Pioneering New Approaches in Support of Sustainable Development in the Extractive Sector:

CORPORATE STRATEGIC PLANNING FRAMEWORKS FOR COMMUNITY DEVELOPMENT

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Table of Contents

Preface .......................................................................................................................... 3

1 The Current State of Thinking and Practice .......................................................... 4

2 Advancing Current Thinking and Practice ........................................................... 10

   The Stakeholder Concept....................................................................................... 10
   Defining Communities............................................................................................ 10
   CSI Strategies ....................................................................................................... 11

3 Finding the Best Organizational Structures for Effective Implementation .......... 16

   Understanding and Communicating the Vision of a Company’s Community Engagement Objectives ......................................................... 16
   How to Get There .................................................................................................. 17
   Crafting a Vision for Management Commitment to Support.............................. 18
   Moving a Company to a Culture of Pre-crisis Community Engagement Line Functions... 18
   Assembling the Team ............................................................................................ 19
   Top Management Commitment ........................................................................... 20
   The True Test – Integration .................................................................................. 21

4 Integrating Community Engagement into the Life Cycle of an Organization ....... 23

   Target Identification .............................................................................................. 23
   Exploration ............................................................................................................ 23
   Feasibility .............................................................................................................. 25
   Construction ......................................................................................................... 26
   Commissioning ..................................................................................................... 28
   Operation .............................................................................................................. 28
   Major Alterations ................................................................................................. 31
   Unplanned Closure .............................................................................................. 31
   Care and Maintenance .......................................................................................... 32
   Planned Closure .................................................................................................... 32
   Post-Closure ......................................................................................................... 33

5 Conclusion: Guidelines and Accountability ............................................................ 34

Appendix Sources and Primary References ................................................................. 36
Preface

Mining companies in southern Africa use a variety of tools – mainly guideline documents – as the basis of their community engagement and development activities. Focusing on such formal tools, however, hides the long tradition of a wider involvement in society as mining companies in the Southern African context have responded to the political challenges of the changing subcontinent. This paper considers a number of factors and pressures that have shaped the current tools without extensively revisiting their content. As companies advance their thinking on community development, new community engagement guidelines are being developed. Companies also require a planning framework that allows for the integration of past experience and new ideas but that does so in a way that links such efforts more firmly into corporate structures and line functions. The paper discusses some organizational structural issues that can formally and effectively embed the line functions and systems required for constructive long-term community engagement and development into the day-to-day operation of mining companies as they proceed through the entire project and mine life cycle.

The paper is based on exchanges and interviews with senior officials of companies that participated in the project, community leaders selected from areas touched by the industry, community development experts in different countries, and corporate social responsibility and corporate social investment practitioners with knowledge and working experience of Southern Africa. This was supported by desktop research and the study of published and unpublished literature on community development, corporate social responsibility, corporate philanthropy, corporate community relations, cause-related marketing, corporate strategy, and other relevant literature relating to the theme of the project. The authors’ regular contact with relevant stakeholders in the communities and the mining companies involved has been an additional important element.

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1 The Current State of Thinking and Practice

Over the last 10 years it has become increasingly clear that private corporations’ involvement in seeking solutions to social problems facing communities is more than a philanthropic gesture: it is a business imperative. The development of this phenomenon has been particularly apparent among extractive industry companies, especially those in mining.

In the run-up to the World Summit on Sustainable Development (WSSD), companies came to accept the ever-widening range of challenges confronting them under the sustainable development umbrella. As a result of the WSSD outcomes and the recommendations of the Mining, Minerals and Sustainable Development Project, companies in the extractive sector have increasingly moved from defensive mind-sets to pro-active relationship building with communities. In responding to the pressures from communities seeking sustainable livelihoods beyond the life of the mine, leading companies have now moved beyond a risk-management mentality. They have come to realize that they can add real commercial and reputational value to their operations by seeking constructive long-term relationships with communities. In this way, the beginnings of the business case for sustainable development in this sector is emerging.

In the late 1990s, the social implications of mine development began to displace environmental concerns in the public debate on mining investment due to a range of separate developments:

- steps taken to make mining technology less environmentally destructive;
- a large expansion of exploration expenditure outside of traditional mining areas – often in response to changes in national mining laws – which meant that a larger proportion of new investment occurred in remote areas, often settled by indigenous communities following traditional lifestyles;
- increasing international acceptance of the intrinsic value of indigenous and local cultures, in contrast to the assimilation and developmental attitudes of the past;
- increasing linkages between organized communities and multinational non-governmental organizations (NGOs), leading to a better understanding in industrial countries of the significance of both direct and indirect impacts associated with mining; and
- continued weakness on the part of public institutions in developing countries.

The traditional social problems associated with mining communities – prostitution, alcoholism, violence, unhealthy working and living conditions – have now been joined by a second group associated with tensions with indigenous and local communities – destruction of cultural values, unsustainable development initiatives, destruction of traditional social and health systems, and land use controversies. While these are certainly not new problems, the movement of mining into more remote areas and the growing acceptance of indigenous and local communities as genuine alternatives has increased the sensitivity to and prominence of these issues.

Indeed, the fact that mining is among the principal forces opening up access to new areas has pushed the debate concerning the industry’s activities into a more developmental context. There are often social benefits that accompany mining operations, and these can be more significant than the social costs, especially in regions with a history of mining. Large
mining operations provide social services and infrastructure, and in small communities these benefits will often be shared by the entire community rather than just the mine employees’ families. All of these benefits, however, may be limited if mining activity is small-scale or short-lived.

Today, mining companies in Southern Africa are challenged by several additional realities:

- a region marked by economic growth rates inadequate to accommodate new entrants into the formal job market;
- a politicized economic agenda, informed in part by the historical legacy of colonialism and apartheid, and
- the rising spectre of HIV/AIDS.

In the regional economies that are marked to varying degrees by a large informal sector, mining companies as major operators in the formal sector attract disproportionate attention as players in the development debate. Almost all independent administrations came to power on a mandate of the marginalized majority of their territory. This included the post-1994 South African government. Yet it, like the majority of post-independence governments of Southern Africa, moved towards embracing market economy principles. Recognition of the limitations constraining the new government’s ability to deliver to their electorate has drawn business into a more developmental role. In response to non-legislative pressures from governments, businesses’ approach to philanthropy evolved to demonstrate buy-in to a new social contract.

Playing a role in poverty alleviation and supporting educational and health care initiatives became a mechanism for business to reduce pressures for increased taxation while gaining a strategic advantage by marrying philanthropy with social development. In South Africa, this found expression in the Business Trust, the Joint Educational Trust, and the National Business Initiative; in other Southern African countries, the scope of company foundations expanded. This ‘strategic philanthropy’ was justified to shareholders as a means of contributing to social stability as well as of ensuring access to future skills critical to the mining companies’ immovable assets.

This evolution of corporate community development intervention (see Figure 1) is linked to the changes in mining companies’ approaches to philanthropy in recent years, which has been informed by a changing perception of a company’s role in society:

- Pure philanthropy/charity represents a historical tradition whereby company leaders and owners accepted that their success morally obliged them to make a contribution to society beyond their immediate shareholders. In southern Africa, this approach was personified in the post-war years by the mission statement of the Anglo American Corporation’s Chairman, Sir Ernst Oppenheimer, who in 1954 proclaimed that ‘the aims of this Group have been – and will remain – to earn profits but to earn them in such a way as to make a real and permanent contribution to the well-being of the people and to the development of southern Africa’.

- From this purely philanthropic approach came strategic giving, which linked philanthropy to marketing. Although this brought philanthropy closer to mainstream corporate functions, it did little to affect a company’s self-perception of its greater role in society. On an ad hoc basis, this activity persists.
Evolution of Corporate Community Intervention

- Charity
  - Pure Philanthropy
- Developmental Giving – external focus top down
- Strategic Giving – cause related marketing
- Integrated Corporate Responsibility
- Leadership Policy Dialogue

Source: African Institute of Corporate Citizenship, 2002
Galvanized by the realities highlighted by the Soweto riots, South African business in particular moved towards developmental giving – the deployment of resources to address policy issues in an effort to overcome the constraints of government policy and political tensions on overall economic development. While this primarily took the form of increasing the resources devoted to the increase in educational infrastructure, it also created institutions such as the Urban Foundation. Outside South Africa, developmental giving led to the broadening of the mandates of company foundations such as the Rössing Foundation.

In the transition to the post-apartheid period, mining companies moved to a more integrated approach to corporate responsibility in response to pressures. A more holistic approach towards resourcing and managing the variety of non-technical and non-financial activities in which companies engaged emerged to align these initiatives with corporate vision and strategy as well as to maximize the benefit a company could derive from these. This was based on the realization that companies can add real commercial and reputational value to their operations by, among other things, seeking constructive long-term relationships with communities. In this way, the beginning of the business case for sustainable development emerged. A significant catalyst for this approach came from the increased exposure Southern African companies gained to international markets and to NGOs and their agendas.

Mining companies in Southern Africa, much as mining companies in other developing regions, now confront a debate concerning their increasingly developmental role within developing societies – and their possible evolution to a corporate citizen. This ongoing debate is premised on the assumption that for sustainable development to truly occur, all major groups in society – governments, the private sector, and civil society – must play an active role. It is in the context of this debate that mining companies need to consider their approach to community engagement activities.

The current practice of corporate giving is indicative of where priorities lie. Figure 2, which is based on company annual reports and websites for 2003, details the focus areas of corporate giving in southern Africa. It seeks to highlight key features of corporate giving by the larger companies. In summary, companies, via their foundations:

- focus their support on education, community capacity-building, and health care, despite maintaining support for a wide range of causes;
- favour support for infrastructure projects over funding of ongoing expenditure, except with respect to community capacity building and small business support; and
- have moved away from direct charity.

It needs to be noted that the strong focus on health care is a recent phenomenon and a direct response to the challenge of HIV/AIDS. The large mining companies operating as ‘marginal’ producers do not engage in corporate giving in any discernable way. The inaction on the part of the ‘marginal miners’ presents the industry with the challenge to either differentiate its activities on a company basis or accept that the credibility of the term ‘industry practice’ may be rather weak in the face of such disparate approaches. Aside from these marginal miners, however, mining companies’ corporate giving practices demonstrate a will to use their resources to support long-term developmental objectives that will improve the stability and ‘sustainability’ of the business setting in which they operate.
Figure 2 demonstrates that the practice of corporate philanthropy or corporate social investment (CSI) is, by its very nature, individualistic and flexible. However, some key elements have been identified that make a company’s efforts more effective in most cases. Box 1 provides some highlights from the CSI Handbook, an annual publication that presents the foremost thinking on corporate giving in Southern Africa.²

### Box 1. Components of a Best Practice Corporate Social Investment Strategy

#### Value Systems

Align CSI activity with company business vision.

Position CSI programmes to achieve a win-win approach for company and recipients.

Provide resources for a professional, dedicated management function for CSI.

Give preference to projects that have a natural fit with the company.

Favour programmes that are sustainable beyond the grant.

#### Resources

Keep CSI budgets as part of the budgeting process and not discretionary.

Maintain a sufficient funding level to ensure meaningful impact.

Consider non-cash contributions equal to cash.

Engage the entire company, but particularly senior management, in CSI communications.

Involve employees in a targeted manner that goes beyond volunteerism.
Give CSI practitioners formal training.

**Structure**
Create a defined and documented structure for the CSI function.
Choose between a centralized and decentralized structure and remain consistent.
Support only as many projects as the company has capacity for.
Maintain a strategic focus in giving.
Use synergies and partnerships with other players.

**Communication**
Disclose and promote community contributions to projects.
Communicate the programme and its mission consistently to stakeholders, including employees.
Treat marketing expenditures as a separate item.

**Impact**
Measure and report the benefits of the programme.
Evaluate and benchmark company’s own project performance.
Use shareholder reviews to verify the ongoing legitimacy of vision.

Corporate giving, however, represents only a single one-way strategy for companies to engage with communities while embracing the challenge of sustainable development. Community engagement must be more than CSI if it is to add value to the business.
2 Advancing Current Thinking and Practice

The Stakeholder Concept

A consequence of the changes in the corporate community and corporate government relations of the last few years is the recognition by business leadership that shareholders are not the only stakeholders they are accountable to. There are others whose interests and concerns need to be considered in the decision-making process of a company. Further, performance needs to be measured in more than just financial terms, and social and environmental performance needs to be included in the overall assessment of a company’s performance. These two areas of performance are as important as financial performance in attracting talented employees, securing customer loyalty, fostering good government relations, building credibility in local and international media, attracting new investors, making a positive impression on business analysts, and being seen as a good corporate citizen in the eyes of the communities where a company operates as well as the public at large. All these add up to social capital or good will that is as valuable an asset as financial capital.

The process of successfully managing relations with multiple stakeholders demands commitment and buy-in – from the cleaners to the chief executive. It takes time in honest, transparent, and protracted consultations and negotiations with all stakeholders to develop trust, and it costs money to invest in social issues that were previously seen as the responsibility of government.

The key point of departure in advancing corporate community engagement initiatives is the assumption that for sustainable development to truly occur, as noted earlier, all major groups in society – governments, the private sector, and civil society – must play an active and lasting role. Recognizing that this is not always the case, companies have strategic options for building community engagement frameworks that can potentially overcome the limitations of other players. As they do so, they need to consider the object of their efforts – communities – and how they define them. Before discussing the characteristics of three strategic options, some caveats concerning the definition of communities need to be considered.

Defining Communities

Many formal community engagement and public participation documents bog down in developing academic definitions of concepts such as ‘community’. In addition, political and regional agendas yield a variety of uses of the concept of community, depending on the circumstances. In Southern Africa, in particular, it has become fashionable to define community as poor and black, to imply that communities are inherently disadvantaged and thus structurally disempowered. Often this implicitly accepts the legitimacy of other players making decisions on the developmental needs of these groups. Such an approach, even if only implicit, can shield company strategy from a range of other stakeholders’ needs.

It is therefore important for companies developing a framework for community engagement not to have their energies diverted into developing a limiting definition for community. As communities are comprised of individuals, they are dynamic and unlikely to be bound by particular definitions for long. Rather, it is important for companies to develop a common understanding of some of the key concepts that can define the communities they regard as
stakeholders. In an attempt to formulate a common ground among stakeholders, a number of commonalities emerge:

- Communities are self-defining.
- Communities are dynamic.
- Communities are not necessarily homogeneous; they could be, and are in most cases, heterogeneous.
- Communities respond to internal and external factors.
- Communities could be sites of conflict.
- Communities could be defined in terms of a common identity – political, geographic, cultural, economic base.
- Communities sharing commonality of purpose.
- Communities may have definitions imposed on them, for example by legislation.

Companies may find that there could be different definitions of community inside the various elements of its structure – between project managers, practitioners, cheque writers, and communications departments. If these exist, they must be acknowledged. It may therefore not be beneficial or useful for a company to develop too rigid a definition of community.

**CSI Strategies**

The remainder of this chapter outlines a range of strategic options for companies planning community engagement strategies – a unilateral approach, the use of partnerships, and the outsourcing of CSI.

**Unilateral approach**

Companies seeking to develop a customized unilateral approach to community engagement, require, above all, the creation of internal capacity. The key issues associated with developing and structuring such internal capacity are described in Chapter 3.

**Partnerships**

The WSSD formally endorsed partnerships between groups in society as a critical mechanism for advancing towards sustainable development. Partnerships can be configured in several ways, depending on the type or types of partners and its purpose and desired outcome. Basically, a partnership is established when two or more organizations or individuals find it in their common interest to work together under an agreed arrangement toward a specified outcome. Figure 3 illustrates some of the key elements in any kind of a partnership arrangement: trust, commitment to a common outcome, mutual respect between partners, complementary (not necessarily equal) resources, independence of individual partners, and interdependence of the partnership.
The establishment of successful partnerships has eluded many an organization. But this has not stopped people from continuing to try, and indeed there have been a number of successes (see Box 2). An analysis of these ‘success stories’ points to a number of key steps in the process (see Box 2).

**Box 2. Ten Steps to a Successful Co-evolutional Partnership**

1. **Get to know each other and build trust and respect**: Regular meetings (at least once a month) between representatives of prospective partners to discuss, openly and honestly, each one’s interests and expectations should be held. Each partner should be represented by a senior official, preferably the same individual, with a clear mandate and support from the highest decision-making body of that organization.

2. **Focus on real-time information**: Regularly scheduled meetings should focus on establishing a common agenda, shared values, operating basics, clear definitions of each partner’s roles, and specific strategic issues.

3. **Reward pursuit and expression of honest self-interest**: Do away with the ‘good people collaborate and bad one don’t’ mentality.

4. **Allow ample time for brainstorming**: People have a tendency to get stuck with their first ideas. Brainstorming provides an opportunity for participants to see beyond their initial thoughts and will expand the range of possible partnership configurations.

5. **Carefully calculate and analyse each partner’s costs and benefits**: Partners pursue partnerships to further their organizational self-interest and benefit. If one partner
discovers at a later stage that the costs outweigh the benefit, it is unlikely that the participant will be willing to continue.

6. **Commit resources**: Each partner should clearly and irrevocably commit resources to the partnership, whether these are in cash or in-kind.

7. **Be ready to deliver**: Partners have to reach a consensus about what each is ready to deliver, and when.

8. **Document both the process and the agreement**: It is not uncommon that disputes, disagreements on certain parts of an agreement, and misunderstandings may arise at various stages. A written record of the discussions that lead to an agreement, and the agreement itself, provide a solid, indisputable basis for dispute resolutions.

9. **Fine tune as you go**: Nothing should be cast in stone. As time goes by, it is likely that circumstances are going to change and thus demand changes to and adaptation of the original analysis.

10. **Being ready to terminate the partnership**: There are many reasons for terminating a partnership, such as achieved objective, diverging view of partners, development of irreconcilable differences, inability to live up commitments, and inability to achieve a desired goal. It does not make much sense to ‘hang in there’ when the arrangement does not work.

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**Outsourcing community development**

On the surface, there appears to be a limited case for the outsourcing of the community development function. To do so would insulate the mining company culture, and thus its way of doing business, even further from the feedback of the community. Indeed, many argue that a company creating the impacts cannot and should not outsource such a function to a third party. The policies of the major mining companies acknowledge this and are clear that community engagement and the community development initiatives flowing from it are part of their business. Some even refer to it as core business. At the same time, there is an argument that in Southern Africa it is increasingly common for major resource and other companies to effectively outsource community development activity (if not the formal function) through the creation of the company foundation: a formally independent structure contributing to community development on behalf of the company. The assumed independence of such a foundation would, it is argued, ensure that resources could be devoted to community development without any constraints imposed by company priorities or profitability.

In Southern Africa, this raises a dilemma: in terms of tax legislation, trusts or foundations established for charitable purposes (which from the Receiver of Revenue’s perspective, includes community development) and the resources allocated to them are generally not taxed. This is based on the premise that the trust/foundation operates for a purpose other than profit-making. To do so, it must be responsible to a board of directors that is independent of the company that formed it and must, in effect, operate as a separate legal entity. A number of foundations, however, while operating for the purpose of community development and improvement, remain de facto within the corporate structure, with a reporting line that culminates with an executive of the founding company. This creates a conflict between the foundation’s needs to fulfil its charter and the executive department’s need to support the corporations’ strategic goals (among them profit-making). The
performance of Human Resource or Public Relations Departments to which some Southern African mining company foundation structures report is not measured according to developmental goals. There is the risk that at some stage, the Revenue Service may not accept the view that these foundations do indeed function as separate entities for tax purposes.

Amid all these potential difficulties, what is the best path? Do foundations offer a way for dedicated staff freed from corporate performance goals to assess and implement effective community development projects and initiatives in line with the mandate set out in their trust deed? If so, can this be done in a way that ensures that the foundation becomes more than the outcome of a new form of cheque writing?

Some companies believe that foundations could provide a means of adding value to the company over the long term without succumbing to its short-term needs. For companies set on a course of using a foundation as a vehicle to address their community development challenges, a hybrid approach may offer the best way forward. A rudimentary life-cycle approach to a sustainable foundation’s formation and operation is proposed as a potential model for best and sustainable practice, as outlined in the following sections.

**Establishment**

Foundations are generally established with a charter setting out the high-level objectives by which it is to make its contributions to society. In order to make these contributions, the foundation requires resources. These are generally provided by means of an annual contribution (based on some pro-rata amount from the company) or by a capital amount generating interest on a scale sufficient for the foundation to fund its operation and disbursement. Foundations established by mining companies run the risk that their mandate may become diluted by their own organizational dynamics after the departure of the mining company from an operational area. To avoid this, the use of company shares as the foundation’s original collateral to fund development at each site is suggested as the optimal resource. This reduces the original establishment cost of the foundation to the company, while formally tying the foundation’s interests to that of the company’s ability to deliver return sustainably. This situation also provides an incentive for the foundation to assume an activist role as a shareholder.

**Establishment of objectives and mandate**

To be effective, a foundation’s vision should be informed by a clear vision of development that is immune to emotive stories and short-term charitable needs. Companies need to set up the process by which they set the objectives of their foundations so that the clarity of the mandate will allow them to weather the challenges of emotional and short-term pressures that arise from time to time.

It is therefore critical that the foundation’s mandate be defined clearly and in a manner that reflects the developmental objectives arising from a company’s core values.

**Relationship with site-specific community development activities**

It is traditional for site management (no matter what its relationship with corporate management) to formally or informally set aside resources for disbursement in response to local demands. This approach should be used for the company’s and the community’s benefit. The principal benefit to the company is that this establishes a conduit of information on the community’s needs. It is therefore likely that best practice entails making formal allowance for the existence of site-specific resources that may be dispensed by site
management (in line with corporate objectives) for community development. Simultaneously, the central resource (the foundation) is able to use the information from the site responses as a key component in the ongoing formulation of its high-level response to developmental needs that it may seek to address at a regional or national level.

**Operations**
The principal benefit of a hybrid approach during the operational life of a company (and its foundation) lies in the benefits conveyed by information exchange that can be translated into institutional knowledge for both. Assuming an approach is adopted to use the site structures as a means of addressing community development challenges at a tactical level and conveying the information gained to the central (foundation) function, then there is a positive potential for the company’s resources to be used to marry local and national/regional developmental needs in a manner that maximizes synergies (and thus benefits) for the company.

*Life after mining – the sustainable operation capable of adding value to future mining*
At its best, this hybrid model can create a mutually beneficial relationship between two independent organizations with different core competencies adding value to each other beyond the life of individual mining sites. Truly independent foundations will, over time, implicitly begin to develop their own organizational purpose. This, if not somehow constrained by the nature of its resource base, can increasingly divest itself from the purpose of the original capital allocation. By locking a foundation’s income-generating capital predominantly into company shares, the company can create an institutional mechanism by which the foundation’s purpose will remain clear.

The value of maintaining this institutional memory of purpose and heritage is that it allows the foundation to function as a potential knowledge base for any mining company entering the region. Such networks and institutional knowledge will present an asset to any mining (or even any natural resource business) operation coming into the area following the departure of its founders. It can thus function as an asset not merely to the community but also to those seeking to create formal, sustainable employment opportunities in the region or community.
3 Finding the Best Organizational Structures for Effective Implementation

Mining company structures tend to be more hierarchical than many other Southern African businesses: their hierarchies tend to grow more rigid as a result of their long-term exploitation of unchanging ore bodies. In part, this arises from a tradition of mining companies not being linked directly into the retail part of the sector and thus being distanced from customer feedback. These rigid hierarchies therefore represent the response of organizations to a perpetual price-taking situation against a background of an unchanging ore body.

In the run-up to the WSSD, mining companies moved to acquire the capacity to engage on this new wide-ranging challenge but did so primarily at the corporate policy level, in the belief that this was the level of their risk. Indeed, during 2002 there was a distinct move away from devoting resources to operational environmental structures in favour of building corporate sustainable development policy capacity. Despite this, the WSSD was critical in bringing acceptance of community issues onto the Southern African mining industry’s agenda. There remain, however, structural obstacles to corporate policies filtering down to the operational level in a manner that would give operational staff the appropriate power and resources underpinning the function.

Due to the sheer diversity of communities and companies, there is no single model of organizational structure or hierarchy that is best for constructive sustainable community engagement. Yet there are a number of general principles whose adoption is essential for the company’s internal organization to support constructive, mutually beneficial stakeholder relationships. What does work is a systematic process that allows a company to design a structure that aligns its mission, size, sector, culture, business structure, geographic location, and risk area to building more constructive relations with communities. The existence of such structures and hierarchies makes the development and sustaining of community development frameworks viable. Building on the theories of management gurus and practical experience, this chapter outlines some of the general principles and considerations involved in such a process. This back-to-basics approach is based on a review of some 20 of the more popular business and management books in which mining companies were severely underrepresented. Indeed, there appeared to be no instance in which a mining company was used as a case study of ‘visionary’ or successful practices.

Understanding and Communicating the Vision of a Company’s Community Engagement Objectives

One key to the successful functioning of any organizational structure is the clarity and legitimacy of its purpose, often referred to as its vision. Visions, due to their public nature, receive disproportionate attention. They are only a tool, however, not an outcome. ‘Success is not achieved through the writing of a vision, values, purpose, mission or aspirations statement,’ note Collins and Porras. ‘Creating a statement can be a helpful step’ in the right direction, ‘but it is only one of many’.3

While many mining companies have created organizational structures and hierarchies over the past five years to deal with community engagement issues, this has generally been
reactive and crisis-driven. So far only the Big Three (BHP Billiton, Rio Tinto, and Anglo American) have moved on towards developing a positive vision and purpose for such structures. While some mining companies have begun to enlarge their traditional corporate social responsibility structures to enable them to play a more active role in community development initiatives, such efforts appear to still be a long way from an integrated company line function that maintains active liaison and engagement with the full range of company stakeholders.

A key cultural constraint is that in most cases company policy concerning community engagement (where it exists) has been slow to find acceptance and, more important, understanding within company ranks, particularly within the technical disciplines and the management of remote sites. Although there is widespread willingness to move away from the traditional paternalistic model of community relations (whose main manifestation is cheque writing), the bulk of the industry’s work force still has a limited understanding of what will replace it.

It is in this context that the heritage of the previous approach proves problematic; traditional community engagement initiatives were generally based on philanthropic or defensive activities that assumed (at least implicitly) an ‘us versus them’ relationship between the company and the community. There is still only limited acceptance that moving beyond this approach does not imply the company is going soft. It is here that a company’s internal communication of the purpose of its efforts can easily fall short. Best practice requires a concerted effort to communicate the long-term value of such a discipline throughout the length and breadth of the entire organization.

In part, this limited progress towards open and transparent communication with external stakeholders appears to be based on low levels of understanding of how constructive and proactive community engagement can make a material contribution towards cost avoidance, limiting project variances and protecting a company’s reputation. While this may be generally accepted at a corporate or policy level, best practice requires companies to make and maintain sufficient effort to communicate the business case for proactive community engagement initiatives internally in a consistent and sustained manner.

Internal communication mechanisms that project community engagement initiatives as more than sophisticated efforts to ‘keep them off our backs’ have yet to be implemented. Using positive community relations as a competitive business advantage is therefore currently only accepted at the conceptual level. A constraint in this context may arise from the hierarchical organizational culture of mining companies, which often does not naturally create an environment that welcomes change in a form other than incremental technological advance. Only within larger mining companies has management allowed experimentation under controlled conditions in order to allow the organization to respond to the community development challenges it faces. In order to demonstrate the ability to respond over time to the challenge, companies will need to devote more internal communications resources to giving meaning to the integration of ‘the social issues discipline’ as an effective part of their organizational structure and systems.

**How to Get There**

*The real problem of strategic change is ultimately one of managerial process and action; of signalling new areas for concern and anchoring those signals in issues for attention and decision, of mobilizing energy and enthusiasm in an additive fashion to ensure that new problem areas found and defined eventually*
gain sufficient legitimacy and power and result in contextually appropriate action.\(^4\)

For the development of effective community engagement capacity, most companies will have to implement changes to their mine, regional, and corporate structures.\(^5\) Such change may be viewed as a sequence of four stages, each with its own problems:

1. **The development of concern.** This involves problem-sensing, leading to acceptance of the notion of change and getting it on the corporate agenda. It is a time-consuming and politically sensitive process, and one in which top management plays the critical role of either enabling or preventing progress.

2. **Getting acknowledgement and understanding of the problems.** This requires building a climate of opinion necessary for change. This is generally a long drawn-out process that can suffer many setbacks.

3. **Planning and acting.** It is very important in this stage to have established a desired future state of the organization around which planning can take place and commitment can be generated.

4. **Stabilizing change.** Management needs to ensure that the rewards, information flows, and patterns of power and authority support the new position. Since changes are often initiated by key figures, a danger is that such changes last only as long as these individuals remain in their posts. It is therefore critical that continuity is ensured by the development and appointment of appropriate successors.

**Crafting a Vision for Management Commitment to Support**

Visions, policies, and so on should be so clear and compelling that they require little or no explanation. Furthermore, they should:

- be a goal not a statement,
- fall outside the comfort zone, and
- be strong enough in their own right to survive the departure of the original management supporters.\(^6\)

Collins and Porras note that 'organizations often have great intentions and inspiring visions for themselves, but they don’t take the crucial step of translating their intentions into concrete items. Even worse they often tolerate organization characteristics, strategies and tactics that are misaligned with their admirable intention, which creates confusion and cynicism.'\(^7\)

**Moving a Company to a Culture of Pre-crisis Community Engagement Line Functions**

For a successful engagement process, it is critical that buy-in from company decision-makers at corporate and operating levels is secured to align the objectives of the community engagement work with the key interests of the company. This buy-in can only come from an understanding of the purpose and value of the work within the company’s overall objectives. Many of the failed community engagement programmes arose not from conflicts between the company and the community but from a failure of internal company communication.

For internal communications to function effectively, a reporting hierarchy is required that is capable of transmitting information and data in a way that maintains data integrity at all stages. In order for this to work effectively, there must be mechanisms for all segments of the reporting hierarchy to reach the very top of the decision-making levels. Although this may
sound like basic advice, management consultants frequently find that what separates successful and unsuccessful companies is that the former are ‘brilliant on the basics’. Frequently the reactive manner in which resource companies have responded to the sustainability challenge has led to fragmented and compartmentalized structures or units whose subsequent reorganization tends to result in complex reporting hierarchies. There is a direct correlation between the success of a resource company’s ability to effectively manage community and social challenges and the simplicity of its structure and its reporting hierarchy for these disciplines.

The simplicity of structures and reporting hierarchies also plays a vital role in reducing confusion and uncertainty among key stakeholders in the social field: contractors and spouses. These groups play a critical part in communicating the company’s image and activities into the wider community, particularly on remote sites. When structures and reporting hierarchies are more complex, the messages and images projected will be less clear.

There is a further argument against complicated reporting hierarchies – they have a habit of self-perpetuating and can take over the social function, irrespective of corporate strategy and policy publicized at the centre of the organization, solely on the basis of their ability to evade accountability due to fragmented reporting hierarchies. Deprived of the capacity to challenge the self-proclaimed ability of environmental or human resources units to ‘handle’ social issues, the centre – despite policy to the contrary – may have to concede. The remedy, and the best practice, is a simple structure and hierarchy operating in accordance with a clear objective. When such objectives are understood with clarity at the executive level, it is more difficult for the territorial rivalries natural to organizations to intervene.

**Assembling the Team**

A team with its own hierarchy will need to be designated to populate the structure at corporate and operational level with principal responsibility for community engagement. The scale of this capacity must be clearly and continually aligned with the objectives set by the company for this discipline. Resources must be allocated to ensure that the discipline can achieve, maintain, and periodically verify the integrity of the information data stream. Thus the discipline should be treated no differently than any other. The ability to assess the validity and integrity of data is required at all levels. The hiring, development, and retention of competent staff remains a key difficulty faced by resource companies adapting their staffing to this challenge due to the great reluctance of such companies to hire individuals with different skills sets. It should be recognized that the clarity of the line function’s purpose will be a critical factor in convincing sceptical, qualified outsiders to consider joining the company.

Whatever the team’s final composition, it must consist of dedicated staff and will require formal cross-cultural training. Wherever self-designated ‘people’s persons’ (staff members who believe themselves to possess naturally good communication and community engagement skills) have come forward, their lack of formal training is often compounded by a structure that renders them unable to devote their skills to community engagement full time. The remoteness of the site also tends to amplify their perceived skills, and it limits how a site can talk to and learn about communities. This can deprive the site of the ability to ask the all-important question – What do we need to know about each other in order to have a mutually beneficial relationship? – in a manner that will yield useful data. This limits the
company’s ability to analyse the data and raises the risk of proceeding on the basis of incomplete information.

In a complex system, individuals may no longer have direct experience of the consequences of their important decisions. The principal means of overcoming this risk in the context of community engagement is to accept upfront that training in this area means formal, competency-based training that covers the knowledge, skills, and attitudes of the relevant employees. Competency in this discipline is therefore not merely about data recording but also its conversion into information, the transmission of information (horizontal and vertically within the structure), and the sharing of information (including, where appropriate, the sharing of relevant information with the community).

Competency is also created by the placement of such teams within the correct context – an independent one – that avoids locating community development capacity within the human resources or environmental hierarchy on site, thus creating a potential conflict of interest, or the public affairs or public relations department, which will lead to conflicting performance objectives.

Without a clear reporting line to a dedicated executive function, competency of ‘soft disciplines’ in resource companies will always remain under threat of being overruled by the priorities of more established disciplines under whose umbrella they may find themselves. At the heart of a company’s ability to avoid this risk is a clear definition of competency for all line functions, and one not prone to be overruled by the need to accommodate surplus staff from other disciplines.

It takes time to engage with a community and learn to understand its culture. Therefore the earlier the company begins the process, the better. Considering how easily culturally based misunderstandings can escalate into disruptive confrontations, companies have everything to gain from starting their cross-cultural training at the earliest possible point in time, preferably before the start of the permitting process.

**Top Management Commitment**

Both theory and practice suggest that without top management commitment, it is impossible to generate the impetus necessary to bring about and maintain the change towards an effective hierarchy and capacity for a discipline such as community engagement. Top management commitment by itself is insufficient unless based on a thorough understanding of the issues to which the company is responding and on a vision of the destination. In other words, commitment without understanding is lip service. Management theory supports this through research showing that ‘visions (and management commitment for their implementation) built on adaptations of similar statements from other companies is generally less successful than articulating and codifying what is authentically believed, not what other companies set as their values or what the outside world thinks those values should be’. 8

Progress towards an appropriate and effective structure requires an internal admission on the part of all levels of management that the establishment of such a team and structure is part of core business and should therefore be acknowledged within management performance assessments. Thus company management needs to accept that it will have to sustain, more explicitly than with other disciplines, explicit support for the community engagement team as a core business function. Part of sustaining this visible commitment is an upfront understanding that the community engagement team will, over time, function not merely as a conduit of information on communities but also as the channel through which
communities will project their ability to influence company decision-making. It is therefore critical that no ‘us versus them’ perception be allowed to develop between the community engagement staff and the rest of the company. Many argue that the attitude of the team is critical, but for this to make a difference, the attitude of a company first needs to have changed for the community engagement team to have the space to do its work.

Most companies that are considering adapting their structures in order to respond more effectively to the challenge of engaging communities constructively and consistently are still struggling to accept that top management commitment is a process rather than a one-off decision. It is ongoing top management commitment that gives the discipline and its structures the strength to achieve and maintain effectiveness in the internal information flow and in decision-making, while understanding of the issues is achieved and maintained by effective internal flow of data and information.

Mindful that the integration of functions and structures is required for effective and sustained community development and engagement, top management commitment must be regarded as a long-term process. Thus it is vital that continuity beyond the individual be built into the system.

**The True Test – Integration**

Many companies underestimate the diversity of company voices that have a stake (or perceive themselves to have a stake) in the process of community engagement. Serious consideration must be given to integrating the concerns of other operating areas of a resource company into the engagement with the community in a cross-cutting manner. This tends to be done in a reactive or ad hoc manner, but this is a false economy: ultimately there must be an integrating mechanism, if need be in ascending manner, that forms part of the company’s community engagement systems.

The true test of integration is when a company can answer all the following questions in the affirmative:

- Have you got a policy?
- Is there true commitment at the highest decision-making body of the company? Is the commitment based on full understanding of the policy and operational implications to the company?
- Is there an operational strategy? Has the strategy been tested and debugged?
- Have you allocated adequate resources – both financial and human – as part of the regular budgeting process based on the unit’s own objectives?
- Has the policy and strategy been communicated throughout the company?
- Are you able to communicate the (revised) contents of both on an ongoing basis?
- Can you measure results and outcomes on a regular basis as part of overall performance assessments?
- Can you review the effectiveness of the resource deployment on a regular basis?

Integration means not only attracting suitable staff and placing them into the appropriate simple, effective structure and reporting hierarchy. It also means that these staff are kept there long enough to provide continuity, without which costs to companies must rise.
The members of the ‘soft disciplines’ are often perceived by their colleagues to react differently on community issues. Only when they and their discipline are no longer seen as ‘different’ can the company claim true integration of the community engagement capacity and discipline.
4 Integrating Community Engagement into the Life Cycle of an Organization

This chapter is designed as a guideline and checklist for companies in the extractive sector to give operational meaning to the commitments contained in the ICMM Sustainable Development Framework Principles. It seeks to draw on the key lessons contained in Chapter 3 on organizational structures for effective implementation. This is not meant as an exhaustive list of requirements but merely a draft list for addressing key risk factors commonly encountered by Southern African mining companies at various stages of their operations. The chapter is structured according to the life cycle of a project to ensure that community engagement issues can be appropriately addressed at all stages.

Target Identification

This is the phase during which regions and jurisdictions are identified for exploration. The part of the company tasked with target acquisition must have the capacity to:

- identify current and future issues of a non-financial nature that may be relevant or could potentially affect project viability,
- identify capacity or skills to assess these non-financial issues,
- build relationships with other relevant players in the target area, and
- create a pre-tender selection process for screening appropriate contractors.

This generally requires a relationship with relevant specialists or the internal capacity to consider these issues at a strategic level. Due to the variety of non-financial challenges, it would be preferable for this capacity not to be limited to a single individual whose personal prejudices or limitations can then be transposed onto the project.

Exploration

This is the phase during which the company physically identifies and delineates the ore body and should create a base-line of the social and environmental setting. During this time, the company’s approach must be guided by recognition of the fact that geologists are the company’s ambassadors. It is therefore critical that all members of exploration teams are trained to approach the location in a manner that:

- demonstrates sensitivity to local customs and awareness of local environmental constraints;
- manages expectations and makes communities aware of possible outcomes (including the low probability of an exploration target developing into an operational mine) and the various project stages;
- is transparent concerning the terms of the lease conditions, including the rights and obligations of both the exploration team as well as the community; and
- manages expatriate and contractor behaviour in respect to these factors.

However, training can only go part of the way, and companies need to accept that in order to demonstrate proactive management of community engagement issues, individuals other than conventional exploration specialists will need to be included in the field team. The non-exploration specialists should be integrated into the field team management structure but must also be given explicit capability and authority to report their findings and concerns independently to a central function. Their selection for inclusion in field teams needs to
balance the requirements of equitable company policies and the cultural realities on the ground. For example, sending a female geologist into a conservative Muslim setting would need to be handled with care.

These specialists, as part of the field team conducting the social impact assessment (SIA) or social impact risk assessment, have two principal roles on site:

- the collection of physical environmental and social base-line information and
- the management of community expectations.

The presence of exploration teams in any remote or developed setting will have an impact on the social and environmental base-line. Mindful of the conditions contained in the lease agreement, members of the field team should, prior to substantial exploration activities, engage the community to identify culturally determined no-go sites, seasonal variations of environmental conditions (see Box 3), longer-term trends of environmental conditions (even if community-induced), and environmental constraints with social implications (such as water issues).

Box 3. Identification of Seasonal Variations

An example of frequently overlooked local detail is the failure to recognize that in areas with marked seasonality of rainfall, most exploration drilling takes place in the dry season. Without the engagement of the community, base-line information concerning such sites will fail to identify material changes to the area that occur during the rainy season or as a result of seasonal migrations. This relates not merely to surface water flows and vegetation density but also to understanding the true nature of groundwater flows and well water levels. This can lead to material miscalculation for feasibility studies, as well as to conflict with communities over scarce resources.

The management of community expectations must be based on the acceptance that communities even in developed areas generally have very limited understanding of the nature of exploration work and its link to mine development. Key issues that should be covered in the community engagement work by the exploration team, preferably prior to the start of fieldwork, are:

- transparency concerning the terms of the lease (lease fees, closure of boreholes, and other conditions);
- information on the regulated process governing the award of an exploration lease;
- information on the company’s ‘equitable’ hiring policy as well as other policies that may affect the community;
- information on the job opportunities for local people and the limits to these (in terms of skills and time frame);
- information on the opportunities and limitations relating to the supply of goods and services;
- clarity that any employment opportunities or supply contracts for the exploration team are likely to be of a finite and temporary nature;
- clarity for communities concerning the difference between an exploration and a mining lease;
- transparency concerning the low probability of exploration targets converting to full-scale mining operations; and
• information on the rules and policies governing the behaviour of the field team members (especially expatriates).

In order to be effective, the community engagement initiative needs to be spread to all parts of the community and not merely passed on to the local chief or authorities. It must also be designed to elicit community input, while making it clear at every stage that not all expectations can be met.

Communication aimed at managing expectations must accept that various tiers of government are likely to talk up the potential of the project and often use its presence as an excuse for scaling back the provision of social services.

An underused opportunity for building relationships with local communities through the use of local skills is cooperation with the relevant Geological Survey office responsible for the area. The staff here often have access to information – both social and technical – that could be of great benefit to exploration teams. Companies that are open to negotiating secondment of such staff in return for other forms of capacity building will gain a competitive advantage.

Due to the temporary nature of exploration work, exploration camps should be placed away from established villages or residential areas and from culturally or economically important sites.

At the end of the exploration presence, specialists other than those included in the field team should audit the fulfilment of all rehabilitation or relinquishment commitments, including any special conditions with respect to social impacts.

**Feasibility**

This is the phase during which the company explores a variety of physical, technical, and economic scenarios to determine the viability of the project and the choices and timelines involved. Linking the results of exploration work to that of the feasibility study in areas other than geological information can be a particularly weak point in all organizational approaches. A practical means of avoiding this potential pitfall would be to link exploration work and the feasibility study by including a report back from the non-geological specialists in the field team, as well as those auditing compliance with rehabilitation or relinquishment conditions, as part of the base documents to be used by the feasibility team.

Prior to the establishment of a feasibility team, most companies create a project charter designed to serve as a blueprint for the way in which the project will be approached. Policies and procedures need to be developed to ensure that the inclusion of social and environmental issues are included up front, so that they are not considered to be of secondary importance to technical considerations. Similarly, formal policies governing the inclusion of the variety of skills in a feasibility team need to be developed to avoid omissions of ‘soft issues’.

For community and other non-financial issues to be formally integrated into the feasibility team’s work, company systems must be put in place that ensure:\(^\text{10}\)

- that social and environmental skills are available on the team;
- that the range of stakeholders relevant to the project is formally communicated to all members of the feasibility team and to contractors;
- that social and environmental issues are a standard agenda item for team meetings;
that financial models include social and environmental costs (including the level of estimate required for the feasibility study, along with the assumptions underpinning them) as well as safeguards against rounding off of their figures or ratios;

• that a uniform sense of rigour is applied to all data and numbers included in the feasibility study for decision-making purposes; and

• that the practice in the engineering profession of not issuing engineering drawings without sign-off from the responsible engineer is adopted – thus no part of the feasibility should be deemed complete for use in a project decision without sign-off from all feasibility team members, including those responsible for dealing with social and environmental issues.

A tool that should be generated separately at the feasibility stage, normally as part of the SIA, is a community base-line that covers a variety of social and health-related issues. It is critical that this base-line is based on verifiable methodology and is not affected by events during the construction phase. Ideally such a base-line should be generated in partnership with a credible (preferably local) consultant or NGO with a proven track record in base-line assessment. This partnership could lead to a constructive relationship whereby continuity can be assured for the regular updates required throughout the life of the project.

The development of such a base-line at a feasibility stage presents an opportunity for capacity-building at the local level to ensure the quality of data collection in the future. In scoping the base-line survey, it is important that the work not only considers cause-and-effect issues but also examines indirect impacts (such as transportation of opportunistic diseases into the area).

If the feasibility is done at site level – as is the practice in the case of step-out exploration projects – then an individual or function at the regional or corporate level must be used in a review capacity to ensure company standards are maintained and procedures and policies are adhered to.

Construction

This is the phase that follows the decision to proceed with the project but precedes formal operation by the owner or management company. This represents a critical weakness for corporate environmental and social management systems in terms of implementation, as it is the time of greatest change on the ground, as well as the time with the most robust tradition of outsourcing. Policies and capacity are required to ensure adherence to an agreed standard irrespective of whether construction is outsourced or not. Without this, companies miss the opportunity to differentiate in the eyes of the community the actions of their staff and those of the contractor. Failure to do so presents a material risk for the owner of the operation.11

Following the approval of a project, most companies experience gaps in their community engagement due to the tradition of almost wholesale outsourcing of construction work, especially in the case of ‘turnkey’ project award. Several key features pose a risk in this context:

• Usually there are more people on site during construction than during operation.

• The presence of multiple contractors on site stretches project management capacity.

• Most key infrastructure required for managing and mitigating impacts on society and environment – such as waste disposal sites – are unlikely to be in place yet.
• Pressing time lines and contractor cost limitations encourage people to cut corners, often with the agreement of the client.

The principal means of avoiding problems arising from this situation is systematic preparation on the part of the mining company by introducing pre-tender contractor qualification processes, by ensuring that the company deploys competent capacity in order to judge fulfilment of acceptance criteria, and by deploying appropriate capacity to the site for monitoring purposes. All these measures are complementary and of equal importance; one cannot take the place of the other.

Pre-tender contractor qualification processes are the company’s principal means of managing risk, but they are rarely used in this context in the industry. Current practice is that construction contracts are seldom issued on criteria other than short-term cost. Social or environmental clauses in contractor agreements (other than at the most generic level) limit the opportunity for remedial action on the part of the company in the case of impacts on society or the environment. The key remedy would be the formal inclusion of sustainability issues (to an appropriate level of detail) in the company’s supply chain management. For the purposes of eligibility, contractors would have to demonstrate:

• occupational health and safety capacity that can be projected to the site;
• at least a rudimentary environmental management system capacity that can be projected to the site and that includes an effective incident reporting system;
• induction capacity for employees and subcontractors with respect to social and environmental issues;
• knowledge and understanding of applicable legal requirements and the capacity to remain in compliance with these; and
• a willingness to accept effective penalty clauses for violation of social and environmental stipulations.

In a setting where construction is outsourced, companies should provide for a formal presence on site to ensure not only fulfilment of technical criteria during construction but also compliance with relevant stipulations regarding community interaction. Specific risks arising from contractor-community interaction during this phase can arise:

• from agreements between the contractor or individual members of the contractor’s staff and members of the community regarding the mitigation of a social or environmental impact during or after construction;
• from contractor practices during construction (such as employment practices) that may set precedents for the future owner; or
• from ‘understandings’ between contractors or individual members of the contractor’s staff and members of the community regarding future usage of construction-associated infrastructure.

The deployment of appropriate capacity to the site to monitor implementation of the contractual stipulation in terms of social issues should form part of overall risk management. Without this, companies deprive themselves of the ability to understand the experience of the community they will be working in. Investing in appropriate on-site capacity to monitor social issues at this stage will yield substantial benefits over the project’s life.

Hiring practices, for example, are a key source of long-term community resentment. During construction, social disruption is larger than at any other time in the project. If the mining company does not stipulate that the contractor consider local labour (even if marginally more expensive), the stage will be set for community resentment. If construction is conducted
exclusively with expatriate or non-local labour, the community will correctly argue that it was
denied the ability to supply at least unskilled labour – which at that stage is often the only
labour they can provide.

There is great value in generating a legal register prior to construction. While most
companies do this as a matter of course, few extend coverage of the register to all activities
off-site associated with construction. In particular, the regulations surrounding the
transportation of hazardous, volatile, or corrosive materials are often neglected. Incidents
relating to outsourced activities (for example, the spillage of fuel in transit) have the potential
to affect a company’s or mine’s reputation prior to commencement of operations and to set a
negative tone for future community engagement.

Given that most impacts occur during the construction phase, there is an argument for
starting the community development fund contributions or even deploying community
development fund personnel to the project at this stage. Contributions made to the funds
should be built into the construction phase budget and communicated to the community. As
typically more than half of total land clearance has been completed by the end of
construction, such an action – especially if done transparently – could generate substantial
good will and shorten the time frame for the company to prove itself to the community.

**Commissioning**

Following the completion of construction, there is usually a period during which mechanical
completion testing takes place. This phase is generally considered separate in terms of
liabilities, especially by financiers. Although this process is rigorous in terms of technical
matters, it would be prudent for companies to include social and environmental criteria in this
phase. Companies that do not take advantage of deploying appropriate capacity for the
assessment of completion in these fields, even when such clauses have been included in
the contract, open themselves to additional risk, since most indicators that are measured
tend to be lagging or negative. Thus companies frequently confront the manifestations of
non-completion at a much later stage, when they no longer have legal recourse.

Advance planning should be devoted to the placement of community engagement capacity
during the period following construction. The appointment of such staff only after the
construction phase and in response to community challenges is a reactive measure that can
harm the development of the company-community relationship. Therefore the credibility of
the operation, even if appropriate steps have been taken before, will suffer if this creates a
period of non-delivery or non-engagement for the community. Having on-site capacity from
the start of the construction phase is of critical importance and should be provided for in
project plans and company procedures.

The commissioning phase represents the best opportunity for random corporate-level or
external audits on social issues, as this is the time when the operation and its impacts
become real to people in the community, and their responses and opinions about company
credibility begin to form.

**Operation**

Central to the success of community engagement during the operational stage is that it is
maintained in a systematic way. All too often mines operate goal-driven community
engagement initiatives that dwindle once the mine is operational and a community
development fund is established. Therefore it is critical that the management system
responsible for social and environmental performance is fully operational and appropriately staffed, and that the function is subject to regular review. Companies require procedures to remain robust enough to withstand pressures from local hierarchies and personalities, particularly on remote sites. (Note that this section – despite its importance – is kept deliberately short, as much of this is covered in Chapter 3.)

Community engagement staff need to be trained in a manner that prevents the community from bearing sole responsibility for having to adapt to the company’s manner and language of communication: as part of relationship building, both parties need to learn to ‘speak each other’s language’. If both company and community have to adjust to each other’s pace and manner of communication, the risk of company and community processes working at different paces can be reduced. Table 1, which was developed by Mokhethi Moshoeshoe, outlines a methodology designed to achieve this in situations where parties operate from different levels of capacity, knowledge, and understanding.
Table 1.

<table>
<thead>
<tr>
<th>Step</th>
<th>Questions to be Answered</th>
<th>Expansion/ Divergence</th>
<th>Contradiction/ Convergence</th>
<th>What’s Next to Go to the Next Step</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Identify and select problem</td>
<td>What do we want to change?</td>
<td>Lots of problems for consideration</td>
<td>One problem statement, one ‘desired state’ agreed on</td>
<td>Identification of the gap</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>‘Desired state’ described in observable terms</td>
<td></td>
</tr>
<tr>
<td>2. Analyse problem</td>
<td>What is preventing us from reaching the ‘desired state’?</td>
<td>Lots of potential causes identified</td>
<td>Key cause(s) identified and verified</td>
<td>Key cause(s) documented and ranked</td>
</tr>
<tr>
<td>3. Generate potential solutions</td>
<td>How could we make the change?</td>
<td>Lots of ideas on how to solve the problem</td>
<td>Potential solutions clarified</td>
<td>Solution list</td>
</tr>
<tr>
<td>4. Select and plan the solution</td>
<td>What’s the best way to do it?</td>
<td>Lots of ideas on how to implement and evaluate the selected solution</td>
<td>Criteria to use for evaluating solution agreed on</td>
<td>Plan for making and monitoring the change</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Implementation and evaluation plans agreed on</td>
<td>Measurement criteria to evaluate solution effectiveness</td>
</tr>
<tr>
<td>5. Implement the solution</td>
<td>Are we following the plan?</td>
<td>Implementation of agreed-on contingency plans (if necessary)</td>
<td></td>
<td>Solution in place</td>
</tr>
<tr>
<td>6. Evaluate the solution</td>
<td>How well did it work?</td>
<td>Effectiveness of solution agreed on</td>
<td></td>
<td>Verification that the problem is solved, or agreement to address continuing problems</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Continuing problems (if any) identified</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

There are several other key points to consider during operations:

- Funding for community development initiatives, like trust funds, must remain free from General Manager control, and the composition of any governing board should increasingly shift to non-mining individuals. This will reinforce the community need to become self-reliant.
- Funding for community development initiatives must remain de-linked from profitability, as it is particularly during periods of poor cash flow that the most severe social impacts tend to occur. Upfront funding commitments by the mining company therefore must be given serious consideration.
• Transparency of payments to government or authorities at all levels needs to be maintained. Frequently the community remains unaware of the contribution the mine is making to the national economy in terms of customs duties, *ad valorem* tax, and payroll taxes. Communication concerning these payments needs to be maintained in order to place resources devoted to community engagement activities into perspective.

• Succession planning for mine staff responsible for community engagement and development can be problematic in remote locations where there is heavy reliance on expatriate staff. Despite the costs associated with temporary duplication of staff complement, the clarity and continuity that comes from longer hand-over periods of such staff is an important stabilizing factor for any operation’s community relations.

**Major Alterations**

There is a tradition of downplaying the impacts of alterations, irrespective of their size. While in many cases alterations result only in quantitative rather than qualitative changes, such as additional impacts on agricultural land, access routes, riparian rights, or grazing grounds, these should be considered and recorded.

Best practice demands that when there are alterations from original life-of-mine plans, EIAs and SIAs should not be managed exclusively by site personnel. All alterations should be considered in the same light as feasibility studies, in that all disciplines, including social, should sign off on the revision and alterations as well as the management of the associated impacts at either a regional or a corporate level. As most of these alterations tend to be driven from the mine site, it is critical that review and sign off are done by someone whose performance assessment is not linked to the ‘go’ option. The company’s environmental management system and social management system should also contain explicit disciplinary penalties for non-compliance in this respect, as this is a key area for generating future liabilities in both the social and environmental fields. This risk also pertains to the legal field, where the alteration of activities from the original mining lease agreement may lead to substantial non-compliance with the set conditions.

Project alterations may arise from change in the ownership structure – for example, when a single shareholder gives way to a joint venture – or can be the result of responses to changes in grade, price, or profit demands. Here the need for a system protecting the company from short-term decision-making that would be at odds with company policy is particularly great. The need for a mechanism that provides relevant stakeholders with timely notification of proposed alterations prior to them being approved is critical if the company is to ensure that its policies are being implemented, particularly in the case of a joint venture where the company does not have the management contract.

While this appears to be common sense, it should be backed up by policies and procedures that prevent sub-standard practices by site management under pressure to achieve goals imposed on them from the company centre.

**Unplanned Closure**

Although unplanned closures by definition cannot be planned for, the company’s conceptual framework, as well as communications with affected communities, should make some effort to educate people about the possibility of such an event.
Companies should not assume that communities understand that mining operations are vulnerable to external forces beyond their control – mainly product price. The companies often fail to understand the degree to which they, in the local context, are perceived as all powerful and not subject to such pressures. Failure to reinforce the possibility of such an event can undo the bulk of previous efforts to manage community expectations.

Internally, however, companies also suffer from blindsiding, in that there is a temptation to avoid planning for negative or unpleasant contingencies. This is most frequently expressed in a failure to budget for additional resources or the bringing forward of resources to manage unhappy communities in the event of unplanned closure. It would be best practice to provide contingencies for unplanned closure that depart materially from those made for planned closure. Companies should put in place provisions based on verifiable assumptions or formulae that would be activated in the case of unplanned closure so that their commitments for environmental closure and social impact mitigation are carried out. This is particularly pertinent in situations where there are joint venture partners with lower operating standards.

If mining companies are to give substance to their policies, they must also in such situations resist the instinct to ‘sell down’ the site to a low-cost operator in the belief that the latter can force communities to be less involved. Failure to be transparent concerning such matters threatens the credibility of the entire policy structure in this field.

**Care and Maintenance**

If an operation is truly placed into a care and maintenance condition, the company must communicate explicitly on the ‘active and verifiable measures’ it will take to prevent pollution generation or other impacts for the duration of the care and maintenance period. Best practice would be to publicly commit to the maintenance of certain standards and activities on site and to maintain their inclusion in reporting.

**Planned Closure**

As closure approaches, there is a tendency for community engagement efforts to shift back to goal-orientated activities. This must be avoided through transparent communication concerning post-closure activities and relationships.

A key weakness of existing programmes in this context is the lack of communication concerning the reality that it will be the less-skilled local work force who will suffer disproportionate job losses, while skilled expatriates tend to be transferred. This information is generally not communicated to the community in time for them to use it to influence the direction of community development activities.

Similarly, small and medium-sized enterprise activities on the part of the companies generally do not change their focus as closure approaches, and they continue to create mine-dependent businesses or businesses dependent on the mine-created cash economy that will not outlast the mine.

As closure approaches, there is also a risk of mining companies downgrading the line functions that are managing decommissioning, closure, rehabilitation, and post-closure. The effect on standards is evident, and only through the maintenance of an active system at corporate or regional level can the creation of liabilities for the company be avoided.

At this stage, company procedures and policies should prevent project managers from making unacceptable modifications to social and environmental management in the name of
cost savings. Similarly, site management should not have the ability to modify closure criteria or block their verification without explicit authorization from a corporate level. In a context of a diminishing resource base and diminishing on-site staff, the risk of unrecorded changes and commitments to communities is real.

Post-Closure

From an industry perspective, it would be best practice to formally feed the experience gained on site back into the system. To do so may appear costly in the short term, but it would yield substantial returns over time both in terms of staff competence and improvement of systems and procedures.

As the operation moves into post-closure community engagement work, there is a risk of failing to devote sufficient time to communicating the redefinition of line responsibilities. This could leave the community unclear about why some staff stay and others leave, and also uncertain as to their point of contact. Frequently this can contribute to a breakdown of good relations. The fact that closure and post-closure work generally requires different skills should be consistently communicated to affected communities.
5 Conclusion: Guidelines and Accountability

Over the years, the natural resource industry has produced a number of guideline documents ranging from public participation guidelines to community engagement tools. While these have gone a long way in advancing thinking and practice, the industry needs to consider closing the loop by addressing the issue of accountability. From an outsider’s perspective, practices vary widely between operations, creating the impression that the various documents are not ‘truly owned by the industry’.

Two tables in this final chapter present the view of industry performance accessible to most stakeholders through company annual reports and publications. Under the heading ‘Policies’, Table 2 details where companies have developed policies (p), vision statements (s), statements of business principles (SOBP), or values statements in the various areas of sustainable development, and where these have been made accessible to the public. The table demonstrates implicitly the cost associated with doing so, for the practice is very common among larger companies but rather patchy among smaller ones. Table 3, entitled ‘Actions’, shows where those same companies have reported on the activities that can be expected to result from such public policies or statements. The table differentiates where companies have done so systematically (s) or on an ad hoc basis (a). What emerges is a picture of companies putting into place a range of public policies and statements of intent. At present, Table 2 suggests there remains substantial room for improving the communication of the actions resulting from such policies, especially among medium-sized and smaller companies.

Table 2.

<table>
<thead>
<tr>
<th>Size Does Matter – Policies</th>
<th>The big three</th>
<th>3 medium-sized</th>
<th>3 smaller operators</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSI</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Environmental</td>
<td>p</td>
<td>p</td>
<td>p</td>
</tr>
<tr>
<td>Occupational Health</td>
<td>p</td>
<td>p</td>
<td>p</td>
</tr>
<tr>
<td>Safety</td>
<td>p</td>
<td>p</td>
<td>p</td>
</tr>
<tr>
<td>Community-related</td>
<td>s</td>
<td>s</td>
<td>p</td>
</tr>
<tr>
<td>BEE</td>
<td>s</td>
<td>s</td>
<td>s</td>
</tr>
<tr>
<td>Human Resources</td>
<td>s</td>
<td>s</td>
<td>s</td>
</tr>
<tr>
<td>SME</td>
<td>s</td>
<td>s</td>
<td>s</td>
</tr>
<tr>
<td>SOBP</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Values Statement</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
</tbody>
</table>

Page 34 of 37
Recognizing that such policy and guideline documents were developed as much to influence behaviour on the ground as to send a positive message about industry priorities, the next step to consider would be mechanisms for assessing and reporting back on the contribution of the guidelines. Two key areas merit future consideration:

- **Dissemination within the company**: The need to place community engagement functions within integrated hierarchies within a company to ensure effectiveness has already been highlighted. In seeking to communicate the significance and contents to relevant staff within a company, more formal usage should be made of conventional internal employee communication channels. Best practice would require moving beyond the posting of hard copies from corporate centres to the operations. Rather, the communication should from the start include a means for feedback and assessment of the applicability of the material.

- **Dissemination among communities**: The need for capacity-building in communities to help them undertake sustainable engagement has also already been highlighted. In seeking to make guideline documents meaningful to communities, mining companies should consider issues of appropriate (rather than mechanistic) translation of the documents, the use of existing information dissemination mechanisms (such as tribal meetings) for the communication of guideline content, and the opening of the engagement process to community feedback on adherence to the guidelines. In this context, partnering with NGOs would be a cost-effective manner of ensuring ongoing adherence to guidelines.

If companies formally included binding commitments to monitor and report back on practice when they first issue guidelines, the industry would be closing the loop on its efforts in this area. Such best practice would also provide a powerful argument for increased self-regulation of the industry.
Appendix     Sources and Primary References

A primary source was interviews with Company staff, as noted in the Preface. In addition, the following company reports were used (annual reports, sustainability reports, environmental health and safety reports, and social reports):

Amplats
Anglo American
AngloGold
BHP Billiton
De Beers Consolidated Mines
Durban Roodepoort Deep
GoldFields
Harmony
Impala Platinum
Rio Tinto

The following non-company publications were also used:


Notes

1 Based in part on G. McMahon, consultant to World Bank, summarizing the proceedings of a conference on Mining and the Community in Quito, 7–9 May 1997, in World Bank, Mining and the Community: A Synthesis (mimeographed).


6 Collins and Porras, op. cit. note 3, pp.109–11.

7 Ibid., p. 87.

8 Ibid., 74–75.


11 Ibid., pp.104–09.