

**EXAMINING THE SOCIO-ECONOMIC IMPACT OF MINING ON THE  
LIVELIHOODS OF AMAJUBA DISTRICT MINING COMMUNITIES**

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LIVELIHOODS OF AMAJUBA DISTRICT MINING COMMUNITIES**

**BY**

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## Abstract

The Amajuba District is among one of the major coal mining regions in South Africa, where the mining activities are limited mainly to coal and quarry. Altogether 11 mining rights had been issued in the district as at 2013, with six operational and five pending. The Dannhauser and Emadlangeni local municipalities are hosts to large mining operations in the district, but surprisingly both fall among the most impoverished municipalities in the province and the country as a whole.

While mining activities are regulated with the purpose of ensuring that they play a significant role in improving the socio-economic conditions of the communities in which they operate, there is little evidence to suggest that this mandate has been implemented in the Amajuba District. The current practices and state of affairs in the mining sector within the district do not suggest properly coordinated and legislatively-compliant socio-economic development.

This study seeks to reveal and understand the gap that exists between the good intentions of the social and labour plans submitted by the mining corporates when applying for mining rights, and the poor socio-economic development levels that exist in the mining communities of the Amajuba District. The objective of the study is to establish whether the socio-economic development initiatives led by the mines actually do improve the livelihoods of the mining communities and if they are aligned to the development agenda of the local government.

In order to understand the mismatch that exists between the social and labour plans and the current appalling socio-economic conditions of the mining communities, the study utilised qualitative research methods for collecting relevant data. Using multi-stage sampling methods, community members' names were clustered and randomly selected to participate in the study. In-depth interviews and focus group discussions were used to collect data. The interviews were guided by a set of themes that the study aimed to explore. In this case, the themes were around mining and beneficiation of the mining communities.

The findings suggested that there was room for improvement and corporate commitment from the mining companies, and that it is crucial to ensure a balance is struck between the needs of the communities and the companies' needs. The key characteristic that makes 'mining-led development' look bad is its inability to meet the communities' expectations satisfactorily. Mining corporates should address the developmental challenges hindering

effective linkages between them and the communities they ought to be serving, as that will have the potential to unlock a sustained corporate mining business in the long-term.

The study revealed that it is imperative to recognize that mining entities play a vital role in the national trade flow, and that there is a growing pressure for them to position themselves as uplifters of communities' welfare as part of their social contribution in line with the Mining Charter's proclamations. The recommendations also emphasize business practices such as assessments of communities' satisfaction, which should be conducted regularly to ensure that the relationship between the communities and mining entities stays strong.

Finally, alignment with local government initiatives was highlighted as being a crucial aspect of mining-led development.

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# CHAPTER ONE – INTRODUCTION

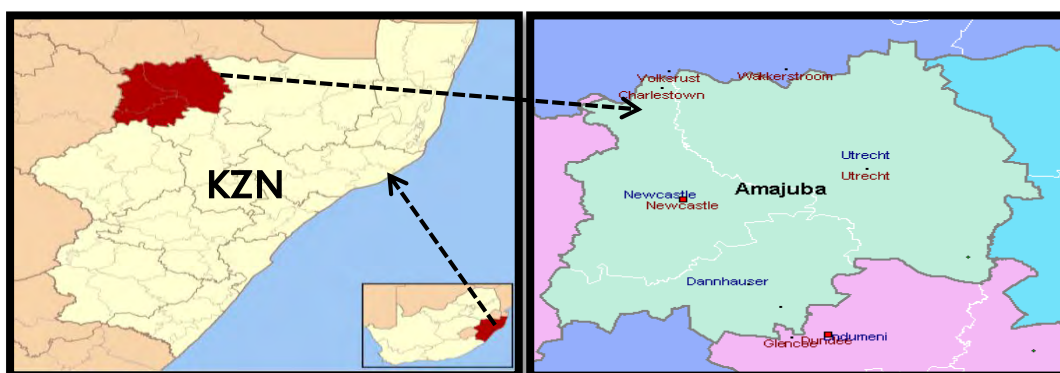
## 1.1 Objectives of the study

This study seeks to uncover and understand the disparities that exist between the good intentions of the social and labour plans of the mining companies and the poor socio-economic development levels that exist on the ground where the mines operate in Amajuba District. The objectives of this study is to gain an understanding of the following areas of social and economic development as per the requirements of the Mineral and Petroleum Resources Development Act (MPRDA), Act No. 28 of 2002:

- To evaluate if the mining communities are benefiting socio-economically from the current mining operations.
- To understand the extent to which the mining companies seek to address the social rather than the economic question. Are the mines focusing mainly on making profits or are they willing to address the social challenges in mining communities?
- To explore the extent to which the mining industry is committed to the sustainability of socio-economic development projects in mining communities.
- To find out which elements of the social and labour plans are more popular among projects implemented by the mining companies, i.e. why are certain elements in the social and labour plans preferred to others.
- To observe whether the mining companies conduct monitoring and evaluation on the LED projects in social labour plans to determine their sufficiency.

## 1.2 Background and demographics of the Amajuba district

The Amajuba District Municipality is located in the north-western corner of the KwaZulu-Natal (KZN) province, and is made up of three local municipalities, namely Newcastle, Emadlangeni, and Dannhauser. The map below demonstrates the location of the district and local municipalities in relation to the rest of KZN.



**Figure 1: The Amajuba District Municipality in the Provincial Context**

The Amajuba District lies almost equidistant between Johannesburg and Durban. The N11 corridor links the district to both the major port of Durban and the industrialized complex of Gauteng, and the main rail line from the Durban harbour to Gauteng also cuts through Amajuba. The district is well positioned to take advantage of both the road and rail freight trade that passes through the district. Amajuba is 6 910 km<sup>2</sup> in geographic size, with Emadlangeni (previously Utrecht) occupying the biggest area of 3 539 km<sup>2</sup>, followed by Newcastle with some 1 855 km<sup>2</sup> and Dannhauser with approximately 1 516 km<sup>2</sup>.

The Amajuba District Municipality (ADM) accommodates an estimated 499 839 people, according to Census 2011. In regards to breakdown of municipalities, Newcastle has a population of 363 236, Dannhauser has 102 161 and Emadlangeni has the least with 34 442. Newcastle accommodates 72.6% of the total population of the Amajuba District, while Dannhauser is home to 20.4% and Emadlangeni houses only 6.9%. (Statistics South Africa , 2014)

The Global Insight Figures (2008) indicate that during the period 1996 to 2008, the Dannhauser municipality had a declining population at - 0.5%, with the eMadlangeni municipality experiencing the highest growth rate at 4.1% per annum. The district's average growth rate during this period was 1.4% per annum. In terms of households' numbers, the 2007 Community Survey pointed to a declining number in Dannhauser, but an increase in both the eMadlangeni and the Newcastle municipalities. The district as a whole showed an overall increase in the number of households in 2007, however the 2007 Community Survey indicated a decline in household size. The Global Insight (2008) data indicated that there had been an increase in the number of households across all municipalities in the Amajuba district. According to the 2007 figures of the Capacity Assessment study, almost 60% of the households were urbanised. Of these, an overwhelming 95% were in the Newcastle Local Municipality area (IHS Global Insight, 2013).

In terms of racial distribution, an overwhelming majority of the District population (97%) were black Africans. These figures do not change fundamentally when household distribution is considered. Black African households account for 89% of the population while Whites contribute 7%.

Regarding age distribution, close to two thirds (62.4%) aged between 15 and 64 years. This leads to the conclusion that majority of the population are of working age.

EMadlangeni and Dannhauser posted a significantly lower percentage of people with higher levels of education than Newcastle, which may correlate with the closure of the mines in early year 2000, although these figures did improve in 2007. Amajuba is the district municipality with the lowest percentage of adult population that does not have of any form of schooling (completely illiterate), that is, 7.7%. This figure is significantly lower compared to other district municipalities within the province, apart from the uMgungundlovu DM which has an almost similar figure of 8.1%.

Considering migration patterns, the 2006 National Spatial Development Perspective study concluded that between 2001 and 2006, Amajuba district experienced an out-migration of

approximately 2.18% of the total population, that is, 11 806 people. These figures might suggest high mobility of a skilled labour force from ADM to other municipalities, especially considering a comparatively higher percentage who have attained higher education. ADM has the second lowest figure of people receiving some form of social grants (83, 265, which represents 18.8% of the provincial population) after uMgungundlovu, which has 18.2% of the provincial population receiving some form of grants (Statistics South Africa , 2014).

### **1.3 Mining in South Africa**

South Africa's mining sector contributes 18.4% (Stats SA, 2011) to the national GDP, making it the fourth largest contributor. The sector is over a century old, starting with the discovery of gold in former Transvaal province in 1896, roughly twenty years after the discovery of diamonds (Harrington, et al., 2003). The mining sector creates approximately 500,000 direct jobs and about 500, 000 indirect jobs. The sector contributes an overwhelming 18.4% of the country's GDP. Mining is a highly recognised sector in the economy given its contribution to employment creation and is right at the heart of government planning. The government established the Mining, Industry Growth and Development Task Team (MIGDETT) with the objective of providing a platform for the government, labour and business to strategize how the mining industry should seize opportunities and take advantage of the next economic boom (DMR, 2010) In his 2013 State of the Nation address, President Zuma acknowledged that mining is the backbone of the economy (The Presidency: Republic of South Africa , 2013). Pravin Gordhan, former Minister of Finance, also underscored the importance of the sector in his 2013 budget speech, pointing out that an expansion of R2.5 billion and longer-term plans to an amount of R15 billion in mining projects were planned (National Treasury: Republic of South Africa , 2013). The minister of finance specified that the mining sector has a huge potential to become a major, if not leading, role-player in the governments' objectives of eradicating poverty and creating sustainable livelihoods through employment creation.

### **1.4 Mining in the Amajuba District**

The Amajuba District Municipality is one of the major coal mining regions in South Africa, with the area's mining activities being limited mainly to coal and quarry. The mining industry in ADM employs a total of 1284 people, with 896 of those jobs being in the Dannhauser local municipality (Census, 2011). This number is a clear indication of where the majority of the mining activities are located. Newcastle is host to one coal mine and one quarry mine. Altogether 11 mining rights had been issued in ADM as at 2013, with six operational and five pending.

Latest statistics from Trade & Investment (KwaZulu-Natal) indicate that the mining industry contributed an estimated R617 million, which accounted for 7.5% of total gross value-add

(GVA) in the district (Trade & Investment: KwaZulu-Natal , 2016). This figure reflects a positive short-term average annual growth over the period 2010 – 2014 of about 3%.

In terms of the current GDP rating of the economic sectors in the KwaZulu-Natal province, mining is currently ranked number nine with a 1.8% contribution.

## **1.5 The problem statement**

Between them, Dannhauser and Emadlangeni share the biggest percentage of the rural part of the Amajuba District and are economically unstable. The most rural and impoverished wards within the district and the majority of the people live below the poverty line, according to a study conducted by the department of Rural Development in collaboration with Oxford University (2010).

The Dannhauser and Emadlangeni municipalities, which host four and three large mining operations respectively, both fall among the most vulnerable municipalities in the country. This became evident when the Minister of Rural Development and Land Reform declared the two local municipalities to be deeply rural and in dire need of the Comprehensive Rural Development Plan. The Amajuba Local Economic Development Strategy Report (2012) observed that the exploitation of coal and quarry in the district diminished progressively, to the extent that in 2004 a number of mines closed, the result being the expansion of unemployment. The sector then, according to the same report, grew at a negative rate. This is a case of unsustainable exploitation of resources. One can also argue that the unsustainable exploitation of resources in Amajuba, leading to the closure of mines and effectively increasing unemployment, might be a reflection of the ‘Dutch disease’.

In describing Dutch Disease, Ramphele (2013) noted that countries or regions with rich mineral deposits which are part of the free market system (where exchange rates are not pegged by government and thus rise and fall freely through supply and demand for currency) are particularly affected by the globalised economy, where there is increased demand for raw materials which increases commodity prices, which in turn increases export revenues that strengthen the local currency against the dollar. Then, a strong local currency driven by exports and Direct Foreign Investments (FDI) results in import goods becoming cheaper. This leads to de-industrialisation or the impossibility to ever build an industry, which adversely affects the economic sectors (in particular agriculture) that become dependent on foreign markets. This phenomenon is known as the ‘Dutch Disease’.

On the other hand, the poor socio-economic conditions it could simply be the lack of good corporate citizenship by the mining corporates. Corporate citizenship refers to a mutually beneficial relationship between the mining corporates and the communities where mining activities occur. The relationship would entail that the mines extend their interest beyond profit making, but also take into consideration the economic and social aspects of the communities where they operate. A malfunctioning relationship usually results in conflict, which breeds tensions and the unfair treatment of either or both of the parties involved.

In general, the mines in Dannhauser and Emadlangeni could be viewed as being successful in terms of profit making, yet the contrast of high profits and poor socio-economic conditions is a glaring reality. An examination of the profile of the communities which live within close proximity to the mining sites concludes that a disconnect between the multi-million dollar mining activities and social conditions of the surrounding communities exists. The researcher aimed to investigate the dynamics which are causing the mismatch between the successful mining operations and the poor socio-economic conditions surrounding them. Either the community or the mining houses are not fully dedicated to the improvement of the socio-economic well-being of the communities where the mineral resources are extracted, or communities are not willing to tap into the economic benefits around them. The former is more likely in this context; the commitment of all the role-players, especially the mines, involved in improving the livelihoods of the communities where they are mining, remains in question.

There is no significant, tangible and sustainable contribution by the mines to the livelihoods of the mining communities where they are operating according to residents of the mining communities. Instead of the quality of lives improving considering the scale of the operations running in these two local municipalities there is a failure to connect social and economic development with the profitable mining activities.

The motivation of this study stems from the argument that while mining activities are regulated with the purpose of ensuring that they play a significant role in improving the socio-economic conditions of the communities where they run their operations, there is little evidence to suggest that this mandate has actually been implemented in the Amajuba District.

Unfortunately there is mismatch between what the mining companies in the Amajuba District claim to be doing for these communities and what is happening; the current state of affairs in the mining sector within ADM and the practices do not suggest proper beneficiation. This is not to say the mining houses have not delivered anything as per their commitments to their social and labour plan, but the study seeks to establish whether the socio-economic development initiatives that are implemented by the mines actually do move beyond the level of 'self-interest'. That is, besides complying with the legislation and allocating budgets for these initiatives, do the mining companies actually have dedicated personnel and effective monitoring and evaluation systems in place to ensure sustainability of such initiatives?

If one reads the reports from the mining houses detailing how much money they spent over a period of five years, one wonders why there is not any significant and tangible projects or social infrastructure within these communities? This triggers questions regarding the authenticity of the information provided by the mining houses. It could be that the figures appearing on the social and labour plans do not equal the actual amounts spent on the projects, or it could be that the socio-economic projects that the mines claim to have implemented cannot be deemed successful.

This study seeks to uncover and understand the gaps that exist between the good intentions of the social and labour plans and the poor socio-economic development levels that exist on the ground where these mines operate.

At the Mining Lekgotla (The Mining Lekgotla is a premier mining sector think tank event and is a partnership between the Chamber of Mines, Department of Mineral Resources and the National Union of Mineworkers) held in 2012, the Anglo American CEO proposed ten commitments that she believed mining companies should live by in order to promote the development of the country. Amongst those ten commitments I picked the following which I believe are relevant to the objectives of this study and in line with the objectives of the Mining Charter.

1. *A commitment to support education and skills development in the broader community.* She stressed that the mining industry has a crucial role to play in supporting the development of the skills that communities need. This is contrary to the case of Dannhauser, where there seems to be a dire shortage of the skills required to initiate businesses that would sustain them long after the mining businesses are gone. This statement then prompts a question of whether there is willingness from the mining companies to take the leading role in capacitating the mining communities to improve their livelihoods (Carroll, 2013).
2. *A commitment to use the power of mining to create jobs.* This commitment looks beyond the jobs created directly within the mining sector and calls on the mining companies to look at the other sectors of the economy which have a competitive advantage in South Africa and develop jobs in those sectors using the power of mining. She urged the mining houses to take leadership in creating jobs in the sectors outside the mining (Carroll, 2013).

The two points above lead to an assumption that South African mining could be suffering from what is known as a “Dutch Disease” which leads to de-industrialization or the impracticality to build new industries.

While the description of ‘Dutch disease’ is mostly true for large commodity exporting countries, it is also true for the case of the Dannhauser locality in the Amajuba District. Being a vibrant mining town in the 1980s and early 1990s could have been the cause of the minimal development of local industries. After most of the major mines closed down in 1996 Dannhauser soon became a ghost town, with very high levels of unemployment and poverty (Exxaro, 2016). This could have been because the mine relied mainly on products sourced from elsewhere and not within the Dannhauser locality. As a result no industries were built nor were any new skills acquired by the local people, except mining skills which became useless when the mine closed down. Given the current status of the Dannhauser town one may therefore deduce that the town suffered from the ‘Dutch disease’ when mining superseded everything and the local economy became reliant on mining.

The Minister of Mineral Resources, MP Ms Susan Shabangu, indicated that the South African Government had undertaken a process to review the Mineral and Petroleum Resources Bill. The main focus of the amendments were to, amongst other things, remove ambiguities in the Act that previously created room for a '*multiplicity of interpretations*'; to safeguard that the Act remained up-to-date and relevant; to align provisions of the Act with relevant legislation of other parts of government; and to strengthen the administrative processes as well as provisions for heightened sanctions for noncompliance. (Shabangu, 2013, p. "4")

Amongst the objectives of this bill, Shabangu (2013) mentioned introducing a provision to promote beneficiation on the mineral resources being extracted. That simply means, the Mineral and Petroleum Resources Bill had gaps which could be the cause of the undesirable situation in Dannhauser. The mere fact that the Minister called for the amendment of the Mineral and Petroleum Bill indicates a problem around the areas of beneficiation, amongst others.

Generally speaking, across the globe there has been a call to re-look the current mining practices which are 'extractive' in nature and change them to be more inclusive, take into consideration diversifying the economy, add value to the communities and promote sustainable livelihoods. It is against this backdrop that mining companies are urged to think beyond traditional values like direct employment; water and power supply; ancillary economic activity; transportation and other infrastructure; education, health and other facilities. Mining corporates are also advised to focus more on the development of operations that could bring long-term socio-economic and biophysical improvements to regions in a way that is consistent with the holistic principles of sustainability (Veiga, et al., 2001).

Yet it does not appear that every mining company has the willingness to do things differently from the way they have been operating.

According to Mamphela Ramphele (Ramphele, 2013, p. "6"), "*All this is possible, but it will take a willingness to take risks and engage in tough conversations between the government, private sector, workers and civil society. It is possible to leverage the mineral resource wealth into a catalyst for re-industrialisation of our country, continent and other parts of the world. But we must heed Einstein's words – we cannot solve today's problems by using the same thinking that created them in the first instance. Are you ready for change?*"

To save the South African mining industry and communities from extractive (exploitative) mining, it would take willingness from the role-players involved in the mining sector to join hands and change the current state of affairs.

This study seeks to explore and understand the extent to which the mining activities in the Amajuba District impact on the socio-economic conditions of the mining communities.

## 1.6 Conclusion

The study will delve into the dynamics of socially inclusive mining by examining the impacts of mines in areas where they operate in the Amajuba District. This study will seek to uncover and understand the gaps that exist between the good intentions of the social and labour plans and the poor socio-economic development levels that exist on the ground where these mines operate. Furthermore, the study will examine the linkages between the local government and the mining corporates in advancing the socio-economic development agenda of the mining communities in the Amajuba District. It is inevitable that a study of this nature will seek to understand if the mining corporates do actually have any willingness to support and improve the livelihoods of the mining communities in a sustainable manner.

The next chapter will unpack the concept of socio-economic impact in the context of the study area and will look broadly into the mining sector in South Africa, before narrowing it down to the study area. Lastly, there will be a focus on the legislative and regulatory environment of the mining industry.

Chapter two of this thesis will focus on creating the understanding for the socio-economic impact concept, the understanding of the South African Mining industry as well as its contribution towards the socio-economic development agenda of the mining communities. Furthermore, the theory of corporate citizenship read together with the Mining Charter would be explored regarding the role of mining corporates towards the development of mining communities. The legislative and regulatory environment that the mining corporates need to comply with prior and after the granting of mining rights would be discussed in detail.

Chapter three focuses on the research methodology that is suitable for this study. Qualitative research methodology was chosen as the ideal mechanism for this study since the intention was to explore the experiences and attitudes of mining corporates and communities regarding the socio-economic impact of mining. Interviews, guided with set of themes, with individuals and focus groups were conducted to gain insight on the subject matter. Collected data was then transcribed, analysed which led to the emergence of patterns and themes that were coded into themes relating to the research question

Chapter four will discuss the findings of the study in detail focusing on the key characteristics of the impact of mining on the livelihoods of the mining communities. This chapter explores the ability to address developmental challenges that hinder effective linkages between the mining corporates and the communities they responsibilities over.

The last chapter concludes on the findings of the study and makes recommendations on the shortcomings that were revealed. This chapter discusses the role that mining corporates play in the development agenda of the country and further deliberates on the expectations of the mining communities. It concludes by explicitly by suggesting what could be long lasting solutions towards sustainable mining that could contribute positively to the livelihoods of mining communities and the mining business.



# CHAPTER TWO: DISCOURSES ON MINING AND SOCIO-ECONOMIC DEVELOPMENT

## 2.1 Introduction

Mining in South Africa has a long history, which is likely to continue in the foreseeable future. The industry remains a key economic contributor to the country, despite the declining production levels recorded in the last ten years. However, the legitimacy of the industry has come under increasing economic and sustainable pressure in the last five years, due to its perceived role in promoting sustainable socio-economic development in locations where mining activities occur. By and large, the industry as a whole acknowledges its role towards society. However, according to Mathibe (2011), the industry seems to focus on short-term goals for risk reduction. This implies that there are aspects of community concerns that are not addressed, and there are still huge disparities between the reality and intended development actions. While there are a range of documented impediments explaining why the gap exists, this study seeks to explore in depth the socio-economic conditions of mining communities in the Amajuba District.

This chapter examines various dimensions of this phenomenon and also attempts to explore the relationship between mining and the communities where mining activities take place, as well as the socio-economic impact those activities have on the communities.

## 2.2 Defining socio-economic impact

It is widely accepted that developmental activities such as mining are expected to contribute to both the social and economic development of the localities in which they are situated, either directly or indirectly. Yet socio-economic impact is a concept that has many different connotations for development practitioners and academics; it is an evolving concept that defies an agreed upon definition. In a general sense, the phrase ‘socio-economic impact’ represents both the negative and positive developmental influences that mining activities have on the social and economic well-being of communities (Morris and Baartjes, 2010).

This study defines socio-economic impact as the potential of a proposed development activity to change the lives of current and future residents of a community<sup>1</sup>. According to Sach et al.,

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<sup>1</sup> [www.paerip.org/sites/www.paerip.org/files/PAERIP%20report%203.3%2015092012.pdf](http://www.paerip.org/sites/www.paerip.org/files/PAERIP%20report%203.3%2015092012.pdf) accessed on 08/09/2014.

(2001), socio-economic impacts are those effects from industrial activities that affect communities, socio-economically or culturally, directly or indirectly, in whole or in part, for better or worse. However, in order to understand the term ‘socio-economic’ better, the concept ought to be understood in the context of development. In this case, development is generally understood as a state in which things are improving or becoming better in value in a range of dimensions such as education and health, to mention a few (Kariuki, 2009).

According to Todaro and Smith (2014), development is defined as the process of improving the quality of all human lives and capabilities by raising people’s levels of living, self-esteem and freedom. This understanding encapsulates the totality of socio-economic development expected from a development activity such as mining. It adds to Amartya Sen’s (1999) understanding of development as a process of improving people’s real freedoms so that they can enjoy life and make the most of it. This implies that any development that disempowers communities is a negative influence and should be reviewed. Roland (2014) contended that an empowering development initiative is one that involves a long-term process where a number of interdependent microeconomic capabilities are combined with incentives aimed at supporting and improving a community’s wellbeing.

In summary, the notion of socio-economic impact is a far-reaching concept which encompasses every aspect of life that improves the quality of life of communities. This understanding shapes the discourse that follows in the context of this study.

### **2.3 Understanding South Africa’s Mining Industry and Economic Development**

Every nation endowed with mineral resources considers itself to be fortunate, because such deposits are assets and are part of the nation’s natural capital (Davis and Tilton, 2002). Such recognition of the value of natural resources enables governments to establish mechanisms through the extraction and processing of the resources to create economic spin-offs to benefit the country. As an industry, mining can play a significant role in the economic development of a country. For instance, in South Africa the mining industry contributes 4.9% of the gross domestic product (GDP)<sup>2</sup>. This is in large part because of the revenue generated by the sale of gold, platinum, iron ore and other natural resources.

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<sup>2</sup> [www.statssa.org.za](http://www.statssa.org.za) accessed on 10/09/2014.

While empirical evidence suggests that the level of gold production is rapidly declining, there is considerable potential for the discovery of other mineral deposits that have not been discovered or exhaustively explored (Bebbington et al., 2013). Further, apart from the country's abundant mineral reserves, the nation also enjoys advanced technical and mining technology, including production expertise as well as comprehensive research and development activities (Meyiwa et al., 2014). This competence places South Africa in an economically advantageous position ahead of most nations of the world.

Economically, the industry provides significant opportunities aimed at empowering communities' well-being. This has in part been facilitated by progressive legislation enacted by the government such as the Mineral and Petroleum Resources Development Act of 2002, which opened doors for the meaningful participation of all people to engage in mining activities, including Black people who were previously locked out of such industries by the previous regime. The Act encourages equal participation in mining activities and equal access to mineral resources, irrespective of race, gender or creed (Nkomo, 2013). While gold production is reportedly to be declining, in mitigation, the government has identified the beneficiated minerals industry as a growth sector. Empirical evidence suggests that there could well be substantial economic benefits in downstream processing and adding value locally to iron, carbon steel, aluminium, platinum and diamonds (KPMG, 2013).

On the revenue and expenditure front, the mining industry still has growth potential. According to the South African Chamber of Mines, South Africa's total mineral reserves are valued at \$2.5 trillion, with the mining sector contributing 18% of GDP and more than 50% of foreign earnings<sup>3</sup>. According to KPMG, an auditing firm of international repute, the sector generates an annual income exceeding R330 billion and accounts for 20% of all investment in the country (2013). Moreover, their report indicates that R441 billion was spent to generate the above revenue; of that expenditure, R407 billion was spent locally, stimulating the local economy. Additionally, approximately R17 billion was generated through corporate taxes and R6 billion in royalties (ibid).

As far as the sectors' contribution to the nation's employment levels, the report indicates that the sector employs over a million people, spending R78 billion on wages and salaries (KPMG, 2013). The sector employs a mostly semi-skilled and unskilled labour force (Smit, 2013). The sector is also reputed to be the largest contributor by value to Black Economic

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<sup>3</sup> [www.chamberofmines.org](http://www.chamberofmines.org) accessed on 10/09/14.

Empowerment (BEE), providing economic opportunities to Black Africans to get involved in the sector.

In summary, it is clear that the mining industry plays a crucial role in the South African economy and its future as a foreign exchange earner and employer of labour is guaranteed. However, in order for the sector to remain relevant and sustainable for longer, serious adjustments have to be made. These include enhancing beneficiation in the mining value chain, promoting sustainable technological methods of mining, achieving set BEE targets, addressing wage demands, and promoting more equitable sharing across racial and gender divides (Kabemba, 2014). The section below explores the challenges and issues surrounding the mining industry in detail.

## **2.4 South Africa Mining industry: Contention and Ambiguity**

The mining industry in South Africa saw unprecedented growth in the last decade. The industry continues to make a significant contribution towards the nation's growth and development agenda as envisaged in the National Development Plan (NDP), the country's blueprint development plan. However, in the midst of this enviable growth, debates and conflicts have emerged, especially regarding the depletion of resources and labour unrest. These trends have significantly influenced relationships between the industry, the state and the communities where mining activities occur (Bebbington et al., 2013).

While it is laudable that mining generates immense revenue for the nation, the industry has been associated with negative human and environmental impacts (KPMG, 2014). Admittedly, in a country where there are challenges still to be addressed such as income inequalities, poverty and chronic unemployment, juxtaposed in an even development growth pattern, the struggle to juggle national interests of economic growth versus social development is a challenging task for policymakers. However, given the disparities of the challenges the nation is faced with, several negative trends accruing from mining activities have been observed and these are well documented in literature. Some of these negative trends attributed to the mining industry include:

- a) Appalling labour relations and working conditions of miners;
- b) Lack of management capacity at community, corporate and government level to deal with the adverse effects of mineral extraction on the environment;
- c) Weak regulation and judicial frameworks;

- d) Increasing malpractices such as corruption;
- e) Unequal distribution of wealth;
- f) Unsustainable patterns of development and growth;
- g) Poor transport infrastructure in the mining areas;
- h) Rapid depletion of unrennewable resources with very little re-invested; and
- i) Currency volatility

(KPMG, 2014:3; Saul and Bond, 2014; Bebbington et al., 2013:2-5).

All these undesirable effects reflect badly on the mining industry and provoke contentious arguments about whether the industry is profitable for the country or a curse (Saul and Bond, 2014). These arguments arise from the adverse effects the mining industry has on the environment, the lack of social and economic development, and the profit-taking of a few individuals (Saul and Bond, 2014; Bebbington et al., 2013). The confusion that arises in most people's minds, as well as those of development practitioners, is why such a resourced industry which generates immense revenue is inconsiderate of the people that contribute to it as its labour force? The perception amongst mining communities is that the mining industry can do much more than it does already (Leon, 2013; Ross, 2001).

Interestingly, even the lauded National Development Plan, published during 2012, did not tackle these contested views (Saul and Bond, 2014). The authors of the plan, the National Planning Commission (NPC), neglected the fact that the mining industry is economically being mismanaged by capitalist multinational conglomerates, which reap millions from the industry through wages, salaries and performance bonuses (Deloitte and Touche, 2013). However, the Commission argued that the nation needs to move away from the unsustainable use of natural resources and focus more on a low-carbon economy (Saul and Bond, 2014). While this argument seems consistent with a people-centred development agenda, it failed to articulate how environmental effects as a result of mining activities will be mitigated.

In sum, the contentious arguments and positions provided above are necessary to address if the mining industry is to re-position itself as an industry that values the people that make it what it is (Kabemba, 2014). It is important that every key stakeholder involved in the industry reflect on how best the industry can serve the development agenda of the country, without necessarily resulting in harmful practices that erode the nation's moral and ethical fibre.

## **2.5 Mining and the livelihoods of local communities: Contribution towards socio-economic development**

Mining as a development activity invests significantly in local communities where such activities are taking place (Maliganya, 2013). Ideally, the investment takes the form of capacity building for workers and infrastructure set-up in the form of public schools, health clinics, water supply systems as well as transport infrastructure. There is also an expectation by government and local communities that mining companies will uplift the entrepreneurial activities present in the locality by providing opportunities to supply materials and related commodities and services to mining companies, miners and their families (World Bank, 2005).

According to Holden (2007), mining companies are also expected to provide employment opportunities to communities in their vicinity directly during the construction and operation phases of their processes, and indirectly through the demand of goods and services from the miners. This process creates a cycle of revenue generation and circulates currency, which is expected to enhance the quality of life of those living in mining localities. Furthermore, the sector also earns the government much needed foreign exchange and other tax revenues, all of which contribute significantly towards the country's balance of payments and gross domestic product.

While the ideal scenario is an active mining sector that contributes to the socio-economic development of local communities, the literature reveals varying success across the globe. This is largely because public participation in the processes of development is non-existent or very minimal. McMahon and Remy (2001) argued that sustainable mining activities are directly proportionate to the level of participation of the public in those activities. The authors emphasised that the community, the government and owners of mining companies should engage with each other constantly and genuinely to effectively sustain mining activities in the areas. While this is true in developed countries, it is not so in developing countries (Maliganya, 2013). In Ghana, for instance, since the inception of the country's economic policy changes in 1983, the mining sector has flourished considerably but communities adjacent to the mining company have not enjoyed the benefits of that economic prosperity (ibid). Similar cases have been documented in Tanzania, with the cause being limited and weak institutional capability to deal with the socio-economic implications of mining activities

on local communities. Local communities have been excluded from policy discussions regarding mineral resource development (ibid).

In South Africa the case has been similar. Empirical evidence suggests that while the government has a sufficient legislative framework to guide the mining sector in its work, the sectors' consciousness towards local communities is poor (Saul and Bond, 2014). The literature indicates that most local communities adjacent to the mining companies are inadequately supplied with public goods and services such as schools, health clinics, roads, poor housing, clean water systems and functional sanitation infrastructure (Malinganya et al., 2013). The situation has overtime resulted in civil protests and aggravated the relationship between the government, local communities and mining companies (Bond, 2004). The rising unemployment rates in mining communities have compounded the problem.

However, those mining companies committed to uplifting the socio-economic conditions of the local communities, such as Kumba, acknowledge that for mining activities to be sustainable, mining companies must make contributions that lead to socially sustainable environment.<sup>4</sup> This implies deliberate efforts on the part of the mining companies to improve the social and economic infrastructure of local communities, with a focus on:

- a) Improving education in the surrounding communities by building schools;
- b) Improving health care delivery by building hospitals and health clinics;
- c) Improving skill levels of community members so that they can secure employment opportunities in the mines and be economically active;
- d) Improve safety within their mines so that families in the mining communities are not left without bread winners;
- e) Improve housing in local communities by building decent housing facilities that enhance the dignity of those who occupy them; and
- f) Improve water and sanitation infrastructure to enhance the quality of life of local communities.

In summary, it is the responsibility of every mining company in South Africa to improve the socio-economic conditions of communities adjacent to their activities. This is the essence of the Mining Charter. A considerable legislative framework has been instituted by the

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<sup>4</sup> [www.angloamerican.org](http://www.angloamerican.org), accessed on the 10/09/2014.

government of South Africa to ensure such efforts are done in an effective way. The next section discusses this legislative framework in detail.

### **3.1 The Regulatory Environment**

The South African government has made considerable efforts to improve the operations of mines and mining activities in the country. These efforts have seen the enactment of legislative frameworks such as the Mining Charter, the Mine Health and Safety Act 29 of 1996 and the Mineral and Petroleum Resources Development Act 28 of 2002. All these legislative instruments govern the operations of the mining industry at large (Meyiwa et al., 2014).

Specifically, the Mine Health and Safety Act 29 of 1996 provides for the protection of the health and safety of miners and other personnel working in the mines. It aims to promote a culture of health and safety within the mining industry. The Mineral and Petroleum Resources Development Act 28 of 2002 (MPRDA) confers all mineral rights to the State. The Act seeks to promote justifiable social and economic development by ensuring that the country's minerals and petroleum resources are developed in a sustainable manner (Morris and Baartjes, 2010). The policy goal of the legislation is to ensure that the historically disadvantaged communities gain access to the mining industry and enjoy the benefits of exploiting the country's mineral wealth (Deloitte, 2013). The Act also provides a practical framework for guiding the mining industry as far as environmental management is concerned (Morris and Baartjes, 2010).

Further, according to the Constitution of the Republic of South Africa, Act 108 of 1996, section 24 stipulates the objectives of MPRDA are to:

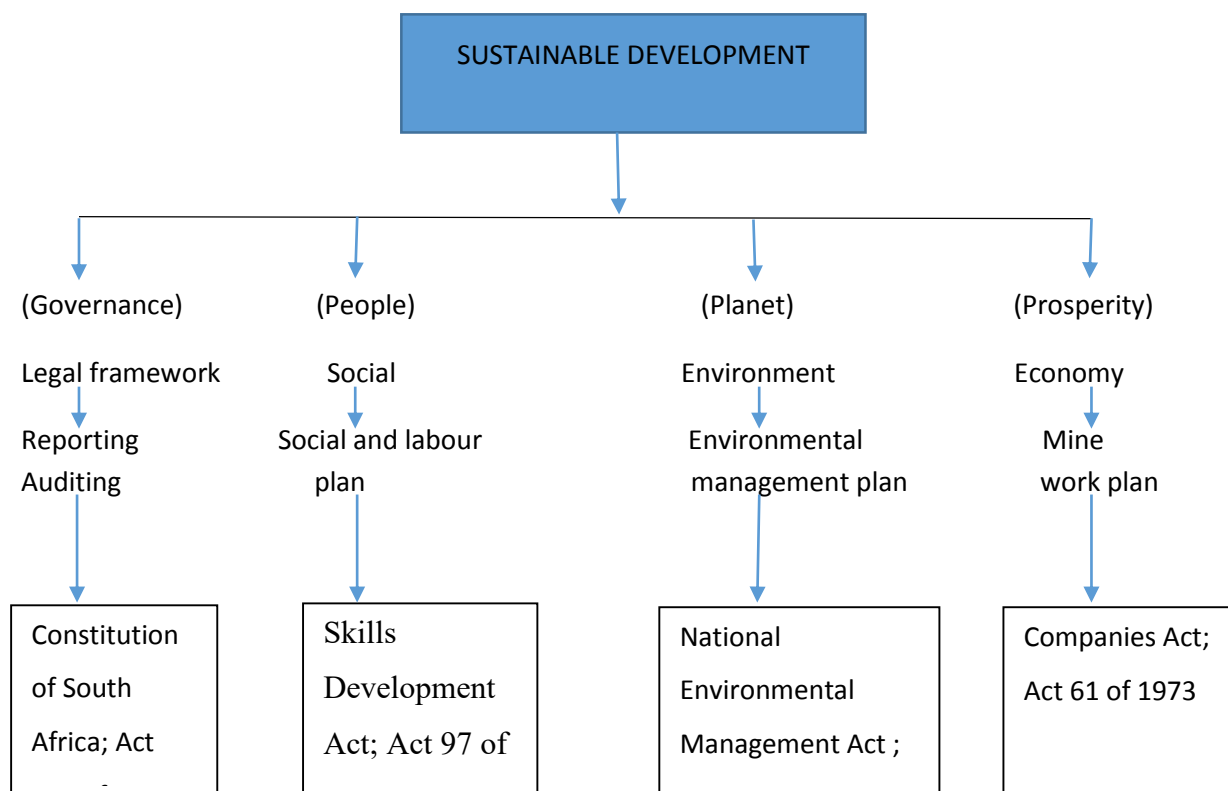
- Promote equitable access to the nation's mineral and petroleum resources to all the people of South Africa;
- Substantially and meaningfully expand opportunities for historically disadvantaged persons, including women, to enter the mineral and petroleum industries and to benefit from the exploitation of the nation's mineral and petroleum resources;
- Promote economic growth and mineral and petroleum resources development in the country;



- Provide for security of tenure in respect of prospecting, exploration, mining and production operations;
- Give effect to section 24 of the Constitution by ensuring that the nation’s mineral and petroleum resources are developed in an orderly and ecologically sustainable manner while promoting justifiable social and economic development; and
- Ensure that holders of mining and production rights contribute towards the socio-economic development of the areas in which they are operating (Morris and Baartjes, 2010:5).

In line with the provisions of the legislative requirements stipulated in the MRPDA, every mining company has to ensure that the social, economic and environmental impact aspects have been adequately considered, before the Department of Mineral Resources will award mining rights (Morris and Baartjes, 2010).

**Figure 1: The link between sustainable development and the legislative framework in South Africa**



Source: Morris and Baartjes, 2010:6

## **4.1 Social and labour plan**

According to impact (Morris and Baartjes, 2010), a social and labour plan is required from every mining company, which informs the Department of Mineral Resources about their planned local impact. The objectives of this plan are to:

- promote equal employment;
- advance the social and economic welfare of South Africans;
- contribute to the transformation of the mining industry; and
- ensure that mining companies contribute towards the socio-economic development of the areas in which they are operating and the areas from which the majority of the workforce are sourced.

To achieve this, the plan needs to have the following information:

- A human resource development plan aimed at creating capacity for employment and skills development;
- A local economic development plan aimed at addressing poverty and promoting community upliftment; and
- A process to save jobs as a mitigating strategy for instances when mine closure is imminent.

With this plan, the welfare of the community adjacent to the mine receives priority attention, especially with regards to skills development and employment creation (DMR, 2010).

## **4.2 Environmental management plan**

The environmental management plan must be in line with MPRDA and therefore any mining activities ought to be conducted in accordance with the principles of sustainable development. An environmental assessment plan must be conducted and this forms part of the approved plan.

According to the Mining Charter and as emphasised by Morris and Baartjes (2010:7), an environmental plan must:

- establish baseline information concerning the affected environment to determine protection, remedial measures and environmental management objectives;

- develop an environmental awareness plan which outlines the manner in which mine owners will inform employees of an environmental risk which may result from their work and how risks can be mitigated to prevent environmental degradation;
- investigate, assess and evaluate the impact of the mining operation on the environment, as well as the socio-economic conditions of any person or community who may be directly affected by the operation; and
- describe the manner by which they will control any process which may cause environmental degradation.

As an environmental measure, this plan is aimed at ensuring the environment is protected in all areas where mining activity takes place.

### **4.3 Effects of mining activities on social-cultural issues**

Over the last decade, there has been a range of perspectives on the effects of mining on the social-cultural issues in society (or the communities). One of the main socio-cultural influences of mining is when there is an influx of new workers from other areas outside of those areas where mines are located. This influx of new workers occurs as a result of the new economic opportunities that mining activities present, however this influx exerts pressure on existing development infrastructure such as housing, water and sanitation (Hill, 2008). Moreover, the influx of new individuals from other regions of the country or other countries usually results in the introduction of new lifestyles and patterns of behaviour, which often arouses resentment from the local community (Chan, 2004). This in turn can lead to tensions between new workers and local residents.

Interestingly, the responsibility of improving the socio-economic conditions in local communities seems to be misunderstood by mining companies. They argue that since they pay their royalties and taxes to the government, the government should take the responsibility to address socio-economic challenges and develop these regions (Mwalyosi, 2004). Yet it is arguable that for sustainable mining to occur, enhancing social services in communities adjacent to mining companies is a non-negotiable pre-requisite.

## **5.1 Relationships between mining companies and local communities**

Traditionally, local communities perceived mining activities as being economic avenues for improving the national economy, their role being an available workforce to ensure their country prospers economically. This changed as recently as in the last five decades - now local communities view mining activities in their localities as solutions to their pressing development challenges (Malinganya, 2013). The change in view has exerted pressure on mining companies and government to re-think the role of mining in the country as a whole, considering the complexities of development challenges and the interest of capital owners (KPMG, 2014).

As such, the government has enacted a legislative framework to regulate the operations and responsibilities of mining companies, one of the responsibilities being to improve the socio-economic conditions of local communities adjacent to mines. However, the literature suggests that stakeholder engagement has not been a priority for most mining companies (Saul and Bond, 2014). As a result, local communities are nervous about being excluded from the benefits accruing from mining activities and do not have access to information regarding their future involvement in the local mining industry (Kabemba, 2014). This scenario contradicts the transformation agenda of the sector that the South African government has been campaigning for post-independence. Therefore, as persons, fear and mistrust continue to beleaguer relations between mining companies and local communities.

## **5.2 Corporate Citizenship**

The private sector is now viewed by many governments as the motor for development; the responsibilities of profit-driven companies now extend beyond just operating within the law and contributing directly to the economy - they are also expected to play an active leadership role in socioeconomic issues e.g. environmental sustainability, social cohesion and human development (McIntosh, et al., 1998). Companies are now expected to be socially responsible, i.e. they are expected to be good corporate citizens of the communities where they operate.

Corporate citizenship refers to the extent to which businesses are socially responsible in meeting their legal, ethical and economic responsibilities as prescribed by their shareholders.

In McIntosh et al (1998), corporate citizenship is viewed as a two-way relationship between the communities and the corporates. It is an integral part of the functioning of a company in the sense that some of the companies' needs can only be met through communal action. Companies that can best manage these two-way relationships and integrate them into the functioning of their businesses are more likely to achieve the status of 'full citizenship' in the communities where they operate. Full citizenship in this context refers to fully fledged relationships and acceptance of the ethical behaviour of a company.

Corporate social responsibility has been defined as seriously considering the impact of companies on society, and another definition talks about the individuals' acts on the societal ecosystem, whereby each and every individual has a responsibility for his or her actions on the system as a whole (Carroll & Butchholtz, 2000). Davies and Blomstrom in Carroll & Butchholtz (2000) defined corporate social responsibility as the obligation of decision makers to take actions which protect and improve the welfare of society as a whole, along with their own interests. This definition highlights two aspects of corporate social responsibility - the first aspect talks to protecting the welfare of society, i.e. to avoid the negative impacts on society, while the second aspect talks to improving the welfare of society, i.e. the creation of positive benefits by the company for the society (Carroll & Butchholtz, 2000).

Many business leaders are starting to consider it important to engage meaningfully with both shareholders and stakeholders particularly the communities in which their companies operate and others affected by and interested in what they do (Schwab, 2008:107). Increasingly companies are realising that integrating environmental, social and governance issues with their core business has become an imperative in ensuring long term viability and sustainability of their businesses (United Nations Global Compact, 2010:8). Similarly governments around the world have become proactive in creating an enabling environment for corporate social responsibility to take effect due to its ability to enhance sustainable and inclusive development (United Nations Global Compact, 2010:8).

## **6.1 Characteristics of the Study Area**

According to the Local Government Handbook (2013), Amajuba District Municipality is approximately 6 910 km<sup>2</sup> in size with Emadlangeni occupying the largest area of 3 539 km<sup>2</sup>, Dannhauser some 1516km<sup>2</sup>, and Newcastle approximately 1 855 km<sup>2</sup>.

Although the district is peripherally located when viewed at a national and provincial scale, it is well connected and enjoys a relatively high level of accessibility within its spatial and economic functional region. N11, which is a national trade and movement route linking KwaZulu-Natal with the Mpumalanga and Gauteng provinces, runs through the western part of the district while regional connector distributor routes such as P483, R34 and others, traverse the district in an east-west direction ensuring functional linkages with the surrounding towns such as Dundee, Ladsmith and Vryheid.

The district is primarily rural and dominated by extensive commercial farmlands. Newcastle is the main urban centre and economic hub of the district. Towns such as Dannhauser and Utrecht serve as secondary service centres with limited thresholds. A continuum of settlements ranging from urban and high density areas of Osizweni and Madadeni Townships through informal settlements in Johnston, Blaawbosch and Cavan (JBC) to rural settlements forming part of Ubuhlebomzinyathi occur mainly along the Buffalo River (Lazarus Developments, 2014).

The KZN Provincial Treasury released the KZN Multiple Deprivation Index in 2011. The index is based on employment levels, income levels, health, education, crime rates and access to services.. Each local municipality is allocated a score for each of the indicators, which are then combined in order to derive the deprivation index for each locality. Fifty one local municipalities in KZN were analysed, and then ranked in ascending order - from 1 (which is the highest level of deprivation) to 51 (which is the lowest level of deprivation) (Lazarus Developments, 2014).

Dannhauser has the highest levels of deprivation within the District, ranked 11 out of the 51 municipalities in the province. Newcastle has the lowest levels of deprivation and ranks more favourably within the district and provincial context (49/51) (Lazarus Developments, 2014).

Demographically, according to Census 2011 figures, Amajuba District experienced an increase in its total population figures from 468 037 in 2001, to 499 839 in 2011 (0.7% growth rate). Newcastle accounts for 72.7% of the district population (363 236 people), followed by Dannhauser with 102 161 (20.4%). Emadlangeni accounts for 6.9% of the population figures for the district (34 442). It is interesting to note that Dannhauser has experienced a decline in its population figures between 2001 and 2011 (-0.1 growth rate).

This could be attributed to outward migration from the locality, ill health or an escalation in mortality rate due to poverty and/or the HIV/AIDS epidemic (Stats SA, 2011).

In terms of racial distribution, the majority of the District population are black Africans (97%). Black African households account for 89% of the population while Whites make up 7%. On age distribution, approximately two thirds (62.4%) are under 29 years and roughly similar number represents those aged between 15-64 years (IHS Global Insight, 2013). The majority of the district population (61.2%) are of working age i.e. 15-64 years, with 33.7% and 4.7% comprising of the young (0-14 years) and elderly (65+ years) respectively. There has been a marginal change in the gender profile of the district – with females accounting for 52.2% in 2011 (an increase of 0.1% from 2001) (IHS Global Insight, 2013).

In overall terms, the Amajuba District made a limited contribution to the economy of KwaZulu-Natal in 2010, contributing for about 3.5% of the total provincial gross value add, with the structure of the District economy differing from the structure of the provincial economy (Statistics South Africa , 2014).

21% of the province's GVA stems from the manufacturing sector, while this figure is 25.5% for the Amajuba district. This indicates the importance of manufacturing in the region, and highlights the significance of ensuring sustainable growth in the manufacturing sector in Amajuba. However, the Amajuba District experienced negative growth (-1.6%), compared to an average annual growth in the province of 0.4% (Statistics South Africa , 2014).

Mining makes a contribution of 3.4% to total GVA of the district. Mining and quarrying only contributes a small amount to total GVA in the district (3.4% in 2010). However, this is more than the province's overall contribution of 1.7%. This can be attributed to the coal deposits found within the north-western areas of the province. However, the area has experienced a significant decline in formal commercial mines over the past 5-10 years (largely due to the down-scaling of coal mining in Dannhauser), with small-scale mining accounting for more recent growth. The only substantial product that is still mined within the district is coal (IHS Global Insight, 2013).

The proportion of the population with no schooling in the district has declined significantly between 2001 and 2011, from about 16% to 8%. Furthermore, this has been accompanied by increases in the secondary and Standard10 / Grade 12 figures. Higher education levels have

also increased, and now account for 9.5% in 2011 from 7.0% in 2001. However, towns like Dannhauser and eMadlangeni have significantly lower percentages of people with higher levels of education which may correlate with the closure of the mines, although these statistics have improved in 2007 (IHS Global Insight, 2013).

The demographic information presented in the section above highlights and paints a picture of the of the livelihoods' standards of the people of Amajuba district. The statistics highlights the social and the economic situation for the general population of Amajuba district as well as that of the mining communities which the study is focusing on. It is important to note that the study will draw its sample from the same population that is characterised by the aforementioned demographics.

## **6.2 Mining in Newcastle**

This section zooms into the socio-economic profile and economic activities of Newcastle town which is the economic powerhouse of Amajuba district. Although mining is not a major economic sector but it cannot be ignored given the impact and footprint that it has all over the district. Coal and quarry are the major commodities mined in Newcastle and Amajuba region as a whole.

## **6.3 The town of Newcastle, South Africa: Socio-Economic Profile**

According to the Local Government Handbook (2013), the town of Newcastle in South Africa is located in the Amajuba District Municipality in the north-west of the province of KwaZulu-Natal, with the Free State and Mpumalanga provinces to the west and north respectively. It is the third largest urban centre of the province and the biggest town in the Amajuba District<sup>5</sup>. It covers an area of approximately 1854km<sup>2</sup>.

Demographically, the city has a slow population growth of about one percent annually, with a population size of 495, 000 people. The population is relatively youthful with 46% of the population being younger than 19 years of age, with the age group between 20 and 34 years accounting for 27% of the population. Newcastle accounts for 73% of the district population. Further, it is approximated that the city has 85, 000 households. The city has a significantly

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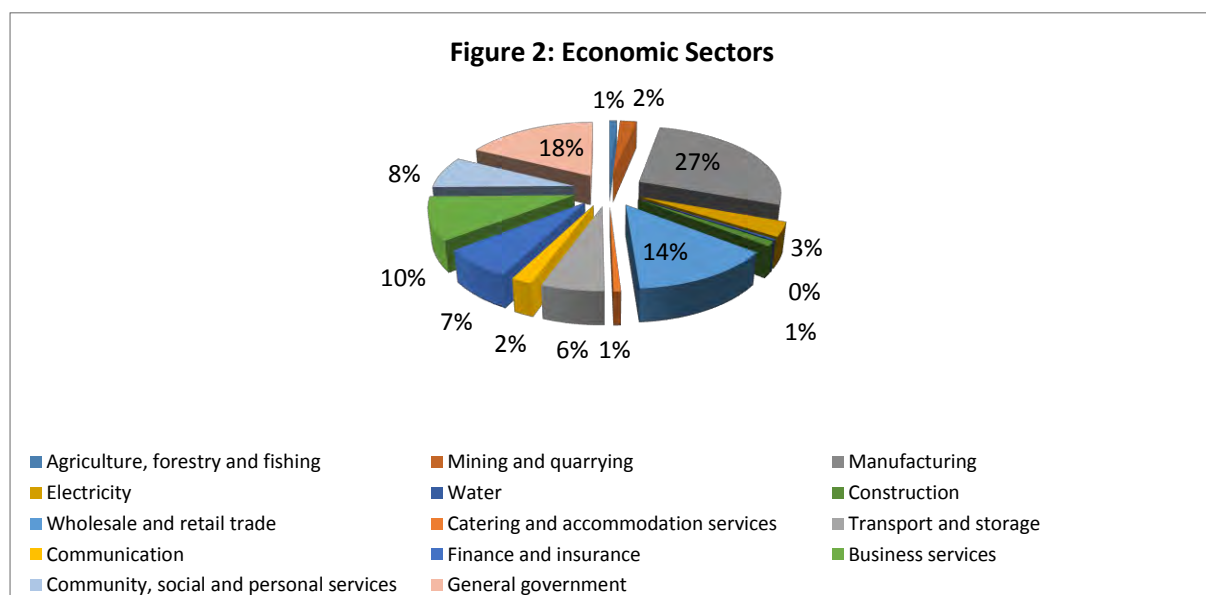
<sup>5</sup> [www.localgovernment.co.za/locals/view/69/newcastle-local-municipality](http://www.localgovernment.co.za/locals/view/69/newcastle-local-municipality) accessed on 16/07/14.



high unemployment rate of 37.40% (Stats SA 2011). The unemployment rate among the youth is strikingly high, about 49%, especially for those aged between 15 to 34 years old (Newcastle IDP Report, 2012-2017).

## 6.4 Economic Activities

Economically, the town boasts intensive local economic development in the manufacturing, mining, tourism, information communication technology and agriculture sectors. The town is centrally located halfway between Johannesburg and Durban, and is linked to the harbours of Durban and Richards Bay, thereby contributing to the export of manufactured goods, as well as for distribution to the Gauteng market. It is situated along a railway line that connects the city with other major cities such as Durban and Johannesburg. Mining represents only 2% of the economic activity, as shown in Figure 2 below (Newcastle IDP report, 2012-2017).



**Source: Newcastle IDP, 2012- 2017**

Coal, steel and iron ore are the main minerals mined in the city of Newcastle (TIKZN, 2007), with the major companies being ArcelorMittal, Siltech and Karbochem. The prospect of mining activities in the city encouraged local communities to believe that efforts would be made to improve their socio-economic wellbeing by improving education, health, water and sanitation infrastructure, as well as creating employment opportunities.

Yet the reality is that these public goods and services have not been realised; the benefits accruing from mining activities have not matched the expectations of the local community. Since there is no empirical information about the impact of mining on the socio-economic conditions of local communities adjacent to the mines in Newcastle, this study seeks to explore this phenomenon in detail.

## **7. Conclusion**

The literature review focused on creating an understanding of the socio-economic impact, concept and understanding of the South African mining industry and its contribution towards the socio-economic development of the mining communities. It appears that certain mining corporates have not adopted the responsibility of addressing socio-economic issues in their operational areas as they believe it is the government's responsibility to deal with such issues, however the theory of corporate citizenship and the Mining Charter are unambiguous about the role of corporates in communities. Although there is little evidence to show that most mining corporates have fully assumed this role, there are cases where effort and willing have been recorded.

As far as the legislative and regulatory environments are concerned, mining corporates are required to submit social and labour plans as well as environmental management plans. Since this is a requirement for mining corporates to be granted mining rights, compliance is satisfactory, however the application of these plans is a totally different story. The complaints that have been registered with the mining companies are an indication of the gaps that exist on the ground.

Relationships between the mining companies and the communities is a critical area which is burdened with expectations, as the local communities view the mining corporates as their saviour as far as sustainable livelihoods are concerned. The demographics of the Amajuba District indicate a high rate of unemployment amongst the youth. That situation clearly indicates desperation and translates to higher levels of expectation from the communities.

The next chapter focuses on the methodology for data collection, which assisted the research study to gather the relevant data to understand the socio-economic impacts of mining.

## **CHAPTER THREE: METHODOLOGY**

### **3.1 Introduction**

This chapter describes the study area as well as the methodology that was used to conduct the study. It begins by outlining the characteristics of the study area. Thereafter the research methods in the collection, processing and analysis of data are discussed. Lastly, limitations and problems experienced during data collection will be briefly described. The study utilised qualitative techniques to collect and analyse data.

### **3.2 Sampling Design**

This study is qualitative in nature. Qualitative research entails exploring the meaning individuals or groups ascribe to a social or human problem (Welman and Kruger, 2003). The process of research involves developing questions and procedures; collecting data in the participants' settings; analysing the data inductively; building from particulars to general themes; and making interpretations of the meaning of data (Creswell, 2009:232).

There are two core types of sampling techniques, namely probability sampling and non-probability sampling. According to Mitchel et al. (2005), probability sampling is normally used when researchers are seeking a general view of findings regarding a sampled population. The technique is normally applied on large scale research activities and always has a huge cost outlay. Due to the nature of the project, this study adopted a non-probability sampling technique. A non-probability technique is adopted when researchers target a particular group and are not always seeking a generalisation of findings to the overall population (Kariuki, 2008). This kind of technique is mostly applied in small scale research, particularly when costs need to be minimised, and in qualitative approaches such as ethnography, case studies or action research (Denzin and Lincoln, 1994). Due to time and cost constraints, this technique was appropriate for the purposes of the study.

A purposive sampling method is used to ensure that the best cases and the most relevant people were chosen as samples to participate in the study. According to Litosseliti (2003), purposive sampling is appropriate for small-scale research that focuses on acquiring comprehensive or in-depth information about a particular aspect. The researcher is acquainted

with the mining sector in the Amajuba District Municipality by virtue of having worked in the district in the area of Local Economic Development for a period of five years.

As part of his responsibilities as a Local Economic Development Manager in the district, the researcher is currently working on establishing the Mining Forum for the district. This experience has provided the researcher with strategic insight regarding the key people and companies involved in mining activities in the district that could be relevant for this study. Therefore, by using the purposive sampling method, the researcher was able to secure appropriate respondents for the study.

Moreover, snowball sampling was also utilised in combination with the purposive sampling technique. In this technique, a small number of individuals are identified to represent a population with particular characteristics. They are subsequently used as informants to recommend similar individuals (Somekh and Lewin, 2005). This technique was considered appropriate for the study as it aims to bring together people on the basis of some common experiences, in this case those living in communities in which mining activities take place. This technique was useful for identifying participants for the interviews the researcher conducted.

### **3.2.1 Sampling Targeted Communities**

A list of all communities where mining activities take place in the selected locations was obtained from Municipality offices and arranged into clusters, after which subjects were randomly selected from each cluster to participate in the study using multi-stage sampling. This sampling technique was not only important to ensure that the perspectives of communities in different regions were captured, but also to give equal chances to both male and female residents and respondents from various population groups (White, Asian and Black Africans).

## **3.3 Data Collection**

### **3.3.1 Data Collection Methodology**

In this study, in-depth interviews and focus group discussions were used to collect data. The interviews were guided by a set of themes that the study aimed to explore. In the case of this

study, the themes were around mining and beneficiation of the mining communities. All the questions were open-ended in nature, which allowed the researcher (as the interviewer) and the interviewee's room for a free-flowing conversation. This enabled the researcher to probe any aspect of the interview in depth, including any issues that emerged but were not included in the interview schedule.

Five focus groups were conducted in selected communities, comprising of 10 people each. Both genders were equally represented. Smaller numbers were preferred because they were easier to manage, moderate and analyse successfully. According to Litosseliti (2003), focus groups are controlled groups with selected participants, which are normally led by a moderator. They are set up in order to explore specific topics and individual views and experiences, through group interaction. The main objective of conducting focus groups discussions was to unpack community views about the impact of mining on their socio-economic conditions. Further, the discussions explored the perceptions of the participants with regards to mining activities in general in their areas in detail. Permission to run the groups was being sought from the area councillor and chiefs.

### **3.4 Data Management And Analysis**

In this study, data management is defined as the processes needed for a systematic, coherent process of data collection, storage and retrieval (Denzin and Lincoln, 1994). These operations were aimed at ensuring (a) high-quality, accessible data; (b) documentation of just what analysis was carried out; and (c) retention of data and associated analysis after the study was completed (ibid).

#### **3.4.1 Data Analysis Method**

Once the interviews were completed and all the data gathered were securely stored, the transcription process commenced. Each interview tape was converted into a readable transcript. This process was done cautiously to ensure that no detail was left uncaptured which would otherwise affect the quality of information needed for analysis. Once this process was completed, all transcripts were ready for analysis. Thereafter, those substantive parts in the transcript that related to the research questions, as well as new topics or issues,

were classified and coded according to themes. The themes were used as categories for analysis of the data that was gathered.

### **3.5 Ethical Considerations**

Informed consent forms were given to all respondents as part of the requirements for ethical research. Informed consent was essential as it ensured people's freedom not to participate in the study if they were not comfortable with it (Somekh and Lewin, 2005). Confidentiality, anonymity and privacy were strictly observed and the purpose and objectives of the study were explained. All the information provided by the participants was treated as confidential and will not be divulged to any third parties, and pseudonyms have been used to conceal their identity. All digital recordings including field notes were safely stored throughout the study period.

## **4. Conclusion**

A qualitative research methodology was chosen for this particular study as it was the ideal mechanism to understand the experiences and attitudes of the mining communities regarding the socio-economic impact of mining. Interviews guided by a set of themes relating to the subject were conducted with individuals and focus groups to collect data. Once collected, the data were transcribed and analysed, and substantive patterns and themes emerging from the data were grouped and coded into themes relating to the research question.

The next chapter presents the data collected from the interviews and groups them into themes, analyses them and discusses the findings.

## **CHAPTER FOUR: FINDINGS AND DISCUSSION**

### **4.1 Introduction**

This chapter presents the findings and the discussion of the study. The study had three main objectives, namely:

- To evaluate if the mining communities are benefiting socio-economically from current mining operations;
- To understand the extent to which the mining companies seek to address the social rather than the economic development question; and
- To explore the extent to which the mining industry is committed to the sustainability of socio-economic development projects in mining communities.

This chapter begins by presenting the findings of the study, followed by a discussion of findings. An attempt is made to analyse the findings according to themes in responding to the objectives of the study.

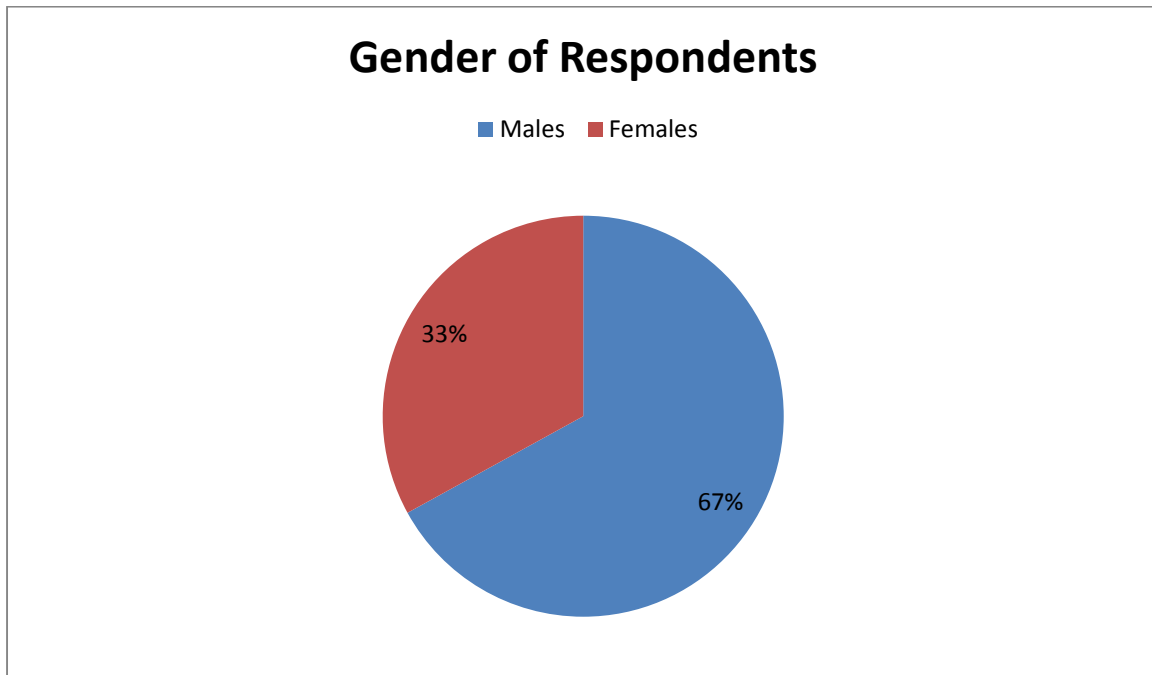
In presenting these findings, it must be noted that data collection was limited to the mining communities as the mining corporates felt uncomfortable participating in the study. All the assertions and recommendations are thus limited to the information provided by the mining communities. It is of utmost importance to emphasise that the mining companies that the study refers to are the mining companies within the jurisdiction of the Amajuba District Municipality.

### **4.2 Demographic Characteristics of Respondents**

#### **4.2.1 Gender**

The majority of the respondents in the sample were males (67%), as shown in Figure 1 below.

**Figure 1: Gender**



### **4.3 Degree of mining companies' influence on locality development in the study area**

#### **4.3.1 Locality development as a result of mining activities**

The majority of the respondents (59%) were of the view that mining companies in the area are not interested in the development of the area and its people, while 41% claimed that even if they have interest it is not in favour of the communities. Interestingly, there were mixed responses regarding the mining companies' development of the communities. Some respondents reported that no significant infrastructural projects have been witnessed in the area since the mining companies moved in and some claimed a dysfunctional relationship with the mining companies, yet some respondents reported some infrastructural projects in their localities.

*“No, there’s nothing the mine has done up to so far. It is the very reason why we are engaged in negotiations with them.”*

*“Nothing so far. We haven’t seen anything except the bus that takes our children to school.”*



*“There’s a few of them. First it was a soccer kit, the garden and then computers in both schools. In total I’d say there are three projects.”*

*“No there are no infrastructural projects. The clinic we have here is a government one. And as you can see the roads haven’t been maintained ever since we got here.”*

### **4.3.2 Beneficiation and Community Upliftment Due to Mining Activities in the Area**

The majority of the respondents indicated that mining companies have not done enough to ensure that the communities benefit from their presence in their localities. Sadly, even human labour is sourced outside of the mining area. This position by the mining companies disempowers communities significantly and maintains its status quo just as they found them.

*“I don’t know of any community members that are benefiting in terms of doing business with the mine. There’s just a couple of locals that are employed by the mine. Most of the people we see passing by in the morning are not from here.”*

*“No! They haven’t done anything for us as yet. Even if they hire labour for their operations, they don’t hire our kids. Instead they bring in people from Madadeni and other faraway places. As the neighbours we should be given first preference. I’m not fighting about it but it’s only fair.”*

*“The relationship with the mine is very poor here. The one company we approached was SILTECH but nothing materialised (no one was hired) because of the maladministration amongst committee members when they realised there could be some benefit.”*

*“Not everyone benefits. You see even the mine itself could not employ everyone. The skills shortage was cited as one of the reasons. Although we have agreements not everyone was happy especially with the mine overlooking local labour”.*

*“The community was not happy the mine was employing people coming from as far as KwaNongoma yet the locals are being overlooked.”*

Notably, mining communities experience significant skills shortages, which limit the majority of the populace from competing with other people for gainful employment. The resultant effect is the perpetuation of poverty across generations.

*“There are no projects at this stage. But skills development is part of what we requested but we have not seen any initiative from the companies.”*

### **4.3.3 Integration of the mining companies with existing community structures**

Integration of the mining companies with existing communities is largely lacking in the study area. The majority of respondents reported that the mining companies are hardly seen in the areas where they operate.

*“No. They hardly ever come this side. The last time we saw them was when they came to tell us that the mine was re-opening and that some of the households might have to make way for the mine and be relocated.”*

*“They never visit the communities. And the worst thing now is that the mine owner doesn’t want to talk to us anymore. We had already prepared a list of projects that we required assistance with. We don’t know what to do with it now since there will be no further meetings.”*

### **4.3.4 Perceptions about the mining activities in the community**

The community do not appreciate mining activities in their locality. As indicated in the section above, the relationship between the mining companies and communities seem to be weak and unprofitable. As a result, the mining activities are perceived in a negative way.

*“We have been trying to engage them regarding the cracks from blasting but they never respond positively. Houses are very expensive to repair. The mine ran away after we told them that they needed to repair all the damage they’ve caused.”*

*“I wish you came here in winter so you could see how much dust comes out of those and gets blown directly to our houses. The blasting is also a huge problem because at times it’s so intense that our houses crack and children fall while playing.”*

The communities do not see the mining companies in their localities as partners but as adversaries, which is detrimental to their relationships. This disposition limits the developmental agenda for the locality due to the strained relationships.

#### **4.3.5 Perceptions about reliability of services delivered**

Generally, the majority of respondents reported dissatisfactory services provided by the mining companies. This was confirmed by not only the strained relationship between the communities and mining companies, but also by the lack of commitment by the mining companies to fulfil their promises. This lack of commitment is a deterrent for healthy relationships to grow and yield positive outcomes.

*“Are you talking about AfriSam and the mine? No, they haven’t done anything. I heard once that they will be sponsoring the high school with computers. I’m not sure if they did that.”*

*“The relationship is not good. It’s just satisfactory. At first, they used to come to the community and inform them of their plans but all that doesn’t happen anymore. They [mining companies] are very disorganised as they promise things but do not fulfil their promises.”*

*“The one other thing that I would like to share with you and which I would like you to assist us with before you close is the cracks that we have in our houses. Whenever they do blasting our houses shake and crack. We are not safe. The structures are severely damaged. This is a disaster waiting to happen. One day these houses will collapse and kill all of us...”*

*“The mine was also providing transportation for the mine employees using local service providers but that has since stopped.”*

#### **4.3.6 Degree of inclusiveness into the mining activities and locality development planning processes**

Generally, the majority of respondents reported limited inclusion in the development processes of their locality, although erratic spates of inclusion were noted.

*“Like I said earlier on, there was no communication until the community decided to be proactive and started engaging the mine. But now the mine is refusing to discuss anything with us. The owner says we are not the relevant people to talk to. The owner from now on he will only be talking to the councillor and the community directly as and when it’s necessary.”*

*“There’s no such. The one committee I know is the one that was created by the local residents. They would only come and take us away in a car if they are going to do blasting. That’s the only they would come here. But lately they would just do the blasting without informing us.”*

#### **4.3.7 Perceptions about accessibility of mining leadership by community members**

Generally, the majority of the respondents had diverse responses towards the accessibility of the mining companies' management. A marginal number of respondents reported to have access to them.

*“On my side I don't think there's a problem engaging the mining bosses. All we need do as the community is to organise ourselves then approach them with our requests. The one successful attempt was that done by the other group in which they were supported with a garden. The one thing we need to do is, organise ourselves then approach them.”*

The response above indicates that, even though there is a challenge regarding the accessibility of the mining leadership by the community there are isolated cases where engagements do take place and yield results. Proper institutional arrangements within communities could help overcome this challenge as the respondent is suggesting

#### **4.3.8 Perceptions about sustainability of the development projects versus the relationship between the mining companies and municipality**

The development initiatives that the mining companies have established are not sustainable. There are no concrete plans to sustain them post the mining companies' departures.

*“It's not easy... actually it's very difficult because we don't even know who they are. Even when the community wanted to contact them because of the cracks from blasting, we didn't know where to go.”*

*“The Department of Agriculture did come to visit us and tried to initiate a poultry project. I'm not sure if the mine and the municipality were involved.”*

The few partnerships that the mining companies have arranged at different levels of their projects are erratic and intermittent. This is unsustainable in the long-term.

*“I have been trained on raising egg layer chickens and farming on vegetables. SEDA in partnership with the mine came here to train us.”*

*“There were issues of favouritism and unfair distribution of projects. The DMR then supported the idea of the forum to ensure that all communities were fairly represented.”*

*“The mine has invited SEDA and Amajuba FET to help train some of the community members. They were basically assisting those community members who have the skills but no qualifications to show for it to at least be introduced to accredited training. For example people with carpentry skills were assisted to get relevant training and qualifications. Also, the sewing training has been completed.....but this ended there.....no future plans.”*

However, certain challenges were reported as hindering efficiency from the communities’ points of view. These were:

- **Inefficient development service delivery record**

*“Before the housing project was implemented, yes we had formal meetings which were documented and we even signed agreements. But most of the agreements were never fulfilled. The mine told us they had challenges.”*

- **Inefficient project implementation system**

*“There are no projects implemented by the mine. I have been the chairperson of the community that was elected by the then Minister of Public Enterprise Jeff Radebe when they visited us. Afterwards they neglected us and never returned. But we have complete plans for all the projects that need to take place in our community.”*

- **Communication and information-related challenges**

*“Right now there’s no consultation or communication whatsoever. This is the biggest challenge here.”*

*“It’s not easy. They are not really available all the time. We don’t communicate directly with them. There’s a middle man who is a communication point between us and the mine. In most cases the communication is delayed.”*

- **Work-ethic challenges by mining companies staff**

*“They are not present at all. Instead they are abusing us. We have been trying to engage them but they never respond positively...”*

- **Lack of participation by communities**

*“Some community members get excluded or don’t benefit just because they are lazy to participate in community structures.”*

- **Corruption and maladministration among community members tasked with the responsibility of representing local communities in engagements with mining companies**

*“The housing project is still there but the bulls are gone. The bulls’ project failed because of maladministration from the corrupt committee members.”*

*“During the construction phase of the housing project they were always on site and made sure that quality was not compromised. They even dismissed some of the construction companies. But in the end the project was embroiled with controversy as some of the committee members tried to benefit unfairly from the project.”*

#### **4.4 Interpretation of Results**

The study sought to gain insights into the role of mining companies operating in the Amajuba District with regard to improving the socio-economic conditions of the mining communities. This section discusses the findings of the study and presents them according to themes in relation to the objectives that guided the project.

##### **4.4.1 Mining Companies’ effectiveness and efficiency in Locality Development**

According to the data presented, there is evidence that the mining companies located in the study area are not largely efficient and effective in their operations as far as socio-economically uplifting the communities in which they operate. The challenges that threaten this efficiency and its effectiveness were also identified, and it was noted that the management of the mining companies are aware of them. However, due to their inaccessibility for the study, it was not possible to establish whether they have any mechanisms in place to address them. Their inaccessibility poses a threat to their sustainability as a corporate entity in the study area.

##### **4.4.2 Communication and Information Dissemination by the Mining Companies**

Although the mining companies have mechanisms to deal with community grievances, effective communication was still found to be lacking. The respondents indicated that the mining management is not accessible to them, which strains the relationship between them and the communities. It is imperative to note that communities thrive on effective communication from any service provider (Cant *et al.*, 2006), thus the mining companies

should ensure that information relevant to the communities regarding any aspect of their interest is disseminated timeously. Schoeman and Magongoa (2004) argued that consumers (in this case community member) always have preferred methods of communication and information dissemination. With regards to this community, the generally preferred methods include face-to-face meetings and community dialogues, among other modes of communication.

In this study, the majority of respondents preferred having meetings directly with the mining management. As the respondents involved in this study had largely negative experiences with the mining companies, it is imperative that the mining companies intensify their communication efforts. In addition, the companies ought to encourage their senior management and other members of staff to communicate as often as possible with the communities and disseminate the necessary information to them timeously. Moreover, the majority of the respondents in the study indicated that they would prefer to obtain information about the mines and their performances as far as socio-economically uplifting communities is concerned on a regular basis.

#### **4.4.3 Mining Companies' Performances as Far as Community Upliftment is Concerned**

The majority of the respondents to the study indicated dissatisfaction with the mining companies and their performance to date, and identified the following challenges that are threatening this performance, namely:

- A general lack of provision of information – The respondents complained about the fact that they are never part of the planning process and are never informed of any developmental plans taking place around their communities.
- Inaccessibility of mining companies' management – The mining communities in certain instances were proactive tried to engage the mining companies regarding their plans but the leadership these companies was not prepared or made it difficult to engage with them.
- Incomplete development infrastructure – The respondents here were referring to the instances where the mining companies started some infrastructure projects but disappeared without completing the project i.e. housing project

- Lack of proper beneficiation plans and systems – According to Section 26 of the Mineral and Petroleum Resources Development Act 28 of 2002 (MRPDA), the mining companies must facilitate local beneficiation of mineral commodities by offsetting the value of the level of beneficiation achieved by the company against a portion of its Historically Disadvantaged South Africans (HDSA) ownership requirements not exceeding 11 %. There was no evidence of such beneficiation by the local communities.
- Lack of skills development plans – the argument here was around the fact that mining communities should have the relevant skills as required by the mining companies so they could be employable and given first preference before labour could be sourced elsewhere. Furthermore, the mines should train the community on diversified skills other than those which are mining related so that when the mine reaches its lifespan the people can still sustain themselves.
- Maladministration of project resources resulting in untimely project closures – this challenge referred specifically on cases where the figures quoted by the mines to have been spent on development does not equal the actual work on the ground.
- Poor public participation in locality development processes – it came out sharply affected communities are not properly consulted regarding the developments happening in their areas. As a result, these communities lose out on the benefits of being hosts to mining companies.
- Unsustainable partnerships between mining companies, communities and local municipalities – Integrated development helps to maximise the resources and establish projects that can make a significant impact. The nature of development that is currently taking place in these communities is not integrated. The mines, local government and the community are not working together in crafting the development plans so as to maximise the resources that are available. This usually has a negative impact on the sustainability of the projects because you will find that there is no buy in from the community side who are the recipients of development. It is imperative that the management of the mining companies take these concerns from the community members seriously so that their relationship



with them is improved. Improving this relationship is vital for long-term mining business in the study area, otherwise the companies risk losing significant revenue due to social protests as result of dissatisfaction on the part of the communities. Moreover, the mining companies need to improve their personnel's work ethics. Being inaccessible causes negative publicity, which has the potential to affect the mining companies' reputation in the long term.

Among the factors that would promote better relationships between the mining companies and community members, as identified by the respondents to the study, are the following:

- Regular communication between community members and mining companies;
- Establishment of effective beneficiation plans and systems that work through agreed upon channels;
- Reliability in terms of consistency in conducting their businesses in the area;
- Commitment to the infrastructural development of the study area;
- Quick turnaround times and prompt responses to community complaints or concerns; and
- Timeous handling of infrastructural project delays.

#### **4.4.4 Mining Companies' relationship with local municipalities**

According to the study findings, the mining companies have a poor relationship with the local municipalities. These assertions were based on the respondents' observations of their lived daily realities as far as socio-economic development is concerned. Nothing significant has changed since mining companies moved into the area and the relationships seem strained, with community members on the receiving end of the negative relationship. The linkages between the communities and municipalities are also strained. The majority of the respondents reported that the commercial relationship between mining companies and municipalities relegates communities to the background. The fact that the majority of the respondents in the study claimed that even local municipal functionaries are inaccessible confirmed the heightened dissatisfaction levels currently being experienced by community

members. It is in the interest of the mining companies to strengthen their relationships with municipalities so that development can take place authentically.

#### **4.4.5 Sustainability of mining-induced development in the study area**

According to the study findings, the limited development that has been observed in the area cannot last. Several factors were mentioned as being essential for sustainable mining-led development from the communities' perspective:

- Conduct regular community dialogues to engage on various matters of concern that communities feel strongly about and need mining companies to engage on – The main objective of the Mineral and Petroleum Resources Development Act (MRPDA) is to facilitate the meaningful participation of historically disadvantaged South Africans (HDSA) in the mining and minerals industry. The only way this could be achieved is through the establishment of mediums which would provide a platform for all the mining industry stakeholders to formally engage and deliberate on all mining related issues.
- Honour commitments made as far as infrastructural development in the locality is concerned – Mine community development is at the core of the elements of the mining charter. The Broad Based Socio-Economic empowerment charter recommends that mining companies conduct an assessment to determine the developmental needs of the mining communities and identify projects within the needs analysis for their contribution to community development in line with the integrated development plans of local governments
- Establish transparent beneficiation plans – Beneficiation basically seeks to translate the comparative advantage in mineral resources endowments into a competitive advantage as the fulcrum to enhance industrialisation in line with the state development priorities. The mining companies may achieve this by offsetting the value of the level of beneficiation against a portion of its HDSA ownership requirements (Department of Mineral Resources , 2010).
- Make and adhere to turnaround times for queries and community concerns – This point here talks to the mining corporates and their practice of good corporate

citizenship. Communities would like to see honest and reliable mining companies that keep to their promises regarding their concerns and developmental needs.

- Address issues of maladministration that are affecting infrastructural development in the locality, thereby limiting socio-economic development – Proper institutional arrangements should be put in place to ensure regular interaction between all the mining stakeholders. Regular communication through such forums would ensure that everyone has a common understanding on all mining related issues.
- Address skills shortages among community members so that the majority of them can gain employment in the mining companies – The mining communities raised concern about the common practice by the mining companies to import labour from outside of the immediate communities. They suggested that the mining companies should empower the communities by training them on skills that are required by the mine to ensure that they are skilled and can be absorbed by the mine. The mining communities felt that it was an unfair practice that labour would be sourced elsewhere other than their communities.
- Ensure the authentic inclusion of community members in the development planning processes – The mining communities complained that in most cases they knew very little or nothing about the mining developments taking place in their areas. The mining charter advocates for a consultative and collaborative process prior to the implementation or development of mining projects. That is, mining companies should conduct assessments to determine the needs in collaboration with the mining communities and all the projects identified should be aligned with the Integrated Development Plans (IDPs) of the local councils.
- Establish and use information communication technologies and modes of communication to serve mining communities – The communities called for empowerment in the information and communication technology sector. The development of the information and communication technology sector will improve communication between the parties and the community could learn new skills.
- Strengthen cooperation and partnership with the local municipalities which act as custodians of locality development – Collaboration is key in mining led development. Local municipalities are the closest to the people since they are entrusted with the

service delivery and safeguarding role to ensure the wellbeing of the citizens. Collaboration with local councils improves communication and strengthens the level of trust. Over and above that, synchronized planning with local councils can maximise the resources that each of the parties have and do significant projects.

All these factors, if applied with the sensitivity they deserve, have the potential to enhance mining-led development outcomes and strengthen relationships between community members and the mining companies, thereby ensuring long-term sustainability and improved community welfare as well as quality of life. Mining communities thus have a great challenge to maintain and improve this community linkage continually, whose benefits far outweigh the costs of taking ownership to ensure such a relationship exists.

## **5. CONCLUSION**

This chapter has discussed the findings of the study in detail. The key characteristic that distinguishes the mining-led development is its inability to meet the communities' expectations satisfactorily. The ability to address the developmental challenges hindering effective linkages between the mining companies and the communities they ought to be serving, has the potential to unlock a sustained corporate mining business in the long-term. The findings suggest that there is room for improvement and that corporate commitment from the mining companies is crucial to ensure a balance is struck between their needs and those of the communities. The potential benefits accruing from investing in such efforts promise to enhance development initiatives in mining communities.

The next chapter zooms into themes and proposes the recommendations that the stakeholders should pursue in order to achieve sustainable, inclusive and mutually beneficial mining.

# CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

## 5.1 Introduction

This study aimed to examine the socio-economic impact of mining on the livelihoods of the Amajuba District mining communities. The central research objective was to gain insight into the influence of mining activities on the welfare communities in the locality where these activities operate. The motivation of this study stemmed from a premise that while mining activities are regulated with the purpose of ensuring that they play a significant role in improving the socio-economic conditions of the communities in which they operate, there is little evidence to suggest that this mandate has actually been implemented in the Amajuba District.

As such, the study was guided by the following objectives, namely:

- a) To examine if the mining communities are benefiting socio-economically from current mining operations;
- b) To understand the extent to which the mining companies seek to address the social rather than the economic aspect; and
- c) To explore the extent to which the mining industry is committed to the sustainability of socio-economic development projects in mining communities.

The study drew its conclusions from the responses of the mining communities in the Amajuba District. The assertions and recommendations made are mindful of, and in line with, the priorities of the amendment of the broad-based socio-economic empowerment charter for the South African mining and minerals industry (September 2010). In particular, as they relate to changing the unsustainable patterns of consumption and production, protecting and managing the natural resource base of economic and social development, and regional sustainable development initiatives. They also have regard for the Mineral and Petroleum Resources Development Act, Act No 28 of 2002, regarding the actions needed to enhance the contribution of the mining industry to the socio-economic development agenda of the communities affected by mining operations.

The conclusions made here are in full awareness that mining and minerals have always been and still are an essential part for day-to-day living and of the need to achieve sustainable development, so that the benefits generated today by the activities of mining are shared and secured for present and future generations, and that positive social-economic benefits are maximised while adversarial environmental and social impacts are minimised.

The study highlights and acknowledges that national, provincial and local governments must assume the leadership role in creating a policy and regulatory environment to enhance the contribution of mining to sustainable development, and to conscientise the industry of the need for them to be full participants in debates on issues affecting the sector.

Mindful of the pertinent and fruitful work which has been done at the local level by governments, intergovernmental organisations, the industry, NGOs and others to promote the sustainable development contribution of mining, the study emphasises the need for the incorporation of mining communities and intervention by governments to better manage mining issues with regard to the sustainable development of the mining industry.

The study found that (i) mining companies have not established a meaningful development infrastructure that has significantly influenced communities socio-economically; (ii) the linkage between the mining companies and communities has not been beneficial, there is still spates of attrition between them; (iii) the socio-economic conditions of communities adjacent to where mining activities occur have not improved in any way; (iv) public participation in mining-led development initiatives has been minimal and exclusive; (v) sustainability of the minimal developmental projects started by mining companies is weak as there are no meaningful and strategic relationships to support the developments; and (vi) beneficiation has not been significant, skills shortage remains chronic and mining companies have not prioritised this issue in their plans for the mining communities. The mining companies were reported to have been hiring labourers from outside of the mining communities, yet as a corporate entity located in an impoverished community, priority should be given to enhancing the welfare of their hosts. This corporate strategy would not only improve the relationship between the mining companies and the host communities, but would also create a platform for the future sustainability of the businesses.

The study concludes that mining companies could play a critical role in enhancing the socio-economic conditions of mining communities. These conclusions are explored in detail below and are guided by the objectives of the Broad-Based Socio-Economic Empowerment Charter

of the Mining and Mineral Resources of South Africa. The chapter provides pertinent recommendations based on the findings of the study.

## **5.2 Mining companies should prioritise improving the socio-economic conditions of the communities where they operate**

One of the key objectives of the mining charter is to promote employment and advance the social and economic welfare of the mine communities and the major labour-sending areas. It is against this backdrop that the study recommends the prioritisation of improving socio-economic conditions by the mining corporates in mining communities.

Mining companies are operating in an integrated, complex business environment that demands attention is paid to the socio-economic conditions of communities in which they operate. This realisation in a way gives them permission to operate effectively and profitably in the long-term in those communities. In instances where this social capital is not built, social protests become the norm and take a toll on businesses in terms of their operability, which in turns affects their productivity and ultimately their profitability.

Wider stakeholder involvement in industry processes is thus necessary in order for corporates to match their business goals with the communities' expectations. It is a common trend that mining communities in South Africa and elsewhere in Africa occur mostly in impoverished communities (Kitula, 2006). Against such an operating background, mining companies ought to consider socio-economic upliftment in their business plans. The issue is not that the industry is not responding at all, the contention is that it is not doing enough considering the magnitude of the social and developmental challenges plaguing the communities in which they operate. It is undisputed that the industry makes a notable contribution towards the development of the economy nationally, however the development challenges at the grassroots level demand significant financial investments and the industry should respond to them in a significant way. Whilst it is appreciated that it is challenging to quantify the benefits resulting from the costs of uplifting communities socio-economically, concerted efforts ought to be made by the industry towards improving communities in terms of access to education, health, housing, water and sanitation services. All these services would go a long way to enable mining companies to gain their social licenses to operate in those areas they choose to establish their operations in.

### **5.3 Beneficiation must remain community-centred**

“The mining charter advocates for translation of comparative advantage in mineral resources endowment into competitive advantage as a hinge to enhance industrialization, in line with the state development priorities. The mining charter allocates the responsibility of facilitating local beneficiation of mineral commodities to the mining companies and that they are expected to execute this exercise by adhering to the provisions of Section 26 of the MPRDA and the mineral beneficiation strategy” (DMR, 2010).

This study found that the majority of respondents were generally dissatisfied with the services provided by the various mines located in the study area. This dissatisfaction arose from the lack of genuine involvement in the development plans and processes for the area, the unfair hiring of labour force to work in the mines, and improper communication between the mine management and communities, to mention a few. As a result, a strained relationship between the mine management and communities has developed, leading to mistrust. Further, the fact that the mining companies were reported to be hiring labourers from outside of the mining companies was seen as a deceitful and unacceptable labour practice that should be stopped. The communities are willing to offer their services and need to be given a fair chance to make their contribution. While the mining companies made some efforts to skill community members in some aspects of their operations, a lack of commitment to follow through with skills development plans for the community was a serious setback in their relationship with each other.

Furthermore, the study also noted that bureaucracy in dealing with community matters stifled the degree to which they could enjoy the benefits offered by the mining companies. This situation exacerbated an already strained relationship with the communities, who felt they were disrespected and unnoticed. Moreover, other aspects such as the failure of the mining management to communicate adequately with communities on development plans and processes limited the extent beneficiation could occur; instead their actions reinforced the notion that their businesses were more important than the community as a host. Community needs and expectations were largely unmet, taking into consideration the responsibility of the mining corporates as outlined by the Mining Charter. In light of these observations, the study concludes that as per the Mining Charter proclamations, the mining companies operating in the area should address the communities’ concerns and improve their relationships with them



by ensuring that they too benefit from the industry's presence in the area. The aim is to ensure that they benefit to the extent that their socio-economic welfare is improved.

In order for the mining companies to ensure beneficiation takes place effectively, they must understand the importance of establishing and maintaining good community relations. A better understanding of these aspects will provide a firmer basis for minimising conflicts between mining companies and communities. Furthermore, it will also help the industry to open platforms for transparent dialogue between themselves and communities. In this way, community concerns will be heard and if responded to proactively, they can influence the way mining companies operate. Information flow between the industry at large and communities as key stakeholders is critically important; where information asymmetries exist, beneficiation tends to be hindered and communities become increasingly vulnerable. The issue of community relations and beneficiation is a complex and multi-faceted one. It calls for proactive responses on the part of the industry that match their benefits to the expectations and the needs of communities.

In the light of the above discussion, the study recommends that mining companies in the area should:

### **5.3.1 Develop regular community satisfaction assessment exercises**

The mining companies have mechanisms in place to track their own productivity and financial performance, but they lack the mechanisms to assess their community relationships. It is thus advisable that they prioritize regular community satisfaction assessments. The assessments should endeavor to cover all areas of the mining operations and their interaction with the communities so that they are comprehensive enough to capture all relevant views. The study therefore recommends that such exercises be conducted on a regular basis and that coverage be broadened. These exercises will create platforms for open and transparent dialogue, which in turn will allow communities to share their experiences, concerns and suggestions with the mining companies' management. This strategic approach will enhance accountability, trust and reliability. Together, mining companies, communities and other pertinent stakeholders such as suppliers of materials and municipalities, can decide on mutually agreed goals as well as define strategies to realize those goals, which all parties can remain committed to in order to ensure that accountability and improved beneficiation occurs.

### **5.3.1 Improve Communication and Information Dissemination Strategies**

Information is power; it enables communities to make quality decisions about their involvement and determines the best possible ways to work together with the industry as partners. This is critically important even in creating labour plans, which include hiring of the mining work force and accruing benefits such as housing and medical benefits, to mention a few. The benefits of information flows far outweigh the costs associated with information asymmetries, which can eventually hinder efficient stakeholder relationships. Mining companies should strengthen their existing forms of information dissemination to meet this informational need. According to the majority of respondents, the most preferred methods are face-to-face meetings. Regular meetings with the communities should be renewed where they are non-existent or underutilised.

Furthermore, mining companies should explore more proactive and creative options with regards to existing communication models. This may include, for instance, holding regular feedback sessions at predetermined intervals to limit instances where communities feel that they are not listened to or recognised. These kinds of stakeholder meetings produce tangible benefits that minimise incidences of conflict and unnecessary tension. It is also imperative to note that once feedback is received from such engagements with communities, it should be made public and acted upon.

## **5.4 Community Involvement in development Planning Processes**

“Mining companies must conduct an assessment to determine the developmental needs in collaboration with mining communities and identify projects within the needs analysis for their contribution to community development in line with Integrated Development Plans (IDPs), the cost of which should be proportionate to the size of investment” (DMR, 2010).

The majority of the respondents indicated that they are remotely involved in the planning processes as far as decision-making is concerned, yet the mining companies’ management makes most decisions exclusively, leaving out community voices in the process. This not only marginalises the communities but it also disempowers them and reduces their ability to actively engage with the industry as equal partners in identifying critical needs and their

potential solutions. It also diminishes their potential to influence decisions made regarding beneficiation and locality development, therefore mining companies should:

#### **5.4.1 Encourage active participation of its management and other key stakeholders in all locality development decision making processes**

It is imperative that the communities and other key stakeholders be involved in making decisions concerning development in the area. The mining companies, through their management, should conduct regular meetings with the communities and allow them to express their concerns unhindered. This means that the dialogues should be constructed in a way that they are safe for every voice in the room to be heard and that equal representation of gender is ensured, so that even marginalised voices are brought to the fore. The success of such forums depends largely on whether audiences at such open meetings constitute a balanced representation of the communities involved and whether attendees feel safe enough to express themselves openly. As such, mining companies should carefully consider how they organise stakeholder engagements, their facilitation as well as how engagement feedback is harvested and communicated for action and accountability in a respectful and transparent manner.

Thus mining companies have an onerous challenge to lead by example and show their commitment to work with the communities they operate in as partners and not as exploiters of capital. Furthermore, communities need to be assured that their voices directly influence the decisions made at the engagement forums. This strategic approach will potentially build trust and strengthen relationships amongst stakeholders. Other benefits of such dialogues may include reduced conflicts between the entity and communities; a shared ownership of decisions leading to enhanced accountability and better services; and lastly, increased transparency and access of information by communities from the mining industry at large.

#### **5.4.2 Improve and Maintain the Existing Development Infrastructure in the mining area**

There is a critical need to improve the infrastructure in the mining areas. Generally, an efficient development infrastructure comprising of credible transport and communications networks is strongly linked to profitable mining business sustainability in the long term.

Financial resources should be set aside to improve the road and communications networks as well as other supportive development infrastructure such as health facilities and schools, including vocational institutions. Community members interviewed for this study raised this aspect as a concern, citing that the present relationship with the mining companies in the area is hampering the development of such infrastructure. The presence of mining companies in the area is thus not serving them effectively, which is a recipe for potential conflict between the industry and communities. The importance of investing in the development of such infrastructure ensures that a social license to operate in the area by the community is granted, thereby ensuring longevity for the business as well as improved socio-economic conditions for the present communities and their future generations. The need for such developments is significant and ought to receive sufficient attention from the mining companies and the industry as a whole.

### **5.4.3 Improve and Strengthen the Stakeholder Engagement Capacity of Mining Staff**

The study established that there is a need to strengthen the capacity of the mining companies' personnel with regards to engaging with communities. Sadly, there were noted incidences of verbal abuse when communities demanded answers to their concerns at a stakeholder meeting. It is imperative that the mining companies invest in the technical capacity of its staff, especially with regards to engaging with communities respectfully and responding to their queries promptly. Inadequacy in such a crucial stakeholder department translates into delayed responses to community problems, which in turn sours the relationship between them. The study recommends that financial resources should be set aside for this kind of intervention and ways to partner with other institutions such as universities to provide training for staff should be explored. Such partnerships are useful especially where technical capacity is needed and also for in-service training.

## **5.5 Enforcement of regulations as provided by the law**

Mining as a major economic activity in the Amajuba District has the potential to disrupt the environment, whose effects can be experienced over long periods of time. Regardless of the scope of operations, they can affect a mining locality culturally, environmentally and

socially, including health wise, for mining personnel and communities living in the vicinity of the operations. In order to prevent adversarial effects from mining operations, the South African government enacted regulations to provide guidance to the mining industry to control effluent as a result of mining activities. These regulations emphasise the importance of improving the industry's environmental management by implementing environmental management systems that focus on continuous improvement to review, prevent, and mitigate adverse environmental effects.

In this study there were reported incidents of noise affecting respondents as a result of mining operations and houses were reported to be developing cracks due to blasting operations. Sadly, the mining companies in the area have not taken any steps towards addressing such serious concerns from the community. This is despite the fact that the community has reported these concerns to the mining management through their representatives. The community now lives in fear that their houses will collapse on them one day. On the other hand, the community has also reported their concerns to the municipality through area councillors and no action has been taken. There seems to be legislative limitations on the part of the local government to enforce regulations that give control to the mining operations in their locality. This study notes that unless such regulations are enforced, communities stand to lose out at the expense of capitalist interests.

Moreover, it is mandatory for all mining companies to submit their environmental impact assessments to the respective local municipalities in which they operate, before a license to mine or explore is granted. While the study did not delve into this, it recommends that the government commissions independent monitoring teams to regularly check enforcement of regulations and also to check whether mining companies are complying with them. Punitive measures should be put in place for non-compliance. Such mechanisms are important in controlling the deleterious effects of mining on the natural environment and communities before they spiral out of control.

Finally, with regards to labour issues, there are labour laws to guide labour practices of the mining companies. In this study, the majority of the respondents reported that the mining companies employed casual labourers from outside of the mining areas. This labour practice has aggravated the already strained relationships between the communities and mining companies. By legislation, the South African government requires mining entities to develop and implement social and labour plans, which focus on promoting the long-term development

of their personnel, households, communities and regions (Kilian, 2014). Due to time constraints and the refusal of the mining companies to participate in the study, the researcher did not delve into this area with the mining companies, however the study recommends regular monitoring of such plans by the government through its provincial departments of labour and mineral resources. This approach will curtail unfair labour practices and treatment of communities.

## **5.6 Establishment and Development of partnerships for sustainable mining**

The study found that no real partnerships have been established by the mining companies to anchor the industry and its efforts in the area of sustainability. This scenario raises concerns as to whether it is beneficial to have mining companies operating in the area, exploiting natural wealth and leaving no significant development that communities can live on for generations to come. Therefore the study recommends that the local municipality acts speedily to ensure that every mining-led development in the locality is anchored through partnerships, even with other private sector actors and civil society formations. The primary aim in this regard is to ensure the long-term sustainability of the development efforts.

## **5.7 Scope for Further Research**

This study is not a pioneer study in its area, but has rather contributed to the existing body of empirical work that relates to mining entities and their role in improving the socio-economic conditions of communities in South Africa. Although the findings of the study cannot be generalised to other mining communities in the country, it provides an insight into the issues that the industry is grappling with. The study has identified the following areas with potential for further research:

**5.7.1** Community satisfaction should be assessed from time to time. This is because communities are dynamic and so are their expectations. It is important to acknowledge that mining entities in the Amajuba District have not conducted any empirical assessments of this nature as far as communities are concerned. This study

recommends periodic assessments of community satisfaction in all aspects of its operations. This is important even for monitoring purposes.

- 5.7.2** There is a need to conduct an economic interrogation using some key performance indicators on a quantitative assessment. Without an empirical quantification, it is impossible to have a fuller picture of the socio-economic impact of mining operations in uplifting the welfare of communities. Such benchmarking could also be useful for the government and mining industry operations, infrastructure investments, locality development and land management, to mention a few.
- 5.7.3** With regards to the field test, the present study was limited only to mining operations in the Amajuba District. A wider analysis extending to other mining localities in the province could allow for a better understanding of the dynamics of relationships, of the integration levels of mining entities with communities, and of the performance indicators for benchmarking welfare upliftment, to mention a few.
- 5.7.4** The refusal of the mining companies to take part in this study limited the research mainly to the mining communities. The study would have made more informed findings and recommendations with feedback from the whole mining fraternity in the district. Future studies should try to reach out to all the mining stakeholders in the district.

## **5.8 Summary**

This study revealed interesting findings that contribute to the existing body of knowledge in this research area. The study is topical and relevant to the present circumstances the country finds itself in. It is imperative to recognise that mining entities play a vital role in the national trade flow and that there is growing pressure for them to position themselves as uplifters of communities' welfare as part of their social contribution. It is vital for mining companies' management to practice good corporate citizenship in the communities they operate in. As such, they must deliver value into those communities as partners in the locality development. At the same time, they must also capture value for themselves to stay in business. This is critical for them to gain mining right to operate in the area.

Business practices such as community satisfaction assessments should be conducted regularly to ensure that the relationships between the communities and mining entities stay strong. It is through such assessments that meaningful community dialogues can be established where

mining companies can engage with communities and establish how they will work together, and to manage corporate interests while matching those with communities' interests and needs. As the study has suggested, these assessments are vital for sustained business relationships with local community partners. Financial investments should be made to accommodate such activities. Overall, the findings of this study have provided some insights that could be explored through further research.



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