly with government, insufficient consultation was had with communities regarding mineral wealth development policies. They went on to explain that recent international developments pertaining to mineral policy and legislation obligates governments who administer mineral rich countries to incorporate public engagement in the formulation of mineral policy and legislation.

Mtegha (2004) agrees with this when he specified that community engagement in formulating policies enables the mineral hosting country to derive socio-economic

benefits from the development of its mineral resources. Otto and Cordes (2002) further shared the same view and identified that the process of community participation in the formulation of mineral policy allows the process to be conducted in an adequate manner, which enables the community to be represented and engaged in a process that will have a positive impact on their livelihood based on values, goals and their aspirations.

The researcher is of the view that not enough stakeholder engagement is being conducted; more especially given that the very people who are critical to the engagement namely community members, strongly refute the notion that they are being consulted, and further state that unsustainable projects are being introduced in their locality. The researcher is also aware that the current situation might be as a result of a relationship legacy between mining houses and governments such that insufficient consultation was had with communities regarding mineral wealth development policies. Stakeholder engagement is a socio-economic imperative as engagement leads to the mineral hosting community to derive socio-economic benefits from the development of its mineral resources. Therefore, evidence from literature suggests that more robust engagement is required to enable the community to be represented and to be engaged in a process that will have a positive impact on their livelihood based on values, goals and their aspirations.

5.2.3.2 Collaboration and co-operation between mining houses

This sub-theme was aimed at gaining a deeper understanding of the workings of the mines in order to increase the impact of their SLPs to the local communities; by determining the extent to which the mining houses co-operate and collaborate in the drafting and implementation of their respective SLPs. The results clearly pointed to a need for policy to be flexible to allow co-operation between the mining houses to aggregate the SLP impact to the local communities. The biggest dilemma for the mining houses is operating at the local level however having to be monitored at the national level.

The aforementioned is consistent with the contention of LED being a process in which local governments and/or community based groups manage their existing

resources and enter into partnership arrangements with the private sector, or with each other, to create new jobs and stimulate economic activity in an economic area" (Zaaijer & Sara, 1993). Swinburne et al, (2006) further explain that LED is the total of all economic activities by all relevant stakeholders within a specific defined geographical region, working together in partnership to create economic development and ultimately improve the quality of life for all residents in the area.

An OECD (2008) report mentions numerous examples of co-operation and collaboration continentally; notably in the Philippines where a partnership between a mine (private sector) and government (public sector) has shifted mining royalties that usually went to the central government, towards empowering local government. A CWCI (2006) report made reference to Alicedale, a declining former railway town where unemployment levels reached 90%+; a public-private partnership has led to the establishment of a hotel complex which has had significant economic and social spin-offs in the local economy, creating 500 permanent and temporary jobs.

The researcher is of the view that collaboration is an essential element towards increasing the impact of SLPs to local communities. More importantly, at the policy level, flexibility has to be exercised to allow for co-operation to occur between the mining houses as the aggregation of resources can further positively impact local communities. The researcher believes in the power of co-operation and collaboration resulting from his own experiences and the insurmountable evidence that exists; more so instances where collaboration has trickled down and impacted the local economy, whilst simultaneously positively impacting the local residents. These examples include the Philippines, Ghana, and the small town of Alicedale as cited in the text.

5.2.3.3 Consequences of non-compliance:

This sub-theme was aimed at gaining a deeper appreciation of the challenges of implementing the policy framework initiatives; by determining the consequences for non-compliance by mining houses. The results highlighted policy drafting

without proper implementation or monitoring mechanisms; secondly, the government's quandary of having to balance local community issues with impetus to attract foreign direct investment needs. The majority of the respondents are of the view that mining houses aren't accountable and they do not get punished for non-compliance; an example provided was the Farlam Commission passing judgment on a mining house and there being no retraction of their operating licence. Furthermore, one respondent stated that no mining company has ever lost its license due to fatalities, poor safety standards, and non-adherence to the charter.

This is consistent with Sachs and Warner (1999) who stated that abundant natural resources may infuse people with a false sense of security, leading governments to lose sight of the need for good and growth-friendly economic management including free trade, institutional quality and sustainable development, and bureaucratic efficiency (Sachs & Warner, 1999).

Auty (2001) states that two major economic challenges associated with the resource curse are rent seeking and corruption. Kaufmann and Vicente (2011) explains that corruption diverts resources from productive activities and increases costs of investing. Rent seeking can also take more subtle forms. For example, governments may be tempted to thwart markets by granting favoured enterprises or individuals privileged access to common-property natural resources, as, for example, in Russia. Or they may offer tariff protection or other favours to producers at public expense, creating competition for such favours among the rent seekers (Krueger, 1974).

It is the view of the researcher that ostensibly there aren't severe and decisive penalties for non-complying mines; that monitoring and evaluation is lacking and moreover government's predicament of balancing commercial over non-commercial interests is prevalent. Studies show that areas well-endowed with natural resources tend to experience an inverse in economic development. More importantly the relationship of the mining houses and the authorities tends to skew the balance of power and leads to authorities' lack of will to punish these mining

houses when they detract from their stated mandate. Given the current situation at the mine, research alludes that there might be rent seeking behaviour and corruption that might be exacerbating the situation in Marikana. The researcher is also aware of widely publicised reports around an ultimatum given by the president of the Republic of South Africa; President Jacob Zuma who instructed Lonmin to give a clear timeline on when it would build houses for workers, or face having its mining rights suspended, or cancelled. This as a result of Lonmin's failure to build 6000 houses as per their SLP obligations.

5.3 SUSTAINABLE LOCAL ECONOMIC DEVELOPMENT

This theme is aimed towards gaining an understanding of measures taken to achieve targets set through the elements of the mining charter. An overarching question was to understanding the challenges experienced by the mining houses in complying with the mining charter: The mining charter focus areas were (a) Procurement; (b) Employment; (c) SME & Enterprise Development

5.3.1 Procurement, SME and Enterprise Development

These key areas were aimed at gaining a deeper appreciation of the measures taken by the mining house to increase SME participation in the economic benefits of mining. The results indicated that the charter has failed in advancing historically disadvantaged businesses (HDSA), as these enterprises still do not participate in the core business of the mine and only at a basic services level.

This sub-theme of SME development aimed to gain a better understanding of the role mining houses play to increase small business enterprises participation in the mining economy; by ascertaining what role the mining company plays in building capacity of SMEs and funding within the community.

Interesting responses were solicited with the mining house raising concerns with issuing large-scale tenders to HDSAs due to their lack of capital and skills. However the contrary view was held by HDSAs who strongly felt that mining

houses created unrealistic expectations and intentionally provides barriers to entry for them. Some of these barriers included costly health and safety requirements to name but a few. There seems to be confusion from a policy perspective as well as the definition of HDSA has an unintended consequence, which at times has seen opportunities passing its intended recipients and being used by mining houses for unscrupulous means.

Divergent views were related concerning SME development by the community and the mining house, the mining house stated they had employed the services of a prominent incubation and skills development organisation; the unintended consequence is the communities' unhappiness of this as they felt it still did not address their core needs of being ready to tender for mega projects. Issues cited were around affordability and accessibility of the incubation programme. On the issue around the availability of funding assistance, many respondents indicated they were receiving no funding assistance from the mining houses. As a result of the extensive huge advance costs associated with most mega projects they were then losing out on opportunity to play a meaningful role in the mines projects.

The above views are consistent with Otto and Cordes (2000), who notes' mining's positive contact with communities is said to be on the decline as many mining communities distinctly receive less in terms of employment and business opportunities and the multiplier effects synonymous with mining operations.

The researcher strongly shares the sentiment that the mining communities receive a lesser benefit in both employment and enterprise development support. This is evidenced by the majority of HDSAs only supplying supporting services to the mining house and not being key players in their core business and support. Even in instances where the mining houses attempted to support SME development they failed in addressing the fundamentals these entities needed, evidenced by the Shanduka debacle. A bulk of the SME's require funding to ensure they adhere to the mining house procurement procedures, there is no tangible assistance with regards to this and therefore lose out on tendering for mega projects. The researcher is of the opinion that this situation needs to be addressed as both the

employment and enterprise support of local mining communities' remains an imperative from a legislature and economic development perspective.

Lonmin's 2015 Sustainable Development Report indicates the total procurement spend as R2, 8 billion in 2015, up from a value of R1, 8 billion in 2014. However only R7, 7 million was allocated to black owned enterprises, a figure down from R14, 6 million in the previous year. The 2015 Report further indicates the mine as spending R 3,2 million on supplier development in both its mines, a reduction in expenditure which was R5,1 million (in 2014). This represents a substantial reduction given the mining charter's emphasis on procurement and enterprise development. The researcher is concerned that an increase in procurement spend did not result in increased spending on black owned enterprises. Furthermore, the researcher is of the opinion that the R5,1 million on supplier development was not sufficient enough in supporting HDSAs; the reduction to R3,2 million means that HDSAs are worst off in terms of accessing enterprise development support. The above serves to confirm the responses from the local community and HDSAs that they are not receiving adequate enterprise development support; and in certain instances are structurally excluded from participating in mega projects.

5.3.2 Employment & Skills Development

The objective of this key-area was to further understand measures undertaken to increase local employment thus alleviating the burden carried by community members as a result of unemployment. It highlighted the dissonance between the mining community's skills and those required by the mining house. This assertion was regarding the mining house's future focus on mechanisation as the local community did not have required skills to complement the mines future strategy. There was also the opinion of the majority that the mine has always preferred to employ outsiders than local community members, and suspicions around patronage are common.

This view is consistent with Terreblanche (2002) who indicates that in the South African context, there is compelling evidence to certain regions experiencing

economic development tantamount with the mining sector and others where the inverse holds true, particularly due to apartheid regime practices and policies Furthermore, the employment of unskilled workforce in the mining industry has experienced a decline whilst demand for skilled technical workers has been on the rise, this is due to mining operations becoming more technical (Starke, 2002).

Moreover, Gylfason et.al (1999) noted that natural resource abundance may reduce private and public incentives to accumulate human capital due to a high level of non-wage income such as dividends, social spending, and low taxes. Economic agents tend to underestimate the long term benefits of education when they benefit from natural resources revenues. Particularly, in resource-rich countries, there is a lower public sector spending on education and school enrolment rates tend to be lower than in resource-poor countries.

It is the view of the researcher that there is a lack of skills development taking place in Marikana, which has high unemployment rates. There is discord between the skills required by the mine and skills of the mining community. The aforementioned then decreases the positive economic benefits that could be profiting the local community. The researcher concurs with literature that argues that in the South African context, there is compelling evidence that points to certain regions experiencing economic development tantamount with the mining sector and others where the inverse holds true; in Marikana unfortunately the latter holds true.

The planned mechanisation by the mining house, although justifiable, will further aggravate the economic decline and socioeconomic woes of the local community in Marikana. The researcher has observed that literature explains this phenomenon; and one possible explanation resides in that economic agents tend to underestimate the long term benefits of education, particularly when natural resource revenues are concerned. The researchers strongly believes that education and skills development should be at the forefront of both the government and mining houses agenda, if the mining operations is to be sustainable in the long run.

In 2015, Lonmin invested R62.5 million in community projects that form part of WPL (Western Plats Limited) and EPL (Eastern Plats Limited) SLPs (2014: R47.7 million). Lonmin's 2015 Sustainable Development Report indicates the mine as investing in mining skills; portable skills training; technical skills, and learnerships for communities. Skills and development spending increased from R11 million to R14 million in 2015. These programmes include; school infrastructure support; learner support; and parent support programmes to mention but a few. Based on the above information, the researcher is of the view that the programmes implemented are not sufficient to impact employment and sustainable skills development needs. With regards to employment the company subsequently entered into a Section 189 to reduce headcount which, in November 2015; saw 3,136 employees leaving the company. This further entrenches the researcher's view that programmes implemented are not sufficient to impact employment and sustainable skills development needs.

5.4 CONCLUSION

This chapter presented the evidence that was collected during the data collection phase. It consisted of the primary data from the individual interviews, literature as well as the views of the researcher. This section interpreted the data by reviewing the two themes identified in the data presentation section. More importantly, an identification of issues pertaining to the role played by the mining industry in the economic development of local communities with specific reference to Marikana; were presented.

Implementation and efficacy of regulation and legislative framework's main objective was to gain an understanding of the policy initiatives that facilitate transformation and the meaningful participation of HDSAs in mining and mineral industry. There is a general consensus and understanding of government's policy initiatives, primarily the mining charter and social and labour plans (SLP's); however, a lack of trust in governments' ability to meet this mandate exists, more especially in its monitoring and implementation capabilities. Challenges with the effective implementation of SLPs and the charter also exist, more so in a singular

vision between agents and the state. The divergence of opinion between the community, municipality and authorities also added to the implementation difficulties.

A lack of stakeholder engagement was also observed, with the prevailing view that engagement is done with a particular outcome in mind and thus the lack of local community ownership. This then led to unsustainable projects being instituted and not benefiting their intended recipients. In further evaluating the impact of mines to the local community, it was found that mines do not collaborate which lessens the compound effect which would positively benefit the local community. It was further noted that at times mines did not adhere to policy and legislation however there were nonetheless no decisive recourse in such instances; notably the dilemma between balancing commercial over non-commercial interests was cited as the root cause.

Sustainable local development was the second major theme of the study; aimed at gaining an understanding of measures taken to achieve set targets and goals. It was established that Procurement, SME and Enterprise Development policies and initiatives weren't being effectively utilised. The results highlighted that the charter has failed in advancing historically disadvantaged businesses (HDSA), as these enterprises still do not participate in the core business of the mine and only play at a basic services level. Even in instances where an attempt to support SME development occurred, it failed in addressing the fundamentals these entities needed. Employment and Skills Development measures undertaken were also reviewed as they tend to alleviate the burden carried by community members as a result of unemployment.

The dissonance between the mining community's skills and those required by the mining quickly became apparent. This was further exacerbated as the mine outlined its strategy towards more mechanisation efforts. The majority of community members felt that the mines always preferred to side-line them and in certain instances hire outsiders and more technically skilled workers, which they are not. This may lead to further unemployment and to negative trickle down to the

local community. The above confirms that Lonmin has been delinquent with compliance and prescripts of SLP and the charter. The same was confirmed in the findings of the Farlam Commission which observed that: *"Lonmin created an environment conducive to the creation of tension and labour unrest by failing to comply with its housing obligations as required by its Social and Labour Plans on the strength of which it converted its rights".* (Pg. 557)

CHAPTER SIX
CONCLUSION AND RECOMMENDATIONS

6.1 INTRODUCTION

It is clear from the research that the mining industry has played a minor role in the economic development of local communities, with specific reference to the local community of Marikana. This is ascertained from the researcher's observations as well as the many interviews; in that they tell of contrary experiences regarding economic development. These experiences ranged from high unemployment, lack of access to procurement and SME development, right through to being subjected to unsustainable projects. These were seen to be adversarial to economic development, transformation and the meaningful participation of local communities. Furthermore, even at times where there was an understanding of the different policy initiatives and legislation; a lack of tenacity and clear vision served as impediments to the intended objective.

There is the triple threat through lack of: stakeholder engagement; mining houses collaboration and co-operation; and punitive measures for non-complying entities. These undermines and do not accommodate the community's lack of understanding of policy development; present missed opportunities to understand the impact of policy on the local communities; and exacerbates government's quandary between its commercial and non-commercial interests.

Local Economic Development remains a national imperative as it presents a major opportunity to help local communities towards self-actualisation. The fact that in many of these communities, mining's positive contact is said to be on the decline. This is because many mining communities distinctly receive less in terms of employment and business opportunities and the multiplier effects typical of mining operations.

6.2 RECOMMENDATIONS

The observations and analysis have made it imperious to consider the following recommendations for future research. In light of the conclusions as well as the research question and purpose statement the recommendations stem from these.

It is clear from the discussions above that the policy initiatives are not reaching the intended objectives of promoting access of historically disadvantaged South Africans to participate meaningfully in the mainstream economy. It is therefore critical to re-valuate the techniques applied and identify the bottlenecks. This then means that new approaches be implemented to make sure that the vision of the MPRDA is achieved.

As a result of the aforementioned, the following strategies will be explored further. There is generally an appreciation of the adoption of the legal initiatives which aim to expedite the transformation of the mining industry. However, a common observation is the lack of trust in government's ability to meet the said mandate, more so in monitoring and implementation capabilities which cannot be ignored.

Given the above, it is clear that the decentralizing of responsibilities to other spheres of government structures might be a contributing factor to this dilemma.
It is therefore the researcher's view that the monitoring and implementation of the SLP and the charter should be centralised at the local government sphere given that is where implementation takes place.

The other challenge that was identified is the stakeholder engagement, specifically at the community level. The community has voiced their dissatisfaction with the process that followed as they felt that it performed as a compliance gimmick and was not conducted in good faith. This has led to lack of buy-in from the community of the projects that are being rolled out within the community.

The charter is also supportive of the notion of proper consultation as it implores the mining houses to conduct an assessment to determine development needs in collaboration with the communities, and identify projects with their needs analysis. It is the researcher's view that further engagements to agree on what appropriate stakeholder engagement is necessary. However, the lack of educational of the community hinders this process and the ability to yielding desired results.

Flexibility of policy to accommodate co-operation and collaboration within mining houses is of critical importance given that LED is based on the notion of working together in partnership to create economic development and ultimately improvement of quality of life of all the residents in the area.

Finally, it is critical for the regulator to enforce the 0, 5% of annual income generated as prescribed in the charter. It is the researcher's view that the said amount can be used as seed capital for local entrepreneurs to provide them with skills new projects that are generally capital intensive.

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