

**Benchmarking study
on Municipalities
and Communities in
Mining Initiatives**

ECSECC and Urban Econ

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Benchmarking study on Municipalities and Communities in Mining Initiatives

ECSECC and Urban Econ

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Foreword

The Eastern Cape mining sector contributes a small percentage to the Provincial Gross Domestic Product. This small contribution is however not negligible for communities such as Grahamstown, Indwe and Xolobeni. The South African development thinking has been aimed at improving local beneficiation of mineral resources and in small-scale mining, community empowerment and involvement is core to the success of such initiatives.

ECSECC was approached by Makana Municipality to assist with policy alignment, strategy development and stakeholder engagement towards the establishment of a kaolin mining initiative to facilitate the beneficiation of kaolin mineral resources found in and around Grahamstown. ECSECC's intervention was aimed amongst other objectives at:

- Assisting the Municipality to develop an informed approach on how to catalyse the mineral resource to contribute to economic development in the area
- Assisting community groups to be better organised and to access training, funding opportunities and government support programmes.

As part of the support to Makana Municipality, ECSECC commissioned a Mining Benchmarking Study to advise the Municipality on best practice approaches and institutional arrangements utilised by South African municipalities engaged in successful mining initiatives. Inherent to the benchmarking study, visits for community groups were organised to Gauteng, Mpumalanga and Limpopo to expose and allow representatives of the community groups to experience operational community mining sites.

Among the key lessons learnt from the benchmarking study is the need for decisive action. As necessary as research, planning and preparation are for the success of a kaolin initiative in Makana, the determinant of success ought to be transformation of such plans into action-oriented decisions. Dimension of decisive action that apply to Makana include:

- The municipality clarifying its position regarding the development of kaolin resources in the Makana municipal area
- A clear business concept being developed by the Makana miners forum, in the form of a rigorous business plan
- Re-establishment of direction and purpose in the Makana miners forum and the Makana kaolin trust, linked to roles and responsibilities in line with overall intended objectives
- Ensuring that agreed upon decisions are implemented, monitored and reviewed.

Another lesson learnt is that of ensuring that internal dynamics of all relevant stakeholders are managed and harnessed to activate, rather than throttle development. Sound institutional arrangements and community engagement should be central elements that are to be considered as critical success factors.

Lastly, ECSECC thanks and appreciates all contributions made by various individuals and organisations have contributed to this Benchmarking Study. The leadership of Mayor Vumile Lwana and guidance of Councillor Nombulelo Masoma is appreciated. The efforts of the Makana LED Team led by Riana Meiring are equally acknowledged. Special mention needs to be given to Meshack Masuku, a true development worker, expert ceramist and a wealth of knowledge on small-scale beneficiating of kaolin. His dedication and passion to see the community of Makana maximising the opportunities around kaolin are unmatched. Special acknowledgment need to be given to State Agencies and Entities for contributing researched information and expertise towards the study. This Agencies include Zenzele Technology Demonstration Centre (Lindani Mtshali) ECDC (Mlamli Nodada), ECSECC (Baphelele Mhlaba) and the Mintek Team. The lessons learnt during this study were well received by the Kaolin Mining Forum and community stakeholders who actively participated during this study.

The benchmarking study and intervention was led by Baphelele Mhlaba and Urban-Econ in Port Elizabeth was retained for technical support for the study. Special acknowledgement needs to be given to Tatenda Mzezewa and Matthew Keeley for the consolidation of the research, the findings and information contained herein.



Andrew Murray
Executive Director
East London, July 2011

Abbreviations:

AMTS	Advanced Manufacturing Technology Strategy
ASGI-SA	Accelerated and Shared Growth Initiative of South Africa
BBBEE	Broad Black Based Economic Empowerment
CSIR	Council for Scientific and Industrial Research
DACE	Department of Agriculture, Conservation and Environment
DME	Department of Mining and Energy
DTI	Department of Trade and Industry
ECDC	Eastern Cape Development Corporation
ELIDZ	East London Industrial Development Zone
GDP	Gross Domestic Product
GGP	Gross Geographic Product
IDP	Integrated Development Plan
ISO	International Organisation for Standardisation
LED	Local Economic Development
LM	Local Municipality
MKSC	Makana Kaolin Steering Committee
MRPDA	Mineral Resources and Petroleum Development Act
NAMF	New Africa Mining Fund
NIPF	National Industrial Policy Framework
PPP	Public Private Partnerships
R&D	Research & Development
SEDA	Small Enterprise Development Agency
SMME	Small, Medium and Micro Enterprise
SPV	Special Purpose Vehicle
SSP	Skills Support Programme
UN	United Nations

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Introduction

Significant kaolin reserves situated within the bounds of the Makana municipality are at present underexploited by limited mining and quarrying activity. Very little value addition in the form of beneficiation, processing or introduction into various product value chains takes place in Makana.

Kaolin represents a local resource, providing opportunities and potential for economic growth, job creation and overall development enhancement in the Makana area. This benchmarking study report serves as part of the Makana municipality's response to this economic potential.

Policies that pertain to the advancement of mining activity are generally outside the ambit of local governmental planning scope and capacity. Policy is devolved from national (mainly DME and DTI) and provincial government. Strategic advocacy for the advancement of mining related activity is, at times, endorsed through documents such as IDPs (Integrated Development Plans) and LED (Local Economic Development) strategies. In this study, it was found that this approach was utilised by seven out of ten municipalities considered for the case study. The level of detail however, to which this prioritisation of mining was elaborated and articulated on was found to be generally low throughout all ten municipalities.

The benchmarking study will provide strategic guidance to the Makana municipality on how best to tap into the economic opportunities that are founded in the presence of these vast kaolin reserves. Mining and manufacturing linked to kaolin was previously identified as a growth pillar for the municipality's Local Economic Development endeavours and this project seeks to provide action-oriented guidance in that regard. It will be made up of the following steps, each related to a component deliverable for the Makana municipality:

- Value chain analysis
- Case study identification
- Analysis and strategic recommendations

The first section of the benchmarking study is the **value chain analysis**, which provides an informational baseline and status quo review of kaolin mining in Makana, and of the industry as a whole.

The second section is presented as the **case study identification**. This encompasses profiling, evaluation and selection of potential case studies. The final section of the study is made up of the **analysis and strategic recommendations** report. This final section is built upon the first two sections, and provide comprehensive recommendations for the Makana Municipality.

From the analysis contained within the strategic recommendations, the Makana municipality has been provided with actionable input on key issues, including:

- Identification of small-scale mining **best practices**.
- **Profiling** of, critical success factors, cross cutting issues and mitigating measures.
- Policy alignment for sustainable and inclusive sectoral development.
- Key lessons on **institutional configuration** and municipal governance- PPPs, SPVs, Private investors, etc.
- Stakeholder **roles and responsibilities** in the establishment, conception, establishment and operation of initiatives.
- **Leveraging** of resources and linkages to maximise economic benefits.
- **Strategic direction** for investment promotion.
- Funding **alternatives** and financing **options**.

The biggest unquantifiable benefit of this study remains the knowledge exchange and exposure gained by all stakeholders involved, especially the members of Mining Forum, the Councillors who form the Standing Committee (EDTH) in the value chain application and realised potential of minerals towards the socio-economic upliftment of various communities

CHAPTER 1: VALUE CHAIN ANALYSIS

This chapter will provide a background to Kaolin as an economic resource, contextualise activity in the Makana area and provide a review of relevant policies and research that will inform the benchmarking exercise. The chapter will be discussed under the following headings:

- Kaolin overview
- Contextualisation of Makana mining activity
- Strategic guidelines and Policy review

Background information on the nature and characteristics of kaolin will be provided in order to demonstrate possible value chain options for the Makana Kaolin reserves. The **Kaolin overview** will also provide background information from which a knowledge base for further analysis and recommendations in the benchmarking study may be interpreted and understood.

Mining in Makana will then be **contextualised** through a status quo profile of local activity. This will involve an assessment of existing research into the area's attributes and characteristics, as well as a general overview of the national industry. Trends and structural changes that may affect the nature of future local initiatives will also be discussed.

The **policy review** will look at the relevance of pertinent strategic guidelines to future initiatives in Makana. This will include possible alignment with national and international recommendations on sustainability in small-scale mining.

1.1 KAOLIN OVERVIEW

This section serves as an introduction to kaolin as a mineral resource, economic commodity and industrial input. The value of this section will thus be as a prologue to the case studies, benchmarking and recommendations. In order to benchmark and learn lessons from other mining initiatives, a basic understanding of kaolin is provided in this section.

1.1.1 PRODUCT DESCRIPTION AND USES

Kaolin is broad name for a range of clay-compound substances made up of kaolinite and several other minerals. As a compound, the composition of kaolinite, minerals and other substances varies from sample to sample. Depending on its chemical composition it presents as white to red in colour and has a soft, plastic nature.

Due to its geological attributes, it is found close to the ground surface and is extracted through open-cast mining methods. It is ranked as one of the top seven industrial minerals in the world (DME, 2005) and is thus used for a wide variety of purposes. Depending on its individual chemical characteristics and the extent to which it is processed, Kaolin is used as filler and input in the manufacture and production of several goods including:

- Ceramics
- Bricks
- Tiles
- Pottery
- Cement
- Paper
- Fibre glass
- Refractories *
- Plastic
- Pharmaceuticals
- Mineral wool
- Cosmetics
- Paint
- Rubber
- Industrial products
- Light bulbs
- Food additives
- Toothpaste

(Horan, 2007; DME, 2005; ECDC, 2008)

** A refractory material is a material that retains its strength at high temperatures, thus making them applicable for structures, or as components of systems, that are exposed to temperatures above 500 °C. Refractory materials are used in linings for furnaces, kilns, incinerators and reactors.*

1.1.2 KAOLIN VALUE CHAIN

The way in which kaolin is used in a wide range of industrial applications, is highly dependant on its chemical and physical properties, which means that potential industrial uses are linked to the deposit from which kaolin is extracted. This also has a bearing on the forms of milling, value addition, processing and beneficiation that can be applied to different types of kaolin. Key attributes that determine uses of kaolin include its:

(DME, 2005)

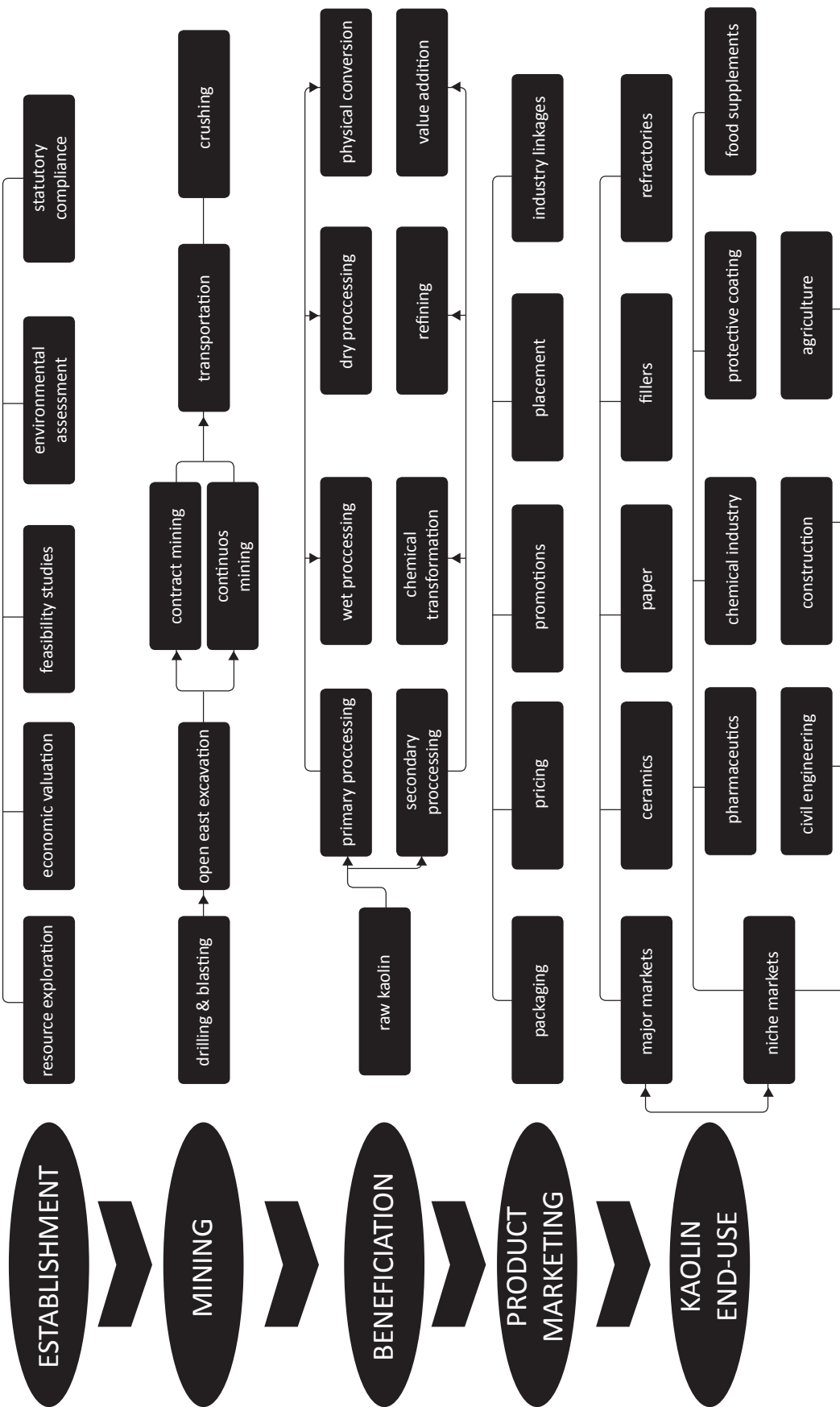
- Purity
- Plasticity
- Particle size, shape and distribution
- Colour
- Salt content
- Abrasiveness
- Texture
- Inertia over the pH range
- Residue %
- Oil and moisture absorption

The implication of these factors is that the range of product uses for kaolin from one deposit site may be very different to those of kaolin deposits located elsewhere. Similarly, processing technologies and transformation methods of kaolin are always based on the intended final use of the kaolin. Despite this specificity, a common industry flowchart can be modelled for the kaolin value chain. This is presented in Figure 1.

A value chain is defined as a sequence of target oriented steps taken in the production of goods or services. These steps include the goods' design, production and distribution as undertaken by a single firm or a range of firms in the same industry. A key consideration of the term is that at every stage, value is added through a combination of resources, manpower, raw materials, skills and other factors. They involve primary, secondary and tertiary sector activities, depending on the nature of the goods in question. A value chain is made up of activities directly related to the production of a good or service, as well as support or ancillary activities. (Porter, 1985)

For kaolin to be used in the production of paint, bricks, ceramics and other products it must go through several steps and processes, which in turn constitute its value chain. The value chain for kaolin presented in Figure 1 is based on the range of its applications.

Figure 1: Kaolin value chain



STEP 1 : ESTABLISHMENT

Before mining, several preliminary steps have to be undertaken in order to determine the nature and scope of mining activity that will take place. The quality of the deposits has to be ascertained, as this has a heavy bearing on all the other subsequent steps and sub-steps in the value chain. Mineral resource models are then crafted, to determine the possible profitability of a mining project. This includes feasibility studies, business plans, technology assessment and viability evaluations. Compliance with statutory and planning frameworks (including environmental impact considerations) must also be researched and undertaken.

Economic linkages

Requirements

A steering team made up of investors, professional and administrative staff must be created to handle project management issues. These deal with primary and secondary research that has to be undertaken as presented in Figure 1. Competency in planning endeavours of this nature is a key requirement, as is sufficient capacity in financial provision, management skills and general mining experience.

Opportunities

This step determines the final nature of an entity's involvement in the kaolin value chain. Through proper planning, linkages with various economic sectors can be forged. Opportunities for the creation of profitable and mutually beneficial relationships abound in stage of the value chain. Such relationships would include community involvement, local labour participation and cross-industry stakeholders.

STEP 2: MINING

The ground is first drilled and blasted in order to expose the underground deposits of kaolin for open-cast operations. The material is then taken out of the ground using excavators, front-end loaders and articulated dump trucks. Extraction of kaolin can take place on a continuous basis (if demand is sufficiently high) or in batches (based on contracts for delivery), as illustrated in Figure 1.

Economic linkages

Requirements

This stage of the production process involves semi-skilled machine operators and heavy duty transport equipment. Linkages with the local labour market and the transport and manufacturing sectors are thus possible at this initial stage of the value chain.

Opportunities

Opportunities for skilled employment and equipment maintenance contracts can be found in this part of the value chain. However, due to the scale of operations, these opportunities are limited in number. Furthermore, the extraction phase is largely capital intensive rather than labour intensive, which cuts down on the scope for employment creation.

Mining would ideally be undertaken on a continuous basis to increase throughput and capacity utilisation. This is because of the inherently unsecured and risky nature of contract based mining.

STEP 3: BENEFICIATION

Beneficiation takes place in two phases, the first is primary processing, which is followed by secondary processing. Not all kaolin goes through both phases of processing.

The first step of primary processing is the crushing of the mined material. After that, depending on its intended use and the properties of the kaolin mined, it may be processed through dry air flotation or wet sediments suspension methods. The latter method is used where high-grade kaolin is converted into high quality refined material. Wet processing is more expensive and complicated, but yields material with the highest value-added content. Dry processing is less capital intensive and does not change the nature of the kaolin by a vast amount.

Primary processing often occurs on the mining site to reduce transportation and other associated costs. Where inadequate market and economic infrastructure is present, the mined produce may be transported to other locations for primary processing.

Economic linkages

Requirements

This stage of the production process requires moderate levels of investment in the form of equipment, machinery and infrastructure (electricity and water), depending on the intended use of the kaolin, and the mode of transformation (wet or dry). Kaolin does not always go through all the steps presented in the primary processing stage of Figure 1, as they all correspond with various end-uses for the kaolin. That means that opportunities for activity will not always cover the entire range of primary processing steps

Opportunities

The transformation of kaolin from its crude form to packaged and usable kaolin creates employment opportunities for unskilled and semi-skilled labour. This entails operating the machinery and at times, carrying out the steps manually. The equipment and machinery used in this step is not highly specialised, which means barriers to entry are not prohibitive from a technical and financial perspective.

In the secondary phase of kaolin processing, it is refined through various value adding processes. These are based on the intended final use of the kaolin. The chemical and physical properties of the kaolin are manipulated and fine-tuned based the requirements of the end-user (industrial and retail clients).

Economic linkages

Requirements

This step involves capital intensive specialised equipment and machinery. The labour that is used at this stage is also trained in relatively specialised fields. This step is highly dependent on market requirements and the nature of processing undertaken in the previous step.

Opportunities

The technologies implemented in this stage are based on current industry trends. For revenue and market exposure to be maximised, linkages with dynamic emerging industries such as nano-science and pharmaceuticals are thus pivotal. This ensures that any market gaps are identified and exploited, through secondary processing value addition.

STEP 4: PRODUCT MARKETING

The kaolin product is then packaged in various forms, including powder, granules and noodles. Once again, this is based on market needs, and the various forms of primary and secondary processing undertaken. Kaolin can be packaged in these forms straight from the first step (mining), after primary processing, or after having gone through all three initial steps.

Economic linkages

Requirements

It is at this stage of the value chain, that the marketing and distribution function becomes important. This allows the different types of kaolin (raw, processed or refined) to reach the end-user. Marketing relates to the pricing, packaging and promotion of kaolin.

Opportunities

Linkages with mining, manufacturing and construction sector are important at this stage of the value chain. This is driven by technological progression and technical advances in product manufacturing techniques. Cluster based development that exploits and promotes resource sharing may also feature.

Backward linkages with producers and processors, and forward linkages with end-users are part of the opportunities to be created, explored, maximised and realised in this step. Backward linkages are the buying and purchasing relationships that kaolin users have with mines and processing enterprises. Forward linkages are the selling arrangements that mining and beneficiating entities have with kaolin-end users.

STEP 5 KAOLIN USE

Figure 1 shows how kaolin is used in large traditional markets and smaller niche markets. Its use is dependent on the first four steps of the value chain discussed above. Based on the value chain presented in Figure 1, it is clear that there are opportunities for kaolin use in multiple manufacturing processes.

Economic Linkages

Requirements

These linkages (and the resulting gaps) are often based on market, geographical, logistical, R&D, operational and other factors.

Opportunities

Economic linkages with various sectors are realised at this stage of the value chain. Most kaolin use is based on its chemical and physical properties, rather than its intrinsic value. Economic opportunities at this stage of the value chain will thus be largely driven by demand-driven research and development.

1.2 CONTEXTUALISATION OF MINING ACTIVITY

With an overview of kaolin, its uses and value chain having been provided in section 2.1, this section will provide a status quo of activity in Makana. This will involve looking at the nature and range of activity currently taking place there. It will place the Makana kaolin mining sector in the context of the range of possibilities profiled in section 2.1. A status quo assessment is useful in its ability to reveal:

- The current scope of activity in Makana.
- Defining characteristics and traits of the kaolin sector on a local, provincial and national level.
- Trends that have impacted and will have an impact on the economic fortunes of the sector.

1.2.1 KAOLIN MINING IN SOUTH AFRICA

On an international scale, South Africa is a small producer of kaolin, ranked 24th in the world and contributing 0.4% of global production. Large international producers include industrial powerhouses such as Australia, China, Brazil, France, Germany, UK and the USA. In 2004 South Africa produced approximately 82 kilo-tonnes (kt) of kaolin, importing 15kt and exporting 12kt. In 2004 the kaolin industry had a market capitalisation of R200m, and generated sales worth R49.5m. The industry was operating at 54% capacity.

Production levels have been steadily declining at an average rate of 10% from a peak of approximately 190kt in 1996, with the number of producers falling from 16 in 1990 to 6 to 2009. The decline in volumes has been partly driven by the following trends:

- International competition in both raw and processed kaolin.
- Cheap imports of kaolin based products (e.g. ceramics, tableware, etc).
- Substitution of kaolin driven by a technology change to synthetic materials.
- High inventory costs.
- Commodity price stagnation.
- Input cost inflation.
- Erosion of profit margins.
- End-user price inertia.
- A steep fall in demand for crude kaolin.
- Industry-wide contraction, consolidation and strategic repositioning.
(DME, 2005)

These trends have placed pressure on local producers to innovate in terms of research and development (R&D) initiatives. This is focused on ways to reduce market penetration by substitutes, find new uses for kaolin in various niche industrial processes, create strategic partnerships for product development and increase the value-added content of their produce.

The local kaolin industry does not feature prominently in international trade, because of its distance from major industrial hubs of the world (hence high transport costs) and the relatively low quality of its kaolin. This is cemented by the fact that only one of the local producers is certified by the ISO (International Organisation for Standardisation). This limits the scope for exports to other areas and means that exports are to emerging markets such as the Middle East, Africa and Latin and South America.

Imports into the country are driven by the demand for specially processed and refined kaolin, but local production techniques are currently not up to par. This includes dimensions of quality assurance, customer support and value-adding processing techniques

Section 2.1 profiled some of the many uses of kaolin in industry and other sectors. The major uses of kaolin in South African are presented in Table 2.1. Refractories presented the highest level of growth from 1990 to 2005 while the use of kaolin in paper production declined the most in this period.

Table 2.1: Major Kaolin uses in South Africa

Primary market	Percentage of total local kaolin demand
Paper	26.6%
Sanitary ware	23%
Tiles	10%
Refractories	9.7%
Fillers	7.6%
Pottery	5%
Glazes	3%
Other uses	15.1%

(DME, 2005)

In line with kaolin's wide range of applications, it is not possible to ascertain an accurate average price. This is because the price of kaolin is dependent on several varying factors including:

- Grade of kaolin (chemical and physical properties).
- Current prices of international imports and rand exchange rate.
- Volumes required (If kaolin is mined on a continuous basis or a contractual basis).
- Transport costs (rail vs. road).
- Value enhancement (exact level and method of processing).
- Functionality (intended use of kaolin).

An average price can be estimated, based on weighted production of crude, washed, and milled kaolin in South Africa. With due consideration of these factors, it emerges that the price of various kaolin types was largely stagnant when compared to cost inflation from 1990 to 2005. The average price of kaolin (excluding imports) changed from approximately R200/ton in 1990 to R350/ton in 2005. This increase of approximately 75% lagged behind aggregate producer price inflation (PPI) of approximately 84.3% during the same period. The implication of this is that production prices increased at a faster rate than the price which producers receive increased, thus their profit margins were eroded. (DME, 2005)

The country has vast kaolin deposits and local mining and production occurs in the following provinces and locations:

- North west province : Potchefstroom
- Gauteng: Bronkhorstspuit
- Western Cape: Albertina & Mossel Bay
- Eastern Cape: Grahamstown

Most of the producers (with the exception of Grahamstown) conduct various forms of processing at the same location where the raw kaolin is mined. Kaolin from Gauteng and the North West province is processed, milled and micronised at the mining site. Western Cape mines sell Kaolin to contracted millers and Grahamstown miners either ship material to Gauteng for processing, or sell it directly to end-customers, including brick manufacturers.

Nationally, there is a reserve base in excess of 100 million tonnes (Mt), while the currently active mines have a combined capacity of 35Mt, which is sufficient to last the country until 2105. (DME, 2005)

The kaolin industry employed 172 people in 2004. This represents a 43% decline from the number of people employed in 1991. This is a result of the declining national production of kaolin in the same period, coupled with cost-cutting exercises and increased mechanisation in production techniques. The average earnings per employee have increased by 12.1% year on year from 1991 to 2004, as a result of up-skilling. This up-skilling came about as a result of increased demand for trained and educated workers with technical know-how to process raw kaolin into various forms. (DME, 2005; EDC, 2007)

1.2.2 KAOLIN MINING IN MAKANA

Kaolin from Makana accounted for 27% (or 20kt) of national production in 2004. Grahamstown kaolin is typified by diverse geological characteristics, meaning that kaolin mined at one mine is often very different in mineral composition to kaolin mined from another mine in Grahamstown. This diversity is expressed through different particle sizes, variations in plasticity and colour. Most Makana kaolin is characterised by intermediate plasticity, which means it has good workability traits for use in ceramic and pottery applications. (Mintek, 2005)

The following companies currently undertake mining of kaolin:

- A.M. Moss
- East Cape Quarries
- Strowan Mining
- Cronsclay
- G&W Base & industrial minerals

Another organisation involved with locally produced kaolin is Makana Brick and Tile. It subcontracts extraction of kaolin to the above listed firms and stockpiles kaolin for use in its brick-making enterprise. Several small scale quarrying micro-operations are also currently running, but the scope of their activity is negligible.

The mining of kaolin in Makana is characterised by small to medium operations, in line with low national and global demand. The mining is not labour intensive, with each mine typically employing no more than 10 full time employees. The mining companies are owned by larger external organisations, which are typically engaged in a variety of activities beyond kaolin mining.

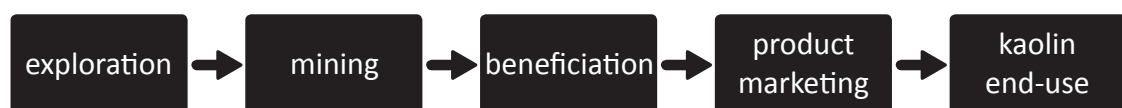
In 1990 Makana kaolin comprised 55% of national production and this had fallen to 27% by 2005. The reason is a fall in local production as a result of mine closures e.g. Krauss mine. This decline in production is also attributed to:

- Escalating transport costs to Gauteng (both rail and road modes of transport).
 - Closure and consolidation of local ceramic plants.
 - Increased supply of and competition from Chinese imports (as raw kaolin and finished articles).
- (ECDC, 2007)

The decline of kaolin production in Makana is in line with the national trend, which saw production peak in the mid-1990s and fall henceforth. Production of kaolin in Makana has stabilised since 2000, with the impacts of exogenous shocks such as currency fluctuations and demand decline having been internalised.

Makana Kaolin is extracted through open cast methods, with small scale operations that make use of bulldozers, front-end loaders and backhoes. Manual and mechanical separation of the material is undertaken, in line with the small-scale nature of the operation. No beneficiation is done on site, and the crude kaolin clay is sold to subsidiary companies as well as primary and secondary processors. Makana kaolin is thus sold in bulk raw form, to processing plants in Gauteng where it is milled, blended and bagged for application in various industrial processes. This is illustrated in Figure 2.

Figure 2: Makana Kaolin Value chain



Each of the arrows in Figure 2 represents a transition from one stage to the next. Each of these transitions is facilitated through some form of value addition. This value addition may take place in the form of processing, transformation or modification of the useful value of the kaolin, as was presented in Figure 1.

The first step between exploration and mining adds value to the entire project concept, as it defines the mining initiative's scope and determines profitability estimates. However, this is a one-off step and so the value that is created in this step cannot be replicated.

The step from mining to beneficiation does not have much scope for value addition. This is evidenced by the low prices of raw kaolin that have defined the local market from 1990 to the present date. It is at this stage of the value chain that Makana based enterprises take part in the value chain. The mined material is all beneficiated outside Makana, local enterprises play no further role in the Kaolin value-chain.

Most of the value addition (and hence the highest profit margins) occurs in the last three steps. It is through various beneficiation processes, product marketing and industrial uses that the economic value of kaolin is fully exploited.

As is evident from Figure 2, a significant amount of GGP loss is experienced in Makana through lost opportunities for kaolin value addition. This involves the opportunity cost of direct, indirect and induced economic benefits that the area is losing out on. Since milling, bagging and other forms of processing of kaolin occur in other areas, this represents lost income and employment that the Makana area is currently not capitalising on.

At present, the kaolin that is mined in the area is used as filler in paint, plastics and rubber, as a carrier in cosmetics and pharmaceuticals, animal feeds, fertilizers and pesticides and as a main constituent in ceramics, specifically refractories and heavy clay products. Research into Makana's kaolin deposits reveals that it could be used for the manufacture of whiteware, thin hollowware and pottery. This illustrates the diverse applications towards which Makana kaolin is and could be used. Despite waning demand, the fact that it finds its way into these product value chains shows its inherent potential. This potential is currently not being exploited, as shown in Figure 2.

This loss of value addition and earning potential is magnified by the fact that

- Makana is close to Rhodes University, which is involved in a range of research areas linked to the kaolin value chains.
- Makana is situated near to the Nelson Mandela Metropolitan University, which is a leading ceramics training institute.
- Makana is close to the industrial development zones in Port Elizabeth (Coega), and East London (ELIDZ) - (DME, 2005).

1.3 STRATEGIC GUIDELINES AND POLICY REVIEW

The first section of this chapter looked at potential uses for Kaolin through an exploration of its value chain. The second section examined what is currently going on in South Africa and in Makana. The third part will look at the strategic guidelines and policy regulations that will inform and shape any further mining initiatives in Makana.

Though not exhaustive, the guidelines and policies reviewed in this section will provide an overview of key provisions guiding any future initiatives. These will be analysed and applied to the strategic development policy documentation that makes up subsequent parts of the benchmarking study.

1.3.1 MINERAL RESOURCES AND PETROLEUM DEVELOPMENT ACT, 2002

The Mineral Resources and Petroleum Development Act (MRPDA) is the main piece of legislation that guides mining activity in South Africa. Its departure from previous legislation took the form of an abolition of private ownership of mineral rights and the introduction of a system of State grants for the right to prospect and mine. South Africa's mineral resources were thus placed under the state's custodianship. It also governs the regulatory environment for mining activity in South Africa.

The objectives of the MRPDA are stated as being to:

- Recognise the internationally accepted right of the State to exercise sovereignty over all the mineral and petroleum resources within South Africa.
- Promote equitable access to the nation's mineral and petroleum resources to all the people of South Africa.
- Substantially and meaningfully expand opportunities for historically disadvantaged persons, including women, to enter the mineral and petroleum industries and to benefit from the exploitation of the nation's mineral and petroleum resources.
- Ensure that the nation's mineral and petroleum resources are developed in an orderly and ecologically sustainable manner while promoting justifiable social and economic development.
- Ensure that holders of mining and production rights contribute towards the socio-economic development of areas in which they are operating.

Implications for Makana

- The MRPDA stipulates that any mining activity must be governed by an Environmental Management Programme. Such as report would clearly state the prospecting or mining method and associated activities, as well as how the negative environmental impacts will be managed and how the positive impacts will be maximised.
- Any mining initiatives in the local municipality will have to recognise the state's ultimate ownership of the kaolin resource to be mined, in addition to the municipality's stance on land ownership.
- Also related to the MRPDA is the Mining Health and Safety Act (MHSA), which stipulates employers' duties and obligations, as well as the rights accruing to workers.
(MRPDA, 2002)

1.3.2 BROAD BASED SOCIO-ECONOMIC EMPOWERMENT CHARTER FOR THE SOUTH AFRICAN MINING INDUSTRY

Also referred to as the mining charter, it recognises the historical economic exclusion of certain demographic groups and seeks to redress any resultant inequalities, through an expansion of opportunities. Its objective is to promote equitable access to the nation's mineral resources to all the people of South Africa. It was drafted as a response to the slow progress made with employment equity in the mining industry compared to other industries and addressed the national imperative of redressing historical and social inequalities as stated by the Constitution of the Republic of South Africa.

This is to be achieved through specific undertaking relating to:

- Human resource development
- Employment equity
- Migrant Labour
- Mine Community and Rural Development
- Housing and Living Conditions
- Procurement Ownership and Joint Ventures
- Beneficiation
- Exploration and Prospecting rights
- Financing Mechanisms

Implications for Makana:

- Regardless of the scale of operations, historically disadvantaged South Africans are to be prioritised in Makana.
- Such prioritisation is to be achieved through mining trusts, employee share ownership schemes, joint ventures and partnerships.
- The undertakings listed above will apply to any mining initiatives to be established in Makana. (Mining charter, 2002)

1.3.3 DME BENEFICIATION STRATEGY (Draft)

The Department of Minerals and Energy's (DME) beneficiation strategy has the objective of advancing "an orderly development of the country's mineral value chains in order to leverage benefit from inherent comparative and competitive advantages." It postulates the development of sector-specific strategies for each value chain and key action plans for downstream mineral beneficiation. Its stated objectives are to facilitate economic diversification, expedite progress towards a knowledge based economy and attain incremental GDP growth in mineral value addition per capita.

The vision is that the beneficiation strategy will advance local value addition in collaboration with existing government policies and strategies, such as the National Industrial Policy Framework (NIPF) and the Advanced Manufacturing Technology Strategy (AMTS). The beneficiation strategy is predicated on intensive coordination and close collaborative effort by the private and public sector, including particularly the Departments of Minerals and Energy, Trade and Industry, Science and Technology, Public Enterprises and Finance as well other stakeholders, including business and labour.

The beneficiation strategy is to be achieved through the following cross-cutting strategic actions:

- Infrastructure development
- Investment promotion & facilitation
- Skills development
- Enabling R&D environment
- R&D and technology

Implications for Makana:

- The beneficiation strategy's objectives of diversification, a knowledge based economy and increased GDP growth are all in line with the Makana area's LED vision and goals. The outcomes of this strategy is thus of pivotal importance to mining and economic development in Makana.
- Potential linkages with provincial industrial hubs such as Coega and the ELIDZ are to be realised through the beneficiation strategy.
- Linkages with higher learning and research institutions such as Rhodes University will also have an impact on how applicable the beneficiation strategy is to the Makana scenario.
- Any beneficiating mining initiative in Makana will need to be based on the area's comparative and competitive advantages as stated in the beneficiation strategy.
(DME, 2009a)

1.3.4 DME STRATEGIC FRAMEWORK FOR IMPLEMENTING SUSTAINABLE DEVELOPMENT IN THE SOUTH AFRICAN MINERALS SECTOR

The DME's strategic framework for implementing sustainable development in the South African minerals sector provides an overview of constraints that affect the long term sustainability of mining activity in the country. Sustainability in this case, relates to economic, social and environmental. Some of the issues that are identified as having an impact on the sustainability of mining activity include governance, biophysical constraints, the social sphere, climate change, small scale mining and gender balance.

The objectives of the sustainable development framework are to ensure that:

- Community empowerment, environmental and social rights are central and enduring tenets of the sector and that all those operating within the minerals sector earn a social license to do so.
- The minerals sector moves towards sustainable end states and principles so as to internalise negative costs and associated consequences.
- Align beneficiation strategies with appropriate national development objectives including poverty alleviation, small scale mining, environmental management and social upliftment.

The strategic framework has a section dedicated to small scale or artisanal mining. Although no single working definition of small scale mining transcends the sector, it can be categorised by the mine's reserve quantities, output volumes, capital investment and intensity, employment profile (productivity and numbers) and managerial structure. They thus range from subsistence operations to profit-driven financially viable entities.

With regards to small scale mining, the strategic framework characterises it as often poverty driven, seasonal and involving minimal machinery. Small scale mining in South Africa is frequently undertaken to supplement other economic activities such as agriculture, and is often done outside the legal framework for mining. The strategy estimates that only 30% of small scale miners in South Africa operate legally, which poses risks in terms of occupational health and safety, water and soil pollution, and environmental degradation.

The strategic framework recognises the role that small scale mining plays in poverty alleviation through employment creation and local economy stimulation. It proposes that a consistent and systematic approach to small scale mining development be adopted, so as to learn from the successes and failures of previous initiatives in South Africa. This will ensure that only viable mining activity be undertaken throughout the country.

Implications for Makana:

The strategic framework identifies the following issues as inhibiting the sustainability of small scale mining initiatives in South Africa. These issues are applicable and entirely relevant to any initiatives that will take place in Makana.

- Difficulty accessing finance.
- Regulation complexities.
- Procurement difficulties.
- Health & Living conditions.
- Lack of infrastructure to support small scale mining.
- Marketing constraints.
- Inadequate provision of partnerships with government and its allied agencies.
(DME, 2009b)

1.3.5 THE UN BERLIN GUIDELINES FOR MINING AND SUSTAINABLE DEVELOPMENT

The United Nations Berlin guidelines provide recommendations on how to engage in sustainable and responsible mining practices that promote sound environmental management and adequate community consultation and development. Although not a legally binding local policy, it provides a multilateral perspective to guide government in its role of developing regulatory frameworks for sustainable mining development.

It indicates that regulatory frameworks for sustainable mining activity may be expressed through mining law (e.g. covering resource audits and mine rehabilitation), environmental legislation (e.g. covering impact assessment studies and environmental management plans), other laws (relating to pollution and conservation of land water and air resources) and international conventions.

In terms of methods of implementing sustainable development principles, the Berlin guidelines provide several means through which this can be advanced, including:

- Performance targets
- Environmental management systems
- Economic instruments
- Prescriptive standards
- Binding agreements
- Corporate reporting
- Industry charters

With regards to small scale mining, the Berlin guidelines indicate that:

- An enabling mechanism or institution is required to smooth out all regulatory and legislative processes.
- Measures to enforce environmental protection and minimise degradation are needed.
- Viable and efficient financing and credit systems must be provided to ensure viability of all projects.
- Simple and effective marketing methods are required to increase producer access to commodity markets (national and international) and guarantee a fair price.

Implications for Makana:

- The full socio-economic impact of any mining initiatives will need to be explored, including social disruptions, health implications and the initiative's impact on the provision of basic public services.
- The distribution of economic benefits will need to include all stakeholders, and not just those directly involved with the initiative.
- Any small scale sustainable initiative will need to be founded on a culture of meaningful public participation and community involvement.
(Berlin Guidelines, 2002)

1.4 SYNTHESIS

This chapter serves as a baseline for the benchmarking study on municipal approaches to mining. The first part of the chapter provided an in-depth analysis of kaolin and its value chain. This was undertaken to provide insight on the economic potential that is inherent to kaolin.

The second part of this chapter contextualised activity in South Africa and in Makana. This provided a status quo of what is currently going on, and the opportunities and constraints that have a bearing on the sector's future fortunes.

The third part of this chapter looked at some of the legislative documents and strategic policies that have a bearing on mining in the Makana context. The relevance of each of these to the local situation was interrogated so as to bring out what is applicable in Makana.

The next part of this report will identify selection criteria for the benchmarking exercise. These criteria will be based on the several factors including:

- The range of possible activity in the value chain, and municipalities which have captured significant stages of their commodity value chains.
- The status quo of mining activity in Makana, and municipalities which currently have a similar profile in terms of their local mining activity.
- The strategic guidelines and policies reviewed in this section, and municipalities that have incorporated the recommendations of these guidelines and policies.

CHAPTER 2: CASE STUDY SELECTION REPORT

This report will provide brief profiles of various mining initiatives within South Africa. The purpose of this section is to provide a broad overview of some applicable mining initiatives that will inform the benchmarking exercise. The mining initiatives to be profiled all acknowledged some form of municipal involvement as a key stakeholder. This municipal involvement ranged from low to high and was characterised by different actions. From the initiatives profiled in this section, three will be selected for in-depth case study, so as to bring out relevant lessons for the Makana municipality.

The choice of the initiatives that will be profiled in this section is based on consultation with various sectoral experts, and applicability to Makana as brought out in the value chain analysis. Due to the unique characteristics of the Makana municipality, and of the kaolin mineral itself, not all initiatives to be profiled will be directly comparable in terms of scope, scale and historical development. Mining is a small sector within the Makana economic landscape and furthermore, kaolin is only extensively mined in South Africa by private sector interests.

The municipal profiles will all however, provide an informational basis from which extensive case studies may be undertaken in the next step. Each of the mining initiatives will be profiled in terms of:

- Locational characteristics.
- Economic contribution of mining.
- Scale of operations.
- Level of municipal involvement.
- Miscellaneous factors.
- Contact details.

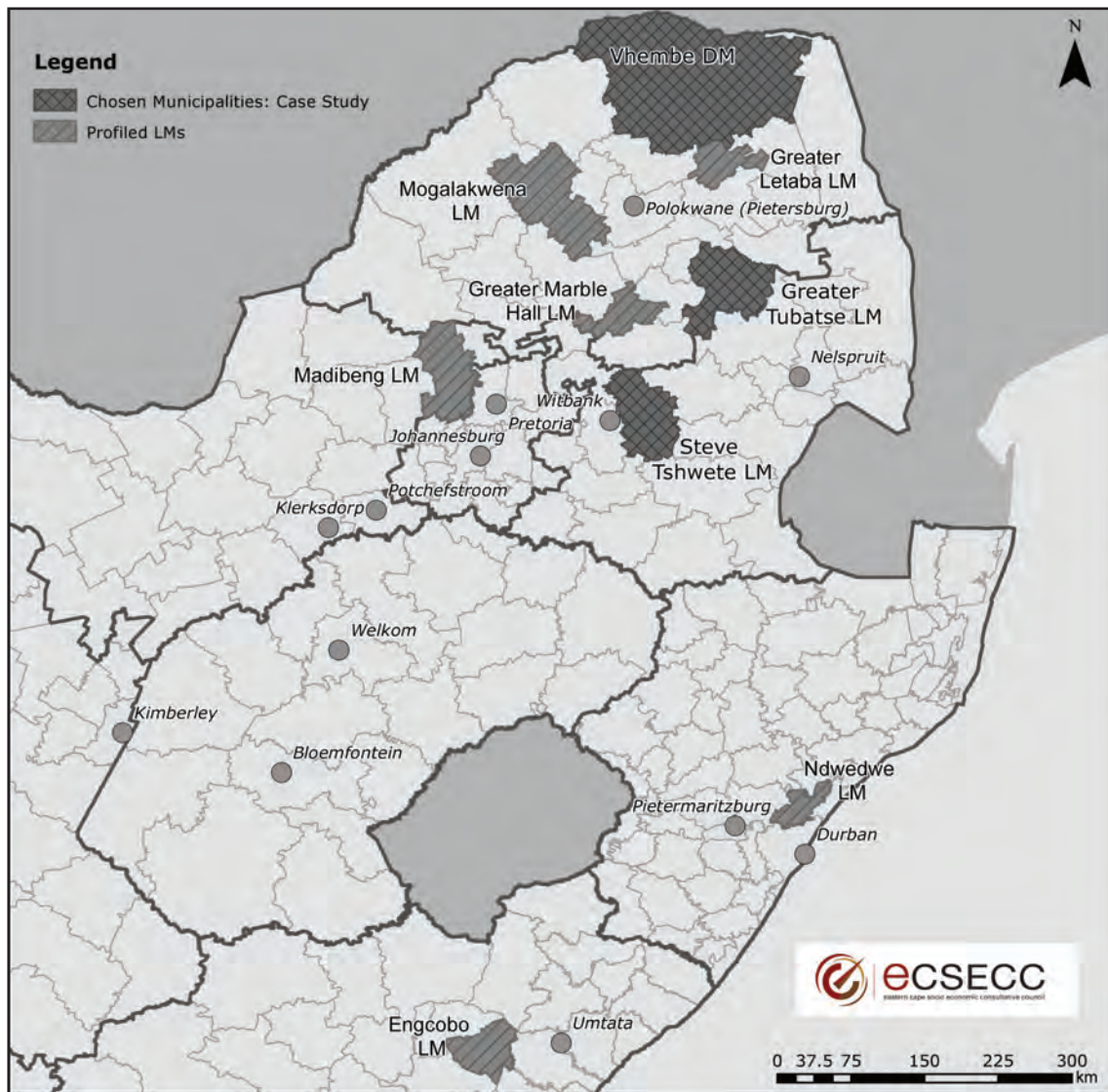
2.1 MUNICIPAL PROFILES

The municipalities to be considered in this report as potential case study subjects represent a broad spectrum of activity and are:

Emalahleni LM	- Coal
Steve Tshwete	- Coal
Ephraim Mogale LM	- Biomin/ Limestone
Greater Letaba LM	- Gold
Mogalakwena LM	- Dimension stone
Ndwedwe LM	- Kaolin
Vhembe DM	- Semi-precious stone
Engcobo LM	- Clay and Sand
Greater Tubatse LM	- Slate
Madibeng LM	- Stone and Granite

These are presented in Figure 1.

Figure 3: Location of municipalities profiled



2.1.1: Coal mining in Witbank: Emalahleni LM	
Locational characteristics	The Witbank-Highveld coalfield is found in the Emalahleni Local municipality. This is part of the Nkangala district municipality in the Mpumalanga province. All 22 collieries in the area are located within 40km of the town of Witbank It is a largely urbanised municipality with only 11% of the population living in rural areas.
Economic contribution of mining	Having been established in the late twentieth century around the Witbank area, the mining sector is the biggest contributor to the R19bn local economy at 33.5%. A further 23% of the LM's 76 755 working individuals are employed directly in the mining sector. Major industrial activities such as the manufacture of steel and metal products are found in the local coal value chain with entities such as Highveld Steel, Columbus Stainless and Vanadium and Ferrometals Limited. Several coal-fuelled power stations are also found within the area.
Scale of operations	The greater Witbank-Highveld coalfield produces 81% of saleable coal in South Africa with large scale operators including Ikhwezi colliery, Greenside colliery, Arthur Taylor opencast mine, Acolls-Kleinkopje Colliery and Anglo Coal Kleinkopje Colliery. Local production was approximately 100Mt in 2001.
Level of municipal involvement	Municipal involvement in the conceptualisation, establishment and propelling of mining activity is limited. Mining has traditionally and historically been a dominant feature in the local economy, driven by the private sector, market forces, industrial factors and government policies. Municipal involvement is thus restricted to oversight regarding the implications of mining activity on community livelihoods (bylaws, service delivery, enforcement of environmental quality standards etc.). In terms of institutional configuration, ownership of mining entities vests entirely with the private sector.
Miscellaneous factors	Ikhwezi colliery was established in 1997 and is run, owned and managed by Kuyasa Mining, the first black mining company in South Africa. This means that even though municipal involvement may be limited, lessons may be learnt regarding BEE and community involvement.

(Emalahleni IDP, 2008)

2.1.2: Coal mining in Middelburg: Steve Tshwete LM	
Locational characteristics	The Steve Tshwete LM is an amalgamation of former transitional local councils, including Middelburg, Mhluzi and Hendrina. The Steve Tshwete LM is part of the Nkangala district municipality in the Mpumalanga province. The area is part of the Maputo development corridor. Most of the coal deposits and thus most of the mining activity takes place near and around the town of Middelburg. The municipality is largely urbanized, with significant industrial capacity sustained by a natural resource-intensive development profile.
Economic contribution of mining	As part of the Maputo development corridor, mining in Middelburg contributes significantly to the local economy. This takes the form of employment creation on the mines, as well as value addition through manufacturing activity such as steel processing. In recognition of the importance of mining to the local economy, mining entities are directly involved in municipal development planning as members of the IDP PMS cluster.
Scale of operations	Several medium to large scale operators are found in the area including Exxaro Arnot Coal, Mafube Colliery, Optimum Coal, Shanduka Coal and Siyanda Coal. The area produced approximately 20Mt of coal in 2001. Mining has been declining in total and relative output, employment and GGP contributions to the local economy and as such, mining is not prioritised as a growth pillar in the municipality's Local Economic Development Plan.
Level of municipal involvement	The local municipality was instrumental in the opening of a mine and washing plant at Townlands colliery by Metorex. This mine was funded partly by the IDC and pays royalties to the local municipality for every tonne mined. The mine is wholly owned by private sector consortia and the municipality is not involved in operational or equity matters. The municipality is currently involved with the Mpumalanga Stainless Initiative. This is a beneficiation skills incubator founded in partnership with Eskom, Columbus steel, the DTI, SEDA and the Mpumalanga Department of Economic Development and Planning. The municipality was also influential in the establishment and development of a business linkage centre. This facility was created to provide SMMEs with marketing channels to access the buying departments of mining companies. Though not directly supporting mining SMMEs, it seeks to open up business opportunities for entrepreneurs. In terms of institutional arrangements relating to mining entities, the private sector takes a leading role, with the municipality focusing on channelling economic benefits to the local community.
Miscellaneous factors	A Small Scale Mining Committee exists under the chairmanship of the Regional Directorate of the National Department of Minerals and Energy (DME), with representation from the Mpumalanga Department of Agriculture, Conservation and Environment (DACE) the Provincial Department of Finance and Economic Affairs.

(Middelburg IDP, 2008; Middelburg LED Plan, 2006; SA Mining, 2007)

2.1.3: Biomin production : Ephraim Mogale LM	
Locational characteristics	Ephraim Mogale municipality is part of the Greater Sekhukhune district Municipality in the Limpopo province. Settlements in Ephraim Mogale are mostly rural in nature.
Economic contribution of mining	Mining makes a small contribution to the local economy, with irrigated agriculture providing for rural income generation. Mining activity within the LM mainly takes the form of limestone mining. The biomin production plant employed 22 people during its pilot phase. It is still at its inception stage but financial feasibility and economic viability for this small-scale endeavour has been established.
Scale of operations	Mintek and Lyttelton Dolomite have recently successfully piloted production in collaboration with the DME. Production of 40t per month is set to commence for sale to fertilizer manufacturer Afrifert.
Level of municipal involvement	The municipality played an integral role in the provision of institutional and infrastructural support. This involved human resource (to meet part of the project's initial staffing requirements), informational support (sharing and exchange of important local knowledge, facilitating effective communication) community engagement (setting up of meetings, compiling of database of potential stakeholders) and technical assistance (building facilities, office space, etc). In terms of institutional arrangements, the biomin production plant will be run through a PPP arrangement involving the DME.
Miscellaneous factors	Biomin is an agro-mineral used as an organic fertilizer. It is made from by-products from the mining of limestone and various biological waste products. By-products from the mining area's limestone mines are used to produce Biomin. It is a low-cost sustainable alternative that is being championed by Mintek's Small Scale Mining and Beneficiation Division.

(Mintek, 2009)

2.1.4: Gold mining and quarrying: Greater Letaba LM	
Locational characteristics	Greater Letaba municipality is part of the Mopani district in the Limpopo province. Found in the Eastern part of the province, the area has yielded at least 10t from seven small gold deposits. The mines are located close to the small town of Giyani.
Economic contribution of mining	Mining makes a small contribution to the local economy, with agriculture, forestry and tourism making larger GGP contributions. While the district relies heavily on the mining sector (40% of GGP), almost none of these resources are found in this LM with mining contributing towards only 2% of GGP.
Scale of operations	The mining takes place on a small scale.
Level of municipal involvement	The municipality is involved in providing operational support to small scale gold panners, stone crushers and quarry aggregate miners found in the area. Financial support is provided by the municipality through funding from the Limpopo Economic Development Enterprise, LIMDEV's subsidiary company: Corridor Mining Resources. The municipality also provides operational support through the facilitation of enterprise support, training opportunities and other related avenues. Direct support is provided at the Klein-Letaba mine for the exploitation of alluvial gold deposits. Additional support and involvement is provided on the district level from the Mopani district council.
Miscellaneous factors	n/a

(Mopane IDP, 2008; Council of Geoscience , 2007)

2.1.5: Dimension Stone in Bellevue: Mogalakwena LM	
Locational characteristics	The mining of dimension stone takes place at farms in the rural areas of Bakenberg, Klipplaatdrift, Leyden and Bellevue in Mogalakwena LM. The local municipality is located in the Waterberg District in the Limpopo Province.
Economic contribution of mining	Mining of dimension stone and subsequent processing into granite crusher aggregate makes a small contribution to the economy. Operations employ roughly 30 people, with production supplementing imported material for building and construction work. The mining sector as a whole makes a significant contribution to the local economy, as it falls under the Bushveld Mineral Complex, which contains rich ore deposits and reserves of Limestone, fluorspar, tin, coal, clay and platinum.
Scale of operations	Operations at Bellevue are small in nature, with maximum recorded output of 50 tonnes per month. However, this figure varies considerably from month to month as the operation is affected by various technical, planning and financial constraints.
Level of municipal involvement	Municipal involvement is minimal. The Bellevue quarry and stone crushing facility receives financial assistance from members of the local miners' forum, which is composed of large private sector entities. The role of the municipality in this enterprise is mostly supervisory, with locally based PDIs handling operational and managerial matters. The municipality is not involved in governance matters at other mining sites.
Miscellaneous factors	Clay that is mined in the area is used by Midway ceramics to make various products. A craft training centre for tourists is found in the area, as are professionally made products manufactured using coal from the local clay quarry.

(Mogalakwena LM, 2010)

2.1.6:Kaolin mining in rural Ndwedwe: Ndwedwe LM	
Locational characteristics	Mining takes place across several areas in the rural Ndwedwe area. Small scale open-pit excavation of Kaolin takes place at Coqweni, Nozandla and Appelsbosch. The Ndwedwe municipality is found in the iLembe district Municipality in the KZN province, approximately 20 km from the coast.
Economic contribution of mining	Mining makes a small contribution to the economy, with agriculture and government services featuring prominently in terms of employment contribution and income sources.
Scale of operations	130 to 220 artisanal miners are involved in the mining of raw kaolin in Ndwedwe. The actual number of people found at the mining site varies, depending on factors such as market conditions (dealer buying prices for Kaolin), weather (less people in the rainy season) and kaolin accessibility (mining is undertaken in underground pits). 10 people are involved with the processing of kaolin into refined clay that may be used in the production of ceramic goods. The processing and beneficiation factory does not run continuously, but relies on demand-derived batch production methods. The kaolin's high iron oxide content has proved problematic in several applications, limiting its use to ceramic pottery, and traditional usage (paint for huts, medicinal, etc).
Level of municipal involvement	No municipal involvement is received from the Ndwedwe municipality. The eThekweni Metropolitan municipality has however, provided assistance from its small businesses support department to miners that sell kaolin in Durban. Mining is carried out by local small scale miners. These act independently of each other and sell the mined kaolin to various dealers in Durban. As the need arises, mined kaolin is also sold to the processing factory for use in ceramic products.
Miscellaneous factors	Mintek does beneficiation of Kaolin and trained local artists and ceramicists undertake processing of kaolin into ceramic products. Operational capacity in the form of the beneficiation factory as well as training and mentorship was provided by Ticor South Africa minerals group, with financial assistance being sourced through SEDA. The Council for Geosciences and the DME's Small Scale Mining (SSM) directorate were lead partners application processes for the Ndwedwe mining licence.

(UKZN, 2007; Mintek, 2009; Ndwedwe LM, 2009)

2.1.7: Precious Stones in Musina: Vhembe DM	
Locational characteristics	The open-cast mining for precious stones takes place throughout the district at several sites. Several farms covering an area of 8 000 hectares. 20 kilometres west of Musina were designated to the miners by the District municipality. The Vhembe district is part of the Limpopo province.
Economic contribution of mining	Mining makes a very small contribution to the economy in the district. This small contribution has been declining over the years.
Scale of operations	The Vhembe District Colourstone Mining Co-operative runs operations. Production started off as just harvesting of raw, unprocessed semi-precious stones. The scale of operations has grown to include beneficiation through transformation into necklaces, trays, carvings and other such products. The cooperative has 12 permanent members, the bulk of which are women. At peak production, up to 40 people are involved in the mining and processing of the stones. Sales are focused on the domestic market in the form marketing avenues such as of curio shops, jewellery outlets and trade fairs.
Level of municipal involvement	The municipality provided the miners with land from which they could mine for semi-precious stones. 8 000 hectares of land on eight farms were provided in this regard. The municipality also provided R2 million in grants which allowed the establishment of the cooperative. The municipality also assisted the cooperative in the application process for getting exploration and mining rights, as well as providing other assistance.
Miscellaneous factors	Additional seed capital acquired from the Limpopo business support Agency (LIBSA) and the EU.

(Limpopo LED, 2008; VDCMC, 2009)

2.1.8: Clay and sand mining: Engcobo LM	
Locational characteristics	Sikhonanathi brick yard is used for the mining of sand and clay, as well as the manufacture of bricks in Engcobo Local municipality. It is located in the Chris Hani district of the Eastern Cape.
Economic contribution of mining	Brick making (and manufacturing as a whole) makes a negligible contribution to the local economy.
Scale of operations	The project directly employs 45 women.
Level of municipal involvement	The municipality was actively involved in lobbying the DME for sponsorship of the brick making project and entering into strategic partnerships. The municipality then provided land for the project and provided the sponsor (Lafarge cement) with relevant assistance (providing a list of potential needy beneficiaries, etc).
Miscellaneous factors	Financial and technical support is sourced solely from Lafarge.

(DME, 2008; Lafarge, 2009)

2.1.9: Slate mining in Kgautswane: Greater Tubatse LM	
Locational characteristics	Mining of slate takes place at Klipfontein Slate mine in Ohrigstad. The Greater Tubatse LM is found in the Sekhukhune district of Limpopo.
Economic contribution of mining	Mining is a major sector in the local economy, with platinum, chrome and silica predominating.
Scale of operations	The project is involved in the quarrying, cutting and polishing of slate for roofing, tiling and paving usage. The project is small to medium sized, employing approximately 30 women under the trading name of MJS women's civil enterprises.
Level of municipal involvement	The municipality was involved in the project inception through lobbying for funds from the DME and arranging for research into the viability of the project (feasibility studies done by SEDA). The municipality also has a supervisory role that relates to monitoring and evaluation of project success.
Miscellaneous factors	The municipality has faced resistance and challenges in the area of community engagement. These have had to do with public participation, communication, community interaction, project ownership and the involvement of traditional leaders.

(Greater Tubatse LM, 2010; DME, 2008)

2.1.10: Stone and Granite quarrying: Madibeng LM	
Locational characteristics	Mining for stone and granite occurs just outside the town of Brits. The municipality is located in the Bojanala Platinum district of the Northwest province.
Economic contribution of mining	Mining makes a significant contribution to the local economy, with platinum, chrome, stone, sand and granite mining being the predominant forms of activity. Mining-based manufacturing is also a significant contributor to the local economy with the mined stone sand and granite being used for the manufacture of glass, art and various industrial applications.
Scale of operations	Quarry mining in the area operates on a medium scale, with an estimated output of 30Mt per year and employment of several hundred people.
Level of municipal involvement	The municipality does not take any active part in the conceptualisation, establishment or running of any of the quarries or mining initiatives in the area. The municipality is however, involved in facilitating community involvement and ensuring local benefit is derived from mining operations through institutions of public private partnerships (PPPs), organising of skills acquisition and training exercises for local residents, as well as providing a platform for public consultation through community meetings and such similar activities.
Miscellaneous factors	n/a

(Madibeng Municipality, 2010)

2.2 EVALUATION OF POTENTIAL CASE STUDIES

All the information contained in the profiles above and from the preliminary research, is condensed in Table 1. This allows an evaluation of the different municipalities based on similar attributes and factors. Comparison of the municipalities will allow a fair and optimal choice of the most appropriate mining initiative for the Makana municipality to benchmark.

The criteria that was used to evaluate the various mining initiatives were as follows:

Type of mining operation: The scale of mining operations has an impact on the nature of mining initiatives with regards to capital investments, infrastructure requirements and other such factors. Given the characteristics of mining activity in Makana at present, as well as future prospects for the industry, case studies would thus ideally be made of small to medium scale operations.

Preliminary municipal involvement: A high level of municipal involvement in the planning and establishment of mining initiative is desirable in the context of this project. A significant portion of the recommendations to be made in the next report will involve municipal positions and actions that will lead to successful exploitation of kaolin in Makana. As such, various forms of municipal involvement in the inception of mining activity are deemed to be desirable in the final case study candidates.

Ongoing municipal involvement: Some of the municipalities played no part in the inception of mining activity in their localities, but are involved in some way at present. This may include advisory roles, monitoring the economic impact of mining activity or evaluating means to increase community benefit. A high level of involvement may provide lessons for the Makana municipality.

Municipal prioritisation of mining: The recognition of mining as a key or potential economic sector in binding planning documents such as IDPs and LED strategies serves as an indication of municipal prioritisation.

Institutional configuration: It is important to consider the institutional arrangements that govern and define mining initiatives within an area. Given the socio-economic characteristics of the Makana municipality, mining activity would ideally promote integrated stakeholder partnerships and community involvement. These could take the form of a PPP, SPV or private investor-led enterprise.

Dominant economic sector: The Makana municipality has a high concentration in primary and tertiary sector activity. Ideally, the case studies would involve municipalities with similar economies as this has implications on the employment creation potential and possible sectoral linkages of mining activity.

Value chain integration of mining: The level of value-adding activity that is incorporated within the bounds of the municipality will be a key determinant of the choice of case studies. A key output of the benchmarking exercise will be to ascertain how best to localize value-adding activity linked to the mining resource value chain.

Locational similarity to Makana: The development profile of each of the municipalities has a bearing on how applicable its experiences are to the Makana situation. In line with this, the rural-urban divide, settlement profile and other factors will act as indicators of how directly any comparison may be made between Makana and the municipality in question.

Table 2.1: Municipal Evaluation

Municipality	Evaluation criteria							
	Type of mining operation	Preliminary municipal involvement	Ongoing municipal involvement	Municipal prioritisation of mining	Institutional configuration	Dominant economic sectors	Value chain integration of mining	Locational similarity to Makana
Emalahleni LM	Coal: Large scale	Limited	Limited	Low	Private sector entities	Secondary Sector	High	High
Steve Tshwete LM	Coal: Large scale	Moderate	High	High	PPPs	Secondary Sector	High	Moderate
Marble Hall LM	Limestone & Biomin: Small-scale	Low	High	Low	Private sector community	Secondary sector	High	Moderate
Greater Letaba LM	Gold: Small-medium scale	Low	High	Low	Private sector community	Secondary sector	High	Moderate
Mogalakwena LM	Dimension stone: Small scale	Limited	Limited	High	Private sector	Primary sector	Moderate	Moderate
Ndwedwe LM	Kaolin: Medium	Limited	Limited	Low	Informal/artisanal	Primary sector	Low	Low
Vhembe DM	Semi-precious stone: Small-scale	High	Limited	Low	Co-operative	Secondary sector	Low	Low
Engcobo LM	Clay & sand: Small-scale	High	Limited	Low	Private sector community project	Primary sector	Moderate	Low
Greater Tubatse LM	Slate: Small-scale	Moderate	Moderate	High	Co-operative	Primary sector	Moderate	High
Madibeng LM	Granite: Medium-scale	Limited	Moderate	Low	Private sector	Primary sector	Moderate	High

2.3 RESULTS OF CASE STUDY EVALUATION

The following three municipalities were selected for in-depth case study engagement:

1. Ephraim Mogale LM

The Ephraim Mogale LM provides key lessons in the exploitation of a non-conventional resource through appropriate value adding activity that is anchored in the local economy's attributes, and yet offers scope for possible expansion. Furthermore, the initiative is in the early stages of the project life-cycle, which means that contemporary lessons for the Makana municipality may be present.

2. Vhembe DM

The Vhembe DM experience is informative in the role that various models of institutional arrangements and governance structures can be successfully applied. The initiative had a high level of municipal involvement in the beginning, which is something from which Makana can draw lessons.

3. Steve Tshwete LM

The Steve Tshwete LM has high levels of ongoing participation, which is slanted towards public involvement and the maximization of communal benefits. It also offers possible lessons in the area of the promotion of local value addition.

It is acknowledged that although these three municipalities best match the pre-selected criteria for benchmarking study, in-depth engagement may be hindered by a number of factors. These may include unwillingness by the municipalities to share information, time delays and scheduling constraints in the context of the broader project timeframes. As such, further municipalities were selected on the basis of:

- The possibility for low-level engagement through telephonic and written interviews and assessment.
- Opening up the option to use the three additional municipalities as back-up choices in case any of the three originally chosen were unable to fully participate in the benchmarking study.

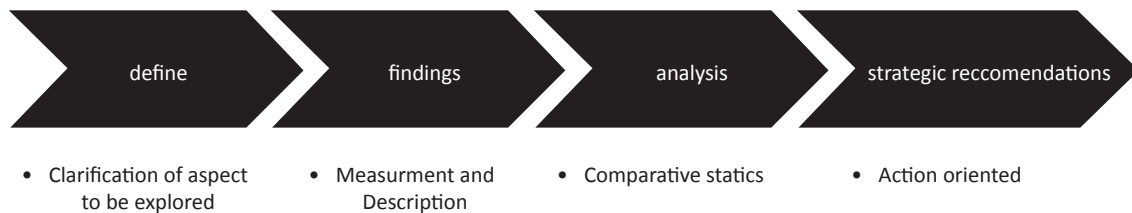
The municipalities that will be selected for contingency purposes were found to have ranked highly in the municipal evaluation exercise, and are:

- Mogalakwena LM
- Greater Tubatse LM
- Madibeng LM
- Greater Letaba LM

CHAPTER 3: ANALYSIS AND STRATEGIC RECOMMENDATIONS

The previous chapter of this report provided a high-level assessment and evaluation of several mining initiatives that feature various levels of municipal involvement. This chapter provides an analysis of the results from the benchmarking study subsequently undertaken. The chapter then proceeds to provide strategic recommendations for the Makana municipality based on identified best-practice approaches to local governmental activity in mining-related development.

Figure 4: Methodology used to develop recommendations



The analysis undertaken in this chapter and resultant recommendations are geared towards:

- Benchmarking of best practice actions, approaches and perspectives in small scale mining as applicable to Makana.
- Identification of key lessons, critical success factors, cross-cutting issues and mitigating measures for the sustainable and inclusive development of the kaolin resources in Makana based on best-practice benchmarks.
- Illuminating understanding of strategic focus areas relating to institutional capacity, governance arrangements, community engagement and economic linkages, inter alia.

This chapter will begin by outlining the conceptual framework that will be used to benchmark mining initiatives identified in the previous chapter. The second part will then provide the benchmarking exercise. The final part will provide a synopsis of the outcomes of this study.

3.1 CONCEPTUAL FRAMEWORK

The benchmarking study is undertaken in line with the methods of applied economic research (Lewis, 1979). This means that a holistic approach is adopted, which uses all relevant information in the pursuit of providing strategic guidelines to the Makana municipality.

This chapter is thus informed by systematic interpretation of the following preceding elements, which are to be assimilated into and presented as coherent recommendations:

1. The value chain analysis provided disciplinary knowledge in the area of sustainable approaches to mineral beneficiation, and subject matter knowledge on the kaolin industry.
2. From the profiles developed in the case study selection, insight on the key dimensions to be analysed was gained. These dimensions of analysis shaped the nature of the information collection tool.
3. Information collection tool, which is attached as an annexure, and caters to the problem-solving orientation of the overall benchmarking study.
4. Empirical findings as presented in the case study report, which is also attached as an annexure.

The conceptual framework from which this chapter is written is thus a combination of both descriptive and analytical research. Descriptive research will involve logical synthesis of the information collected, with the aim of identifying, observing, presenting and describing key characteristics of municipal involvement. Analytical research will involve critically establishing and charting the developmental route taken by both successful and unsuccessful initiatives to take them to their current state of being, as well as deriving applicable lessons for the Makana municipality.

Another building block of the conceptual framework that is employed in this chapter is Goldratt's Theory of constraints (1984), which is an analytical methodology that seeks to unite the current status quo, and the desired outcome by posing the following questions:

» **What to change?**

» **How to cause the change?**

» **What to change to?**

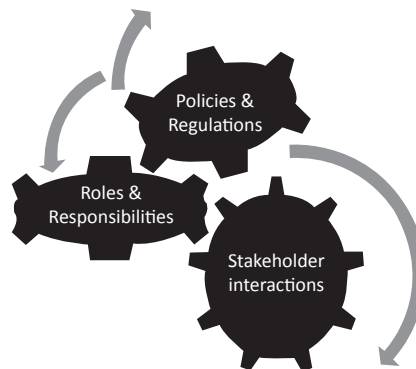
Responses to these questions, which would ultimately take the Makana municipality from its current state of mining development to achieving progress in fulfilling its potential, are based on adherence to the steps presented in Figure 3.

3.2 BENCHMARKING OUTCOMES

Benchmarking was undertaken based on case study visits, as described in the feedback report, which is attached as an annexure to this study, as well as supplementary telephonic interviews with various stakeholders. The benchmarking study is conducted in cognisance of key issues identified in the DME's Beneficiation strategy (2009), as well as DME guidelines on sustainable mineral sector development (2009). These and other documents reviewed in the first chapter provide direction in terms of key issues in the public sector - small scale mining - beneficiation nexus. It must be noted that the information provided is compiled from a combination of on-site visits, telephonic interviews and secondary material review. The benchmarking will be discussed under the subheadings of the information collection tool, namely:

1. Institutional arrangements
2. Community engagement
3. Funding and Operational matters
4. Value chain linkages

Figure 5: Institutional arrangements



3.2.1 INSTITUTIONAL ARRANGEMENTS

Definition

Institutional arrangements in this context refer to the policies, structures, rules and regulations that govern, shape and influence activity related to mining. Institutional arrangements under such a definition thus transcend individual organisational boundaries, and include local government, private sector entities and community interests. Institutional arrangements in the context of this benchmarking study are represented in Figure 3 and would thus encompass:

- Policies in place to promote, support the advancement of mining, mineral beneficiation and related SMME activity.
- Regulations and rules that are put in place with the intention of inducing a particular economic or social outcome.
- Demarcation of roles and responsibilities of involved stakeholders within the broader development arena, as this applies to mining related activity.
- Formal structures in place, including those of mining entities, and those that govern relations between primary and secondary actors involved with the mining entity.
- Partnerships, agreements, reporting structures, formal and informal relations that provide a platform for interface between structures, policies, and stakeholders.

Findings

The findings of the case study were as follows:

Policies that pertain to the advancement of mining activity are generally outside the ambit of local governmental planning scope and capacity. Policy is devolved from national (mainly DME and DTI) and provincial government. Strategic advocacy for the advancement of mining related activity is, however, endorsed through documents such as IDPs (Integrated Development Plans) and LED (Local Economic Development) strategies. It was found that this route was utilised by seven out of ten municipalities considered for the case study. However, the level of detail to which this prioritisation of mining was elaborated and articulated on was found to be generally low throughout all ten municipalities.

Regulations and rules relating to mining activity were also found to be in the realm of government above that of local municipalities. Local municipalities with significant mining activity taking place within their bounds did, however, have various by-laws meant to regulate externalities emanating from mining activity. Two of the three study tour municipalities (Ephraim Mogale and Steve Tshwete), did have rules and regulations that seek to align local procurement and SMME development with mining related activity.

Demarcation of roles and responsibilities was based on intrinsic local factors in each of the case study candidates.

1. The role of local government was found to differ in each case, as illustrated in the following examples:

- In Steve Tshwete, the municipality played an active role in driving development of municipal related activity such as the establishment of a business Linkage Centre, in facilitating development at the Townlands Colliery mine and in the launch of the Mpumalanga Stainless Incubator.
- In Ephraim Mogale, the municipality played a supportive role, which involved ensuring the social, economic and public environments were facilitative of inward investment.
- In Greater Letaba, the municipality had a passive role, with responsibility for most mining activity devolving to other entities such as the Mveki royal tribal council.
- In Vhembe district, the local and district-level municipalities facilitated the creation of an enabling environment, through their roles in provision of land and in lobbying for start-up capital.

2. The role of local communities as project champions, participants and beneficiaries was also found to be different in each case, with:

- Communities having no to low levels of involvement in the establishment of initiatives in Steve Tshwete and Ephraim Mogale municipalities, with local government and other stakeholders playing a leading role in this regard.
- In the Mogalakwena, Ndwedwe and Grater Tubatse municipalities, local communities were instrumental in conceptualising the nature of activity to be undertaken, organising themselves into working structures (cooperatives), and engaging with various stakeholders that provided additional support.

3. Other stakeholders were also found to be part of the various institutional configurations benchmarked, including the following forms of support:

- Business support and assistance in formalisation of activity and in meeting statutory and regulatory requirements - LIMDEV in Greater Letaba Municipality and LIBSA in Ephraim Mogale.
- Education and training for SMMs, to align mining activity with business opportunities for locals (Steve Tshwete Chamber of Commerce).
- Private sector entities as providers of funding and technical assistance (Lyttleton Dolomite in Ephraim Mogale, Lafarge in Engcobo).

4. Structures relating to mining activity took the following forms:

- Municipalities with significant mining activity (undertaken by the private sector) taking place within their areas had a multi-departmental approach to mining (including finance, infrastructure and corporate services functions), whilst all other municipalities devoted organisational capacity under their LED unit structures.
- Cooperatives were the dominant form of community organisation used as a means to partake in mining activity, with seven out of the ten case study candidates either having operational cooperatives, or expressing a desire to pursue this form of institutional arrangement.
- Interaction between different stakeholders was generally fragmented in areas where mining takes place on a small scale, with forums, trusts and other allied mutual associations only being present in three of the case study candidates.

5. Formal and informal partnerships were found to be a key component of institutional arrangements examined. Some of these partnerships included:

- Functional partnerships made with the objective of leveraging operational support (Mintek in Ephraim Mogale), facilitating participatory dialogue (Stakeholders in Steve Tshwete) and promoting wide-ranging community benefit (Madibeng municipality).
- Dormant or non-operational partnerships (Mveki Royal Tribal Council in Greater Letaba).

Analysis

The institutional arrangement in place reflects the specific developmental realities in the different case study locations, and arose as a result of:

- Historic development of the local economies, especially the importance of mining to the local economy.
- Socio-economic factors including the developmental status quo (skills levels, poverty rates), as it relates to community participation and involvement.
- Municipal organisation, capacity (in planning and implementation) and its chosen developmental thrusts.

The success of policies relating to the advancement of mining, and their implications on development is a direct function of:

- Municipal capacity to engage in applied research, that addresses opportunities realistically, the identification of mining as a key sector in IDPs and LED strategies is only one of several steps required in unlocking economic potential.
- Enforcement of procurement policies, through engagement with local public sector organisations and private sector entities is a predeterminant for policies and strategies to be translated into development 'on the ground.'

Roles played by local government arose from the historic importance of mining, municipal prioritisation of mining, and local capacity. Similarly, the role played by local communities is a function of perceptions surrounding developmental potential inherent in mining activity, and perceived accessibility of such potential. Roles played by other stakeholders are dependent upon the nature of local government and community stakeholder roles (actively promoting vs. passively inhibiting), and the level of results-oriented engagement between these three spheres of the development arena. In other words, responsiveness of a community to municipal involvement creates a necessary environment in which some of the roles and responsibilities linked to mining-based activity can be taken up by other stakeholders.

Two modes of structural 'best practice' can be identified from the institutional arrangements. Firstly, mining-related activity is primarily undertaken from the perspective of LED (as opposed to other functions such as community and social development). The unlocking of mining-related potential is thus consistently tasked to the LED function, which speaks to identified capacity requirements. Secondly, cooperatives emerge as the dominant formal structure used to advance mining activity in the communities studied. This is a result of a national governmental thrust (National Cooperatives Act No 14 of 2005), as well as their being an optimal and pragmatic vehicle for the advancement of community development.

The ubiquity of partnerships in the municipalities studied, is a result of their usefulness as a means of leveraging resources towards the achievement of goals. However, the true usefulness of partnerships is found in their ability to

promote development with discernible results. Reasons for the success of some partnerships and unfruitfulness of others include:

- Commitment levels of the organisations that enter into partnership.
- Level of coordination of activity.
- Ability of partner to provide benefits, stemming from their organisational mandate, partnership agreement and resource availability.

Recommendations

Based on the dimensions of institutional arrangements investigated, findings of the investigation, and analysis of the information at hand, the following recommendations are made for the development of kaolin potential in Makana as follows.

Strategic policy can prioritise kaolin related development in various forms including:

- Municipal procurement policies that support the local sector e.g. purchase of locally manufactured bricks in public sector construction activities.
- Use of municipal role as strategic partner in Grahamstown Arts Festival to support ceramic product marketing and development.

The role of the municipality should not be that of mining, beneficiating or marketing kaolin, whether directly or indirectly. The role of the municipality should take the form of:

- Facilitating investment (though assisting local groups with lobbying activities for funds).
- Supporting local groups through strategic policy, and other means such as provision of municipal land to be elaborated on later.
- Providing for the creation of a conducive and enabling environment for further growth by Trade and investment office of the LED directorate through actions such as engaging local business, exploring partnership possibilities, and existing linkages with organisations such as SEDA.

The role of the local community (as represented by the Makana Kaolin Forum), is to take active steps toward the development of the local kaolin sector. Responsibility for ultimate success or failure of a kaolin initiative must vest primarily with the community. This means that as much as assistance is to be received from various organisations, it is the responsibility of the local community to take the steps that will facilitate this happening. Financial, administrative and technical capacity will determine the ambit of roles that the community will be able to take in the beginning, but an overriding requirement is for the local community to take an active role in development of the sector through actions such as:

- Working with various organisations to lobby for assistance and establish partnerships with other stakeholders.
- Driving the development forward as a 'project champion.'

Kaolin related activity must continue to be pursued through the LED directorate of the Makana municipality and the local community should organise itself in the form of cooperatives. The nature of such cooperatives would ultimately depend on the scope of development envisaged and local factors, but essentially a cooperative is an optimal vehicle for kaolin development, given public sector support for cooperatives as seen through the recently established Imvaba Eastern Cape Provincial Cooperative Development Fund (Imvaba ECPCDF) and the Eastern Cape Provincial Cooperatives Development Strategy and Policy (2004). A water-tight cooperative agreement would need to be developed to ensure optimal performance, and continuity.

Partnerships must be explored and established with relevant stakeholders. Apart from funding organisations (which will be discussed at a later stage), Table 3.1 will present some groupings of stakeholders that have the potential to support kaolin development significantly in Makana.

Figure 6: Community Engagement



Table 3.1: Potential partners for Makana kaolin initiatives

Partnering stakeholder(s)	Value-adding proposition
Mintek – Small Scale Minerals Beneficiation Division	As a technical partner with industry-leading expertise on ceramic technologies and kaolin beneficiation, giving them a wealth of knowledge.
Local Kaolin Miners, including G&W Base Industries	As technical partners that have local knowledge of Makana kaolin deposits. As industry partners that are currently involved in beneficiation of kaolin. As operational partners, serving as potential suppliers of kaolin. As social partners, through their corporate social responsibility drives.
Provincial office of the DME	As a high-level partner for policy alignment and strategic guidance.
Cacadu district municipality	As a high-level partner for policy alignment and strategic guidance.
Training institutes such as SEDA, Centre for Entrepreneurship	Access to provision of 'soft-skills' such as business management to ensure survival of the cooperative.
Research oriented institutes such as Rhodes University and the Nelson Mandela Metropolitan University (Ceramics department), Department of Science & Technology	Research and development.
Local private sector representatives (in the construction industry and arts sector)	Potential marketing avenues, industrial linkages, and reciprocal business agreements.

3.2.2 COMMUNITY ENGAGEMENT

Definition

A key element of this research is to learn best practice lessons for community engagement. In the context of Makana this would involve all pertinent stakeholders, including aspiring small scale mining groupings, as well as their technical and strategic partners (such as the Makana municipality). It is intuitive that any model for community engagement will flow from and be intrinsically linked to the institutional arrangements discussed in the preceding section.

Community engagement in this section will be considered in terms of the expression of institutional arrangements through various dimensions as presented in Figure 4, including:

- The role of community participants and project champions in different stages of mining initiative development.
- Mobilisation of stakeholder social capital as an instrument of cooperative development through collective civic engagement.
- Participatory planning as a municipal vehicle for fostering community ownership and involvement.
- Means of distributing economic benefits and methods used to maximise community benefit linked to mining activity.

Findings

As revealed in the institutional arrangements, Community participants and project champions had different levels of involvement in the different stages of the initiatives' life cycles. In Steve Tshwete and Ephraim Mogale, community participation took a passive role, with minimal involvement in the establishment of the various initiatives. No project champions were found to have influenced the nature of the projects, and no clear internal leadership could be discerned in the ongoing day-to-day activities. In Greater Letaba, project champions operated from the public sector, in the form of tribal councils, providing leadership in driving the establishment of mining initiatives. In Vhembe local community members acted as initiators that drove the establishment stages forward. In Mogalakwena, once the initiative had been established, local PDIs (mainly youth and women) took on an active profile in the day to day operations of their quarrying operations.

In Steve Tshwete, social capital was mobilised through the local business chamber, which used its unified presence as a means of advancing corporate social responsibility. In Greater Letaba social capital was harnessed via the local tribal councils, which facilitated a bottom up approach to the development of their mineral resources. In Ephraim Mogale, cooperative action was assisted by the liaison function, performed by the municipality, bringing together the local community (through municipal ward structures), local business (Lyttleton Dolomite Mine and a local transport company), and external participants (Mintek). In Engcobo the social and labour plans of a private sector organisation (Lafarge cement) were used to match up market demand (for bricks), with local supply of social capital (women's organisations that had entered into various partnerships with local LED organisations).

In Steve Tshwete, participatory planning had not been used previously, however, plans were in place to establish institutional arrangements that would facilitate participatory planning with local business organisations (mining entities) and the public sector (DME). In Ephraim Mogale participatory planning did not play a role, as the project concept was grafted from outside the locality of the municipality, and not a locally conceptualised idea. In Greater Letaba, participatory planning was not utilised. This trend was found across the cross-section of municipalities considered for the cases study, with Madibeng being the only exception. In Madibeng it was found that public consultation meetings were used to solicit community input and secure buy-in.

With regards to the distribution and maximisation of economic benefits, this element of community engagement was generally found to be linked to the institutional arrangements in place, and in particular the formal structures in place.

1. With regard to distribution of economic benefits (including income, as well as inclusions into initiatives):

- In municipalities with significant mining activity, such as Steve Tshwete, the distribution of economic benefits was undertaken by structures outside the scope of community control, such as business chambers and through programmes such as Corporate Social Investments (CSI) and Social and Labour Plans (SLPs).
- In municipalities with smaller initiatives, distribution of benefits linked to mining was generally performed

internally, with cooperative structures tasked with the handling this function in seven out of the ten municipalities profiled. Cooperative incorporation agreements and constitutions are thus de facto determinants of internal distribution of economic benefits.

- Because of the small-scale nature of the mining initiatives considered in this study (so as to maintain comparability to the Makana municipality), no arrangements were found to be in place for wider distribution of economic benefits to the community at large in any of the municipalities profiled. Benefits either accrued to direct recipients of CSI and SLP programmes, or were shared by participants and members of cooperatives in place.
- Monitoring of cooperatives and their distribution of economic benefits was undertaken externally. In most municipalities this was done by the municipality, additional oversight in the distribution of economic benefits monitoring was done by LIBSA in Ephraim Mogale.

2. With regard to maximisation of economic benefits:

- Municipal units tasked with Local Economic Development were mandated to explore ways to maximise economic benefits from mining. The extent to which this was undertaken, ranged from nominal inclusion in LED plans and IDPs (in seven of the ten profiled municipalities), to action-oriented preferential procurement policies (in Steve Tshwete and Ephraim Mogale).

3. In terms of the identification of project participants and beneficiaries:

- In Ephraim Mogale and Greater Tubatse the municipalities played an active part in the identification of project participants, who would ultimately become beneficiaries.
- In Greater Letaba, this function was performed by the Mveki royal tribal council, while in Madibeng this function was done by local community groups.
- In all the other municipalities profiled, self organisation by cooperative members was the means by which selection of participants and beneficiaries was undertaken.

Direct socio-economic impacts from the mining initiatives were not directly ascertainable, given the different dimensions and configurations of community engagement measured in this section. Reliable statistics on the impact of initiatives on indicators such as employment and income were not available.

Analysis

The role of community participants and project champions was shown to be closely related to the institutional arrangements in place, as well as other factors such as:

- Level of proactive behaviour by the local municipality and its role in facilitating development. Active roles were synonymous with receptivity to inward investment (high in Ephraim Mogale), quality of engagements with local community (low in Greater Letaba) and the general state of relations between local government and the local community (Greater Tubatse). Community engagement was best when the role of the municipality was moderate, neither too active nor passive.
- Knowledge by local residents of potential development options and levels of impetus in working towards this influenced the ability of a project champion to rise up and drive progress within the initiative.
- Complexity of the initiative in terms of technical requirements, capital funding needs, etc. In those initiatives where local communities could engage with the project's outcomes on an intimate level (Vhembe district, Mogalakwena), local participants played an active role, which ultimately led to a high and meaningful level of community engagement. In areas where the project concept was imposed on the communities with minimal communication, community engagement was limited.

It emerges that social capital is an element that may be harnessed in different ways, depending on the 'low hanging fruit' of existing or possible relationships, alliances, structures and partnerships. This may involve engagement with the private sector (Steve Tshwete), the public sector (Greater Letaba), the community (Engcobo), or a combination of these (Ephraim Mogale). The harnessing of such social capital then depends on the availability of locally relevant mechanisms that can ensure institutional collaboration, and coordinate their efforts in an integrated manner. In Engcobo this took the form of a social and labour plan, whilst in Ephraim Mogale this was done through the municipality's liaison function. Civic engagement thus emerges as being closely linked to the institutional arrangements in place.

Participatory planning was recognised by interviewees as an important approach to community engagement. However, despite this acknowledgement, only Madibeng had consistently used participatory planning in its activities related to mining endeavours, achieving this through public consultation meetings. The degree to which participatory planning is used has implications on the level of local 'ownership' of initiatives. In Greater Tubatse, challenges encountered in terms of community engagement, ownership and resistance were attributed to low levels of participatory planning. However, as much as such a relationship may be inferred to apply in all areas profiled, this was not measured in this study as interviews with project participants and beneficiaries were unfortunately not possible.

When the distribution and maximisation of economic benefits is interrogated, it emerges that:

- Distribution of economic benefits was dependant on the scale of operations, and the institutional arrangements. However, internal cooperative structures were utilised in most cases, because of their in-built administrative simplicity (which aligns well with the typical scale of operations) and governance transparency (which aligns well with financial auditing requirements for initiatives that have some public sector involvement).
- Maximisation of economic benefits is best undertaken in the domain of municipal planning, as they have capacity to consider all societal requirements and economic linkages from an integrated perspective.
- Beneficiary identification was undertaken by municipalities in instances where the concept of the initiative did not originate from within the community. Where the concept did come from the community, and where adequate social capital was there, identification of beneficiaries and participants was done by relevant principal stakeholders of the mining initiative.

Best practice, in terms of community engagement, consists of municipal impetus when the need arises, with emergent community-based organisation otherwise functioning as an optimal default option.

Recommendations

Poorly defined or understood boundaries of institutional responsibility and accountability compromise effective community engagement. Only when institutional responsibilities are clear and broadly accepted can governance structures guide cooperative development of kaolin in Makana. Based on the dimensions of community engagement scrutinised, results of the investigation and appraisal of the information at hand, the following recommendations are made for the development of kaolin potential in Makana:

- Regarding the role of community participants in driving different stages of development and the role of project champions, the role of local mining groups as introduced in section 3.2.1 is to be reiterated, with:
- High levels of advocacy by the Makana Mining Forum, marketing, highlighting and promoting the virtues of the kaolin initiative to all relevant stakeholders
- Roadblock removal by the Kaolin Trust. Given the individual backgrounds, competencies and capacities of the trust's members, and the combined impact that their efforts could have on barrier removal, the Kaolin Trust has a pivotal role to play in influencing the initiative's ultimate success. This may involve acting as a repository of multidisciplinary knowledge, disseminating information or merely endorsing the project as a collective.
- For these two roles to be successfully carried out, stakeholder analysis will be required. This will involve mapping and consulting with stakeholders to determine their level of interest in the kaolin initiative, and how much they might like to be involved. This will aid in understanding differences between those who wish to be involved in consultative or participatory ways.
- Once agreement and clarity is reached on all three issues, a competencies audit will help to determine the attributes of the existing Kaolin Trust and Kaolin Mining Forum, as well as those of a cooperative that may be established in response to the recommendations of this report. From this competencies audit, a better understanding of what each stakeholder 'brings to the table' in terms of skills, knowledge and understanding will be gained.
- From each of these organisations (Kaolin Trust, Mining Forum and cooperative), the emergence of project champions must be encouraged. Project champions will be beneficial in their ability to rally support, influence decision making, and be proactive in driving development of the initiative and build solid relations with relevant parties.

In the area of mobilising social capital:

- Social capital related to kaolin potential in Makana already exists, in the form of widespread public awareness, and organisations such as the members of the Kaolin Miners Forum. Social capital within members of the Kaolin Forum must be streamlined, so as to create unity of purpose, reduce infighting and improve internal dynamics.
- Partnerships as discussed in section 3.2.1 must be used, drawing on the strengths of all partners to foster constructive working relationships. These should capitalise of partner's core skills ability, and align with their individual strategic objectives and developmental priorities. An example of a potential partnership in this regard would be a training agreement with Makana Brick and Tile, whereby their strategic objective of an increased public profile would build on their core competency (manufacturing using beneficiated kaolin), for the benefit of the kaolin initiative.

In terms of participatory planning, the municipality must:

- Postulate and clarify its political and strategic position on the issue of kaolin development in Makana.
- Facilitate good communication (consultative and participatory) between all stakeholders, so as to keep all participants 'in the loop' and reduce chances of claims of exclusion in decision making or being bypassed by certain processes.
- For the above to happen, there must be agreement on communication arrangements, informed by the stakeholder analysis and competencies audit.

It is proposed that a cooperative be established for the facilitation of community engagement in the area of distribution of economic benefits. A cooperative would allow an inclusive approach to distribution of economic benefits, amongst other benefits.

The gap that was revealed in terms of measurement of socio-economic impacts of mining initiatives may represent an opportunity for the Makana municipality. Once the initiative is running, an economic impact assessment could be undertaken to inform potential investors on quantitative changes that the Makana kaolin initiative will bring about.

3.2.3 FUNDING AND OPERATIONAL MATTERS

Definition

Among the objectives of this study is an exploration of the effectiveness of financing options, as well as operational matters linked to the actual running of mining related initiatives. As important as institutional arrangements and community engagement may be, this report adopts a holistic and pragmatic approach to the development of mining related initiatives. As such, practicalities related to the funding, implementation and day to day activities of initiatives will also be considered. This section will consider the following elements:

- Sources of finance and funding.
- Investment: incentives, promotion and attraction.
- Provision of land, mining rights.
- Role of technical service providers and partners, including the municipality.

Findings

In terms of the funding of initiatives, the case study tour and municipal profiles revealed the following set of arrangements:

1. Funding sources:

- Private sector funding was used in Mogalakwena (through a local miners' forum) and Engcobo (Lafarge cement).
- Public sector funding was used in Ephraim Mogale (Mintek, Department of Science and Technology), Vhembe district (originating from the EU) and Greater Tubatse (DME, SEDA).
- A combination of private and public sector funding was used in Steve Tshwete (Business chamber and SEDA), Ndwedwe (Ticor South Africa Mineral group and SEDA).

2. This funding was used to a variety of purposes including:

- Research in the form of a feasibility study (Greater Tubatse) and a pilot study and a business plan (Ephraim Mogale).
- The training of participants in business management (Steve Tshwete).
- The provision of plant and machinery (Ndwedwe, Engcobo, Greater Tubatse),
- Start-up capital for initial overheads and sunk costs (Vhembe).
- Training of participants in beneficiation methods (Mogalakwena).

In order for the funds discussed in the section above to have been made available, various actions to attract investment or access funding were taken by different role-players. Among these, it was found that:

1. Municipal lobbying and campaigning for funds from various sources on behalf of intended project participants played a large role, that led to:

- The DME either allocating funds from its own budgets for government support schemes (Greater Tubatse), or finding a company to sponsor a project (Engcobo).
- SEDA providing funding for training and research activity linked to the mining initiatives (Greater Tubatse).
- Donor funding, such as in the form of EU funds used in Vhembe.

2. No investment incentive schemes linked to mining or manufacturing activity were in place in any of the municipalities profiled.

3. Loan provision by private sector financial intermediaries such as banks did not feature in any of the municipalities.

Small scale mining is governed by the same regulatory and operational frameworks as large mines.

1. In the areas of mining rights and land provision and health and safety, mining rights were found to take the following forms:

- Direct ownership of mining rights was the case in Vhembe, through municipal assistance to the cooperative.
- Indirect ownership of mining rights was applied in Ndwedwe, where a trust was established and appointed as custodian of the kaolin mineral resources, with intervention from the Council for Geosciences and the DME's Small Scale Mining (SSM) directorate.
- In other cases such as Greater Tubatse and Mogalakwena, the participants did not own mineral rights, but were allowed to extract mineral resources from existing mines owned by private sector entities.
- Some of the initiatives like those in Ephraim Mogale and Engcobo do not mine the resources themselves, but use material mined by private sector entities in the manufacture of different products. In such cases, ownership of mining rights was not necessary.

2. In the area of land provision, seven out of the ten municipalities profiled provided assistance to local community groups in the form of land, with the only exceptions being Emalahleni (where no community activity was taking place) and Ndwedwe and Mogalakwena, where community initiatives operated on the sites of their private sector partners.

3. No information was compiled in the area of health and safety. However, verbal assurance was made by interviewed municipal officials that relevant legal statutes are adhered to.

Another element that was examined is the level of technical assistance that mining groups received from different organisations:

- Municipal assistance was generally provided in the form of minimal infrastructure upgrades (servicing of sites for power connections, reticulated water services etc.) as needed.
- Broader public sector technical assistance in the area of beneficiation training was provided by Mintek.
- Private sector assistance in the form of external service providers, technical consultant and equipment provision was rendered in only in the beginning of some initiatives (Mogalakwena and Engcobo). Once the initiatives became operational, no further assistance from these partners was rendered. Private sector assistance for going concerns (e.g. repair of machinery) was thus generally provided on a market basis.

Analysis

A combination of private and public sector funding was used by the municipalities profiled. The source of funding utilised was linked to the economic profiles of the municipalities involved. However, a general trend was high reliance on public sector funding for municipalities with relatively small mining sectors. Most of the funding was provided in the initial stages of operation, in which research had to be undertaken, and start-up capital was required. The implication of this is that funding for ongoing concerns is very limited, which raises the issue of the financial viability and economic feasibility of initiatives. Training in working capital management thus becomes a necessity for the long term survival of any initiatives.

The role of municipalities in lobbying for funds is pivotal in the facilitation of inward investment. Municipalities thus played a pivotal intermediary role in linking local beneficiaries with public and private sector funding. A significant amount of the funds originated from the DME, and SEDA, with donor organisations playing a marginal role. Direct lobbying of such funds was found to be the most successful means of attracting investment, as municipal driven investment incentive schemes and private sector financial institutions did not have a positive impact on funding levels for mining initiatives.

Another key role emerges from this section, with municipal provision of land and other forms of technical assistance featuring in a majority of the municipalities profiled. The limited role of external service provision raises the importance of ensuring that mining initiatives be linked to local competencies in terms of availability of management, technological accessibility and community capacity.

Recommendations

In order to maximise access to funding, the following sources of finance should be engaged with:

- New Africa mining fund
- Khula enterprise finance
- Anglo Khula fund
- Development Bank of Southern Africa
- Zimele investments
- National empowerment fund
- DTI Emerging Entrepreneur Scheme
- DTI Skills Support Programme
- DTI Small and Medium Enterprise Development Programme
- ECDC
- DME

Brief descriptions of their mandates and areas of expertise are presented as an annexure to this benchmarking study. All the sources presented above are catered to the needs of small scale mining initiatives, originating from the public sector. It is envisaged that the municipality would take an active role in lobbying for these funds in the inception stages. However, once start-up capital has been secured, it would be expected that the municipality would cede its role of lobbying for funding to the mining forum. Similarly, working capital for day-to-day operations would be managed by the mining forum, which would be responsible for ensuring adequate finances are made available for the cooperative's long term sustainability. However, the Makana mining forum must also undertake any necessary background work that will allow such a process to happen without any impediments.

Additional support for the mining initiative in the form of land provision (if necessary) would also put Makana on par with other municipalities. Application for mining rights should not be prioritised in the short term, given the limited resources. This is because prevailing market conditions mean that it would not be economical for the Makana mining forum to engage in mining, and should rather concentrate on beneficiating of material, and allied manufacturing activities.

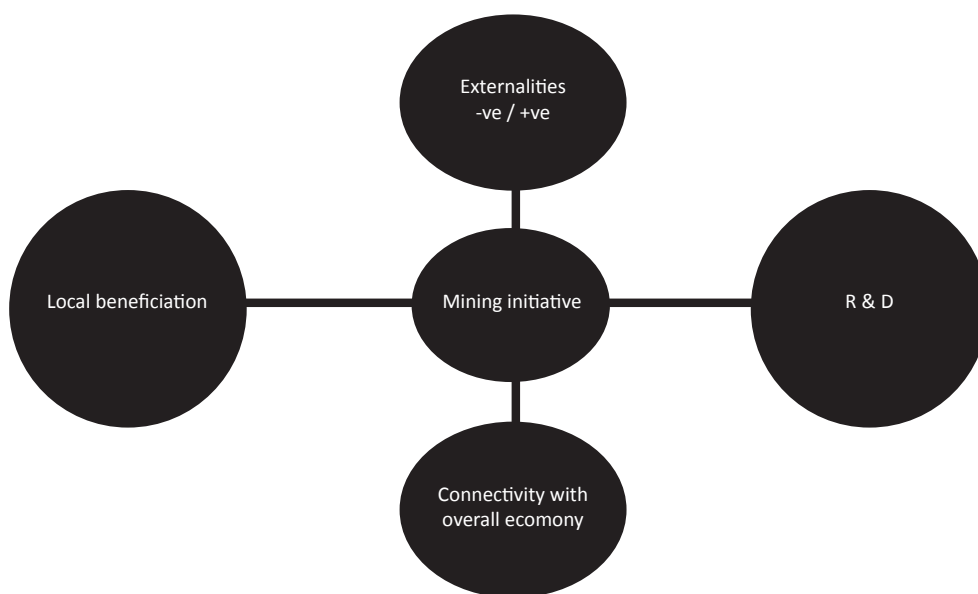
3.2.4 VALUE CHAIN LINKAGES

Definition

The first chapter of this report discussed the need for kaolin value chain maximisation in Makana. From the first chapter it emerged that where currently only extraction of kaolin takes place in Makana, there exist economically significant opportunities for growth and development through exploration and expansion of the local kaolin value chain. The aspects of value chain linkage that were considered in the benchmarking study are presented in Figure 3.4.

- Extent of local beneficiation.
- Degree of linkages with overall local economy.
- Research and development.
- Externalities related to initiative.

Figure 7: Value chain linkages



Findings

According to their envisaged *modi operandi*, the initiatives profiled focused either on:

- Solely on mining of mineral resources (Madibeng, Greater Letaba).
- Only in beneficiating of material (Ephraim Mogale, Steve Tshwete).
- Both forms of activity (Greater Tubatse, Engcobo, Vhembe, Ndwedwe and Mogalakwena).

All the value adding activity generally involved low levels of capital intensity, simple technologies, and relatively unskilled-labour demanding production techniques linked to mining activity and resources in the region.

In terms of connectivity with the overall economy through linkages with local businesses, and the local municipality (as expressed in its procurement policies), this study looked for linkages beyond the conventional primary market, and into secondary markets. A measure of the quality of linkages is in their ability to transcend traditional market delineations and forge meaningful connections across sectors.

1. In terms of linkages with the private sector:

- In Steve Tshwete, beneficiated products were offered in primary markets (construction sector) as well as secondary markets (manufacturing, agriculture and retail trade sectors).
- The other six municipalities involved in the beneficiating of mineral resources had not managed to forge links with secondary markets, and thus achieve a level of connectivity with the overall economy.
- The municipalities profiled did manage to forge links with primary markets e.g. a brick making initiative selling its clay bricks to construction companies in the area
- Partnerships with private sector organisations were leveraged to promote success of some initiatives (Sasol in Steve Tshwete).

2. In terms of linking up with the public sector, although the institutional arrangements section revealed that two municipalities had procurement policies in place to support mining initiatives, in Steve Tshwete these only applied to local businesses, and in Ephraim Mogale they were not being implemented in terms of municipal procurement policies.

Research and product development into alternate uses of the goods was undertaken informally and often occurred haphazardly (Steve Tshwete, Vhembe). This means that product variations, alterations or modifications were often not informed by traditional market research, but rather by 'gut-feel' and entrepreneurial exploration. Marketing was

generally done on a small scale, with exceptions in Steve Tshwete and Vhembe, where marketing was a key driver of the initiatives' activity. This means that most initiatives targeted only local markets, and utilised limited marketing channels. In Steve Tshwete and Vhembe, target markets were national, with marketing channels such as the Internet and trade fairs being used.

Beyond economic benefits, it is informative to consider the total positive and negative external effects arising from mining initiatives. This element looks at the influence that initiatives have had on other spheres of local socio-economic development. In all the initiatives profiled, it was found that benefits were all internalised, meaning that improvements in income, skill levels etc. All benefits accrued primarily to project participants and beneficiaries. Apart from nominal improvement in local economies from these factors, other businesses and individuals did not benefit from any significant spill-over effects.

Analysis

The decision to engage in different combinations of activity (mining, beneficiating, or both) was influenced by factors both within and outside the control of participant groups. These factors included capacity and constraints in the fields of:

- Awareness of existence of opportunities.
- Ambition and motivation.
- Funding.
- De facto project champion.
- Technical knowhow.
- Marketing.
- Supportive institutional arrangements.

Where beneficiation did take place, it was found to be aligned with local competencies, and reflect local constraints. This means that the beneficiating activity profiled was generally found to match each area's existing potential with identified opportunity. Required labour and skills were thus available, or easily importable, production scales were in line with prevailing infrastructure capacity, inputs linked to existing activity and markets based on realistic assumptions.

Linkages with primary markets were adequate, with business propositions being based on local activity and local markets (with the exception of Vhembe). This reflects a general tendency to be risk averse. Linkages with secondary markets were generally found to be low. This reflects low levels of product development and marketing in the initiatives profiled, which minimises chances of creating secondary market linkages.

Linkages with partners, especially local municipalities were low in terms of preferential buying practices that would favour or promote procurement from local initiatives.

Recommendations

Value addition must be anchored in local competencies and build on local strengths. The final beneficiation development concept must be in line with local factors. It must account for locally available skills (within the Mining Forum, Kaolin Trust, and any cooperatives that are to be formed) and local market requirements. A balance must then be struck in the marketing mix between local markets (e.g. Demand for R.D.P. housing, pottery sales at the Grahamstown Arts Festival), and 'secondary' markets (e.g. bespoke tableware, mass retail ceramics, environmentally friendly soap from kaolin, etc).

Similarly, the development concept must take into local realities (supply and demand analysis) that will affect its financial survival. The implication of this is that whilst aspirational thinking based on the entire range of production possibilities is to be promoted, such thinking must also be tempered by pragmatic realism that accounts for factors such as:

- The fierce nature of competition in the industry, including cheap international imports and already operational entities.
- Market penetration as a barrier to entry.
- Funding constraints.
- Business management learning curve associated with such initiatives.

Two poles can be identified from the analysis, with Vhembe at one end of the spectrum, and all the other municipalities at the other end. The Vhembe approach has potential for high returns; the risk involved is also high. In the other municipalities that benefited, as much as potential for growth was somewhat limited, the nature of the product guaranteed some level of survival. It is suggested that a middle ground between the approaches of the Vhembe municipality (high risk/high return approach through outward focused extensive marketing and intensive product development of an untested product such as jewellery) and the other municipalities profiled (low risk/low return approach through marketing to primary local market of a sure-fire product such as bricks).

Given the factors considered, the need for pragmatism in the final kaolin business concept cannot be over-emphasised. Prudent approaches in financial management, marketing and leveraging of partnerships will need to be engendered in all core stakeholders. Similarly, expectations will need to be aligned with reality in the short, medium and long term performance of the Makana kaolin initiative.

3.3 HIGH LEVEL RECOMMENDATIONS

The first chapter of this study discussed how there is a need for actionable input on key issues that pertain to kaolin development in Makana. This chapter has presented strategic recommendations for the Makana municipality, these being grouped into related discussion areas. This section will seek to bring out applicable cross cutting issues that may not necessarily fit under any one discussion area, but are relevant to the development of a sustainable kaolin mining initiative in Makana.

3.3.1 SUSTAINABILITY

The discussion of operational and funding issues included the sourcing of finance; however, a holistic approach to sustainable development requires that initiatives be sustainable in the long term, feasible in the medium-term and viable in the short term.

In Steve Tshwete, a learnership incubation approach was adopted, during which entrepreneurs were provided with all business management skills and education deemed necessary for the long term survival of their businesses. These skills included the basic concepts of marketing, principles of financial management and practical applications of bookkeeping. They were provided with initial development grants, which were effectively seeds, from which financially autonomous businesses were expected to germinate. Once the development grants had been exhausted, the entrepreneurs were expected to have reached a stage of self dependence in financial provision. Significant support to entrepreneurs was rendered by strategic partners in the area of marketing, with assistance in securing sales contracts and training in quality assurance.

In Ephraim Mogale, a key element for sustainability was a degree of separation between the municipality and the mining initiative. As a prerequisite for the provision of funding, independence of the municipality from operational issues of the initiative was one of the criteria set. The rationale for this was that such a separation would allow transparency in decision making, foster good governance and reduce scope for political interference that could eventually undermine the initiative's success. Another measure that was undertaken in to promote sustainability was continuous mentorship of the cooperative by LIBSA. LIBSA mentored those involved in cooperative management on issues such as leadership and customer care. Mentorship in this case was also expanded to include a monitoring and evaluating role, with LIBSA assisting in the auditing of financial transactions. This was done to ensure that group dynamics within the cooperative allow for continuity, and to make sure that finances are being used appropriately.

From these two case studies it emerges that in order to ensure sustainability of a kaolin initiative in Makana, the following elements must be present:

- Training of participants not just in technical issues, but also in business management skills as a matter of equal importance. This training should range in focus from the writing of basic business plans, general administration, marketing, to financial management, with periodic induction and refresher courses as composition of the group changes. In Makana such training and mentoring could be provided by the local SEDA satellite office, the East Cape Midlands College FET centre and the Centre for entrepreneurship.

Training should focus on eliminating a 'grant dependency mentality' from members of the cooperative and engender a commercial orientation.

- Training of participants in marketing. Practical applications relevant to Makana would include how to determine pricing structures, how to promote sales, how to package their business proposition (to potential investors, and in terms of customers care). Good marketing is a cornerstone from which the sustainability of such a business is built.
- Roles and responsibilities discussed in this study must be interrogated, modified appropriately and ratified by all relevant stakeholders. This will ensure that all stakeholders (local government, partners, etc) know what their contribution is to be. This will allow good governance, and reduce scope for undue interference
- Monitoring and evaluation of the business activities of the initiative must be undertaken externally, by the Makana Kaolin Trust. This organisation is to be well-poised for objective appraisal of the cooperative's activities.

3.3.2 KEY LESSONS LEARNED

Among the key lessons learned is the need for decisive action. As necessary as research, planning and preparation are for the success of a kaolin initiative in Makana, at some point this all needs to be transformed into action-oriented decisions. Red-tape and bureaucratic inefficiencies were not identified as challenges in the course of this study. What did emerge was a degree of inertia in 'getting things done.' Aspects of decisive action that apply to Makana include:

- The municipality clarifying its position regarding the development of kaolin resources in Makana.
- A clear business concept being developed by the Makana Miners Forum, in the form of a rigorous business plan.
- Re-establishment of direction and purpose in the Makana Miners Forum and the Makana Kaolin Trust, linked to roles and responsibilities in line with overall intended objectives.
- Ensuring that agreed upon decisions are implemented, monitored and reviewed.

The last point will ensure that latent potential in Makana is converted into discernible and tangible development.

Another lesson learnt is that of ensuring that internal dynamics of all relevant stakeholders are managed and harnessed to activate, rather than throttle development. Sound institutional arrangements and community engagement are central elements that may be considered critical success factors.

- The Makana Miners Forum is an amalgamation of several organisations, each having evolved and developed differently. The Makana Miners Forum represents a united front with common goals. The alignment of these goals must be ensured at all times, as a key lesson that has emerged from this study is the importance of internal group cohesiveness. The survival and performance of cooperatives is predicated on trust, effective communication and the obvious but often neglected element of cooperation itself.
- Participatory action by members of the Makana Kaolin Trust will ensure that this grouping achieves its potential, and can leverage its collective resource-base for development of kaolin in Makana.

Recommendations based on the lessons learned were also made in the consultation and finalisation period of this benchmarking study.

- The Kaolin Steering Committee may stand to benefit through strategic alignment with the DME's beneficiation strategy, especially in the area of R&D.
- Establishment of partnerships may be explored with institutions such as Rhodes University, the CSIR and other stakeholders. Assistance could be rendered in the fields of skills incubation (possibly through entering into a PPP, or the creation of an SPV for the provision of enterprise support) and R&D.
- Future actions, for consideration once the Kaolin beneficiation industry has
- An audit should be undertaken regarding the by-laws already in place at the municipality and to id by-laws that would be needed.
- Explore a SPV to provide enterprise support and a linkages centre (marketing) – also a possible PPP.
- Releasing land and cutting back on red tape.
- Linkages with G&W Base, Ceramic Industries and Makana Brick.

3.3.3 CHALLENGES EXPERIENCED

- Acquisition of and access to finance, which is compounded by limited asset surety and generally low financial returns.
- Marketing constraints.
- Lack of community leadership to encourage and advocate for development of initiatives.
- Dormant partnerships that do not create corporate synergy or yield any discernible results for the benefit of participants of initiatives.
- Absence of an enabling environment that creates favourable trading conditions for initiatives.

Solutions to these challenges have been discussed in this chapter under the main discussion areas, and will not be repeated. It is nonetheless important to recognise these factors that were found to have constrained development of mining initiatives, and are all relevant to the Makana situation.

3.4 SYNOPSIS

This section will serve as a conclusion to the benchmarking study, and will round up emergent issues from the three chapters of this report.

The first chapter of this report provided an introduction to kaolin as an industrial mineral, and as a resource that has significant developmental potential in Makana, from which, a better understanding of where Makana fits in terms of value chain exploitation was gained. Seminal ideology on sustainable beneficiation linked to small scale mining was reviewed, so as to contextualise the status quo of activity in Makana within applicable regulatory and planning frameworks.

The second chapter of this report involved the identification of municipalities that had similar traits to Makana in terms of:

- Presence of a mineral resource from which the greater community could benefit.
- A desire (by the community, or local government) to see the potential inherent in such mineral resources exploited for the benefit of the local community.
- Actions having been undertaken to see to it that such development takes place.

Profiles of several municipalities that shared these traits were developed, and juxtaposed with the intention of evaluating them on criteria relevant to the Makana scenario. Stemming from this action, case study learning visits were undertaken, in conjunction with telephonic interview engagement in order to benchmark and elicit best-practice actions.

The outcomes of the first and second chapters of this report informed this chapter, in which all the information received was evaluated, analysed and developed into recommendations for the Makana municipality, and other stakeholders including the Makana miners forum and the Makana kaolin trust. These recommendations were made based on the terms of reference of this research, as well as identified areas of need that pertain to development of kaolin resources in Makana.

ANNEXURE 1: INFORMATION COLLECTION TOOL

MINING INITIATIVES QUESTIONNAIRE

Background information

1. Please provide a brief description of mining in the area, and its importance to the local economy
2. Please provide a background to the mining initiative, including major milestones and important dates in its establishment and operations
3. At what scale does the mining entity operate, in terms of revenue, tonnage per year, employment and other such indicators?
4. Is there any meaningful interaction between small scale miners and large scale mining entities in the area in the form of associations, working groups, forums, etc?
5. Has any research into the impact of mining in the municipality been undertaken? Studies conducted by the municipality or any other entities on mining in the area.

Institutional arrangements

6. What were the roles played by stakeholders at different stages of the process? Where these undertaken under the framework of a project steering committee which oversaw communication and networking between the stakeholders?
7. What form of structural arrangements does the entity operate under, such as PPPs, cooperatives, trusts, partnership models and SPVs. And what are the shareholding structures that govern these relations?
8. What factors influenced the choice of institutional arrangements above, including experiences of other municipalities, legal requirements, local factors, assessment of the pros and cons of each, etc.
9. What are some of the institutional capacity requirements needed to support mining activity in the area, such as municipal personnel and the roles of a development agency/ LED unit, infrastructural support services, etc
10. Are there any strategic and operational partnerships in place? If so, how beneficial have these been ?

Community engagement and upliftment

11. Please describe the role of community and project champions in the establishment of the initiative, and their ongoing role in day-to day activities.
12. Are any actions undertaken to promote community engagement, such as the presence of social and labour plans, mandatory inclusion of PDIs
13. How are project participants and beneficiaries identified? Are any guiding principles used to ensure cohesion of these groups and to keep motivation and involvement levels up?
14. How is income from the mining activity distributed, and is this process subject to any monitoring and evaluation systems?
15. What is the extent of mining's socio-economic impact to date, and projected future impacts, in terms of employment creation, supporting poverty reduction programmes, etc

Operational matters

16. Do external service providers such as technical consultants and equipment providers play a large role in the operation of the mining
17. Did any unanticipated factors affect the acquisition of land and mining rights, and can any lessons be learnt from this?
18. Are finance and funding for the entity primarily from public or private sector sources? What role do municipal assistance, donors, government support schemes, equity agreements and loan provision play in this regard?
19. Where any incentive schemes considered, offered and implemented to attract and promote mining and for value adding activity in the municipality?
20. To what extent did the municipality assist in meeting the project's infrastructure requirements, such as servicing of land, preparing roads for accessibility to the site, electricity and water for processing of material
21. Are any health & safety arrangements in place? If yes, what is the best means of ensuring that these are adhered to?

Value chain linkages

22. Does any beneficiation activity take place and are there any value adding linkages being exploited locally and within the greater region
23. How strong are linkages with local businesses (supplier agreements) and the municipality (local procurement of building materials, etc)
24. Marketing channels used, and the effectiveness of these
25. Has any research into alternative uses of the product been undertaken, which would feed into product development and marketing? What marketing channels are at present used?
26. Does the initiative facilitate training initiatives and skills development?

High-level recommendations

27. Have any measures been undertaken to ensure feasibility of the mining? What are some of the critical factors that determine financial viability?
28. Impact of various legislation documents (MPRDA) , policies (BBBEE) and strategies (small scale mining, manufacturing, SMME development etc.) on final development concept and potential development.
29. Recommendations for investment promotion and attraction, based on red tape encountered, complexity of applications, etc
30. Considerations of environmental sustainability and sensitivity (tourism, agriculture, human settlements)
31. Key lessons learnt –generic and specific
32. Major challenges experienced , and actions used to mitigate impact of flaws in planning and implementation
33. Miscellaneous factors to be considered

ANNEXURE 2: CASE STUDY FEEDBACK REPORT

1. INTRODUCTION

This short Case Study Report constitutes part of a broader project in which the final outcome is a set of recommendations that inform mining related policy and strategic direction for the Makana municipality. This report is informed by the case study selection report, which identified relevant case study candidates for the Makana municipality's mining benchmarking study. The purpose of this report is to highlight the high-level outcomes of the case study tour conducted. Following on from the purpose, this report's objective is thus for the high-level outcomes of the study tour to be outlined, so as to provide an informational basis for analysis of the data collected.

The information in this report is presented in a concise manner without carrying out detailed research into the inner workings of each case study. More in depth analysis and modelling of information that feeds into final recommendations and strategic guidelines for the Makana municipality will subsequently be compiled. This will be undertaken once an objective assessment of all pertinent information has been made, based on the structured data collection tool developed specifically for this project, has been completed for each of the three case studies selected in this report.

2. PARTICIPANTS

The following people made up the delegation that attended the case study tour. The participants represent a broad spectrum of stakeholders whose roles and scope of involvement in the tour was clearly outlined at the beginning of the visits.

Eastern Cape Socio-Economic Consultative Council – Mr. B. Mhlaba
Makana Municipality – Cllr M. Fulani
Makana Kaolin Steering Committee – Mr. M Masuku
Makana Kaolin Mining Forum – Mr. M. Kuselo
Makana Kaolin Mining Forum – Ms S. Khonza
Makana Kaolin Mining Forum - Mr L. Zake
Urban-Econ EC – Mr. T. Mzezewa

3. MEANS OF ENGAGEMENT

Given the multiple interests of the members of the delegation, which all align into the broader objectives of the project, several means of engagement were used in order to source the required information for the benchmarking study.

In order to effectively gather all essential information from each of the chosen municipalities, together with the intention of standardising the collection process, a Data Collection Tool was designed. The Data Collection Tool was used as the primary interviewing guide and proved to be useful in generating the required output. The structure of the Data Collection Tool was divided into the following main sections:

- Background Information
- Institutional arrangements
- Community engagement and upliftment
- Operational matters
- Value chain linkages
- High-level recommendations

Open question and answer sessions in which discussions, comments and observations broadly related to the objectives of the project were entertained were also utilised, as a more flexible and dynamic approach to information collection.

Site visits that highlighted various forms and extents of mining, processing and beneficiation were also used as a visual aid to spur idea creation based on lateral thinking, and foster a more interactive means of engagement by all members of the delegation.

Secondary interaction was also encouraged by the exchange of relevant documentation such as business plans and networking with various stakeholders identified during the study tour.

4. SPECIFIC PRELIMINARY OUTCOMES OF CASE STUDIES UNDERTAKEN

The forms of engagement discussed above were used in the study visits, which involved interactions with various officials involved in Local Economic Development lasting approximately 90 minutes each on average. The outcomes of these interactions are presented in the tables below.

Table 4.1 Ephraim Mogale Local Municipality	
Description of activity	Meeting with Director for Strategic planning, LED officer Site visit of pilot Biomin production plant
Justification of activity	Follow-up on telephone interview conducted, to consolidate information on project inception To acquaint members of the delegation with the Biomin processing plant- High relevance drawn from the small scale of production and simple production methods used
Strategic outcomes	Importance of LM in facilitating inward investment from both the public and private sector. Importance of good communication and coordination within the municipality, as well as with external stakeholders Importance of quick decision-making and reduction of red tape Cooperatives as a successful and practical vehicle for community-led entities Boundary setting and clear delineation of roles and responsibilities as a means of ensuring good governance

Table 4.2 Greater Letaba Local Municipality	
Description of activity	Meeting with LED officer
Justification of activity	To find out about vehicles used to facilitate community benefit and maximise social impact of small-scale mining entities
Strategic outcomes	Local communities and various 'project champions' as drivers of growth through identification of potential and initiators of developmental efforts Role of municipality as a supporter of initiatives through research and advisory capacity on appropriate procedures and protocol Importance of engaging all relevant stakeholders (including civil society and different government spheres) on the planning and conceptualisation of activity Information sharing across all relevant stakeholders as a means of unlocking and accelerating latent potential

Table 4.3 Steve Tshwete Local Municipality	
Description of activity	Meeting the LED manager Site Visit of Mpumalanga Stainless Incubator
Justification of activity	Specific emphasis on the exploration and expansion of value chain maximisation as a means of supporting broader municipal LED priorities- SMME development and skills uptake Hands-on experience of mining beneficiation as a sustainable and feasible business enterprise
Strategic outcomes	Strategic partnerships with local organisations (public and private) as means of leveraging already existing activity into expanded economic opportunities Two legged approach to sustainability- Local procurement by the public sector, matched with meaningful engagement with the private sector Importance of centralised body/organisation/entity that is knowledgeable/ aware of various business opportunities, potential areas, and needs. Municipal capacity as a determinant of investment attraction, retention and promotion. Importance of alignment of activity within public sector organisations (District Municipality, DME, etc.), and with broader stakeholder interests

Table 4.4 Mintek Small Scale Mineral Beneficiation Division	
Description of activity	Engagement with Mintek on Makana kaolin Site visit of Timbita Ceramics incubator
Justification of activity	Follow up on previous research on the feasibility of establishing business-oriented activity in Makana municipality based on beneficiation of kaolin deposits Tour of incubator to provide practical demonstration of the uses of kaolin in various ceramic products, and of the various processes by which it may be beneficiated and manipulated
Strategic outcomes	Knowledge exchange on project objectives of MKSC, and mandate of Mintek's SSMB division Clarification on services offered by Mintek's SSMB division, as well as their capacity to assist any endeavours that may be undertaken in Makana Exploration of possible ventures in the area of technical training, SMME support and skills development Commitment from Mintek to engage with the Makana Kaolin Steering Committee further on possibility of establishing a beneficiation plant in the municipality

Table 4.5 G&W Base Industrial Minerals	
Description of activity	Engagement with management of G&W base Site visit of kaolin beneficiation operations
Justification of activity	High-level engagement with local kaolin stakeholder: G&W base is involved in the mining of kaolin in Makana, and the processing of kaolin into various industrial products at its Germiston plant Tour of production plant that involves primary processing of kaolin mined in Makana into various industrial compounds for commercial application
Strategic outcomes	Expression of interest from G&W Base to commit to future LED initiatives in Makana linked to kaolin mining as a form of Corporate Social Investment, over and above its Social and Labour plans Perspectives gained on private sector sentiments, considerations and viewpoints regarding municipal involvement in mining related activity. Need for improved interaction, communication and coordination between local mining entities in Makana, and the public sector (including the LM, and the DME).

5. CONCLUSION

The members of the study visit were exposed to the importance of State Organs in facilitating investment from both the public and private sector, and thereby fulfilling the vision of a Developmental State as envisaged in the policy positions of the ANC and Government.

This report has briefly touched on the high level outcomes of the study tour visit conducted as part of the Benchmarking study. It can be seen from the strategic outcomes, and the activities outlined that the study tour was successful in achieving several outcomes, which include:

- Collection of information so as to allow population of information collection tool, and subsequent data analysis.
- Site visits of various forms of beneficiation related to Kaolin, allowing members of the Kaolin forum to broaden their perspectives on the latent economic potential intrinsic to kaolin in Makana.
- Improvement of technical understanding on the scopes of activity and production processing methodologies involved with kaolin.
- Preliminary high-level interaction and lobbying by and on behalf of members of the MKSC.

The biggest unquantifiable benefit of the Study Tour remains the knowledge exchange and exposure gained by the members of Mining Forum, the Councillor who represented the Standing Committee (EDTH) in the value chain application and realised potential of minerals towards the socio-economic upliftment of various communities in the areas visited.

Steve Tshwete Municipality in particular provided an opportunity to observe strategic partnerships with local organisations (public and private) as means of leveraging already existing activity into expanded economic opportunities.

It should be noted equally to that whilst reports were given of Cooperatives which were successful at being used as practical vehicles for community-led entities were narrated at various parts of the study tour, the visits themselves did not observe or interact with any co-operative member involved in the initiatives noted in the reports outlined above.

One of the more tangible outcomes of the study was a commitment from Zenzele TDC and Mintek to engage on a possibility of preparing the Makana Community (Mining Cooperatives) in terms of skills development and SMME development towards the establishing a beneficiation plant in the municipality. This commitment stems from a strong acknowledgement that Grahamstown area is rich and quality white clay deposits. The further realisation is that currently kaolin is mined and sold in its raw state. The commitment is thus aimed at extending the current beneficiation process of some sorting out of impurities and selective mining to at full beneficiation in the medium to long-term. Two costed proposals which covers a scope of setting up a fully equipped Pottery Workshop with appropriate training and technical support has since been developed.

The overall concept and objective remains to develop a kaolin industry in Grahamstown that will add value to local resources that are available in abundance as proven by studies.

ANNEXURE 3: FUNDING SOURCES

THE NEW AFRICA MINING FUND (NAMF)

Objectives

The New Africa Mining Fund (NAMF) is an investment platform that offers local and international investors an opportunity to participate in local mining projects.

The Fund will promote economic empowerment initiatives in line with prevailing legislation. The Fund Manager's operations are supported by a mentoring structure that provides services that may be required by junior mining entrepreneurs.

Requirements

- Clients must have a sound knowledge of the mining Industry and the risks associated with it.
- Good geological information on the project.
- Some expertise in the mining field, or access to sound mining experience through consultants or contractors.

The Fund Manager will identify junior mining opportunities that satisfy the economic, social and environmental investment criteria, and recommend such projects for approval to the Investment Committee.

Contact Details

Arthur B. Mashiatshidi

Neil Gardyen

Decorum Capital Partners (Pty) Limited

Postal Address: P.O. Box 411708, Craighall, 2024, South Africa

Telephone Numbers: (011) 380 3540

Facsimile: (011) 325 5512

KHULA ENTERPRISE FINANCE LIMITED

Objectives

Khula Enterprise Finance Ltd was founded in 1996, as an independent agency of the Dept. of Trade and Industry in the form of a limited-liability company dedicated to improving access to finance for small, medium, and micro enterprises (SMMEs). Khula has been established to narrow the funding gap.

It seeks to promote sustainable access to loans and equity by SMME's through an effective network of intermediaries by offering a range of financial resources and information to the public, as well as business premises facilities.

Requirements

The purpose of the individual guarantee scheme is to enable an entrepreneur to access funding from a participating bank or other financial institution. The scheme enables an entrepreneur to access funding for purposes of establishing, expanding or buying out an existing business, business assets and working capital

1. Client prepares a business plan or may request help from the nearest Thuso Mentorship Office.
2. Client approaches his/her bank for finance.
3. Bank then approaches Khula for a guarantee.
4. Khula issues a guarantee to the bank.
5. Bank releases funds to the client.

Contact Details

Postal Address: P O Box 28423, Sunnyside, 0132

Telephone: (012) 394 5560/5900

Fax Numbers: (012) 394 6560

E-mail Address: helpline@khula.org.za

Toll free number: 0800 118815

Website: <http://www.khula.org.za>

Business Finance Promotion

Agency (041) 4870190

Individuals with existing businesses R5 000 - R100 000 Port Elizabeth

ANGLO KHULA MINING FUND

Objectives:

The Anglo/Khula Mining Fund ("the Fund") is a joint initiative between Anglo American Corporation of South Africa Limited ("Anglo") and the Khula Enterprises, a DTI initiative. The fund will focus mainly on investing and adding value to viable small and medium sized black owned and black empowered businesses, involved in small scale mining and related activities in South Africa.

Requirements:

- Individual investments by the fund will range from a minimum of R1m and a maximum of R5m and shall only be applied for the acquisition of plant and equipment and the funding of working capital requirements.
- If the Fund acquires an equity stake in the investee company, such equity stake will not exceed 49% of the issued share capital of the investee company.
- As far as possible, the Fund will target investments that will be co-funded with Anglo or one of its subsidiaries.
- Investments that demonstrate substantial job creation will be favourably considered particularly where empowerment instruments or structures are established during the life of the investment with conclusion at exit. These instruments may inter alia include management buy-outs, buy-ins and transition of ownership.

Contact Details:

Mr George Serobatse

Fund Manager

4th Floor

44 Main Str,

Johannesburg

2001

Postal Address: P.O. Box 61587, Marshall Town, 2107

Telephone: +27 (011) 638 4509

Fax Number: +27 (011) 638 8637

E-mail gserobatse@angloamerican.co.za

Website: www.zimele.co.za

DEVELOPMENT BANK OF SOUTHERN AFRICA

Objectives:

DBSA's vision is the progressive realisation of an empowered and integrated region, free of poverty, inequity and dependency. The DBSA seeks to be a leading change agent for sustainable socio-economic development in the SADC region, and a strategic partner in Africa.

Requirements:

Application with project documentation that discusses:

- Financial structure
- Contractual structure
- Marketing
- Operational and Technical Issues
- Economic and Development Issues

Contact Details:

Development Bank of Southern Africa
1258 Lever Road
Headway Hill
MidRand
Postal Address: Halfway House, P.O. Box 1234, Midrand, 1685
Telephone: +27 (011) 313-3911
Fax Number: +27 (011) 318-3086
Website: www.dbsa.org.za

NATIONAL EMPOWERMENT FUND

Objectives:

The NEF's is a DTI initiative in 2004 to support the BEE Act 53 of 2003, the South African Government's Broad Based BEE Strategies and related scorecard. The Group and Entrepreneurial Scheme Division of the NEF aim to deliver support to entrepreneurs in the small and medium-sized enterprise sector and to foster business development. In addition, it provides capital to assist in the development of community and rural projects. Furthermore it seeks to promote a culture of equity investment and savings among Historically Disadvantaged Persons (HDPs) through various programmes.

Requirements:

- Determine the funding requirements of the business and indicate the nature of the transaction to be concluded (start-up, expansion or buy in buy out).
- The investment transaction must comply with the eligibility criteria.
- The investment transaction must qualify under the Entrepreneur Support product criteria.
- Submit a summary application for funding.
- Submit a comprehensive application for funding.
- Meet with an NEF transaction executive.

Contact Details:

Mr Thabang Lentsoalo
National Empowerment Fund
West Block
187 Rivonia Road
Morningside
Johannesburg
2057
Postal Address: Melrose Arch, P.O. Box 31, Melrose North, 2076
Telephone: +27 (011) 305-8118
Fax Number: +27 (011) 305-8001
Website: www.nefcorp.co.za

ZIMELE INVESTMENTS (PTY) LTD

Objectives:

Zimele Investments (Pty) Limited is an enterprise development and an empowerment initiative of Anglo America. In line with Anglo American's commitment to South Africa's socio-economic growth, Zimele concentrates on the establishment and promotion of small and medium enterprises (SMEs). Zimele, derived from Zulu and Xhosa meaning, "to be independent", invests in the enterprises through its investment fund and holds minority stakes of up to 20%.

Target Group is small to medium sized business with Black shareholding. It is located nationally. Loan Amount is Equity financing up to R1,5 million.

Requirements:

- No cash based businesses.
- Extremely commercially viable business.
- There must be a transfer of technical and business skills to the entrepreneurs.
- The project must create sustainable wealth for its participants.
- The equity partners must contribute financially from their personal resources to the project.
- The owners (including the black empowerment partners) must be managers of the business.
- The business must be registered as a (Pty) Ltd and as such must have an appointed auditor.
- The project must have the scope to grow and expand beyond Anglo American Group markets.

Contact Details:

Ms Natasha Hiralal

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Facsimile: (011) 638-5321

E-mail: nhiralal@angloamerican.co.za

EASTERN CAPE DEVELOPMENT CORPORATION (ECDC)

Objectives:

The Eastern Cape provincial government attempts to alleviate the unemployment rate in the province by establishing Eastern Cape Development Corporation (ECDC). There are four branches existing in the Eastern Cape Province.

Requirements:

- Eastern Cape Citizens.
- Loan Amount- R600 000 to R3 million.
- Repayment conditions are between 12 months to 5 years.
- Interest charged depends on the type of business.
- Business plan.
- Viable businesses of any type.

Contact Details:

Telephone Number: (043) 404 5600

Port Elizabeth: (041) 586-4029

www.ecdc.co.za

DTI EMERGING ENTREPRENEUR SCHEME

Objective:

To increase access of finance for SMMEs through banks.

Requirements:

Accessible to independently owned SMMEs, with assets of less than R2 million before financing. SMMEs must meet the bank's normal lending criteria.

To enable an entrepreneur to access funding from his/her bankers for the establishment, expansion or acquisition of a new or existing business. The maximum indemnity is 60-70% and the maximum facility is R75 000.

Contact Details:

Telephone Number: (012) 394 5560

Facsimile: (012) 394 6560

Website: www.khula.org.za

DTI Skills Support Programme (SSP)

Objectives:

To encourage greater investment in training, improve industrial training systems, create opportunities for introduction of new advanced skills in RSA and facilitates employment promotion.

Requirements:

Available countrywide to local and foreign firms for training grants under the Skills Support Programme.

A cash grant for skills development to enable investors and large expansions to prepare their work force. The following ceiling will apply: 50% of training costs will be subsidized, with a ceiling of 30% of actual costs.

Contact Details:

Contact Person Andre Potgieter, Francois Truter, Patric Khumalo
Telephone Number 0861 843 384
Email Address: enterprise@dti.pwv.gov.za

DTI SMALL AND MEDIUM ENTERPRISE DEVELOPMENT PROGRAMME

Objective:

To create wealth, generate employment, develop entrepreneurship, promote empowerment, utilise local raw material, ensure sustainability of projects receiving incentives in the long run, reduce investment lost for small and medium investors.

Requirements:

Available countrywide to local and foreign firms investing not more than R100 million in land, buildings, plant and equipment in new projects or expansion of existing projects.

Legal entities as well as sole proprietors and partnerships (excluding Trusts) engaged in qualifying manufacturing, high value agricultural projects and agro processing, aqua culture, bio-technology, tourism information and communication technology investments, recycling, culture industry and business service may apply.

Contact Details:

Please note that the SMEDP replaces the former SMMDP (Small Medium Manufacturing Development Programme)
For further information on SMEDP, please contact:
The Enterprise Organisation (TEO - a division of)
The Department of Trade and Industry
Private Bag X86
PRETORIA
0001
RSA
Telephone Number: 0861 843 384
E-mail Address: enterprise@dti.pwv.gov.za

IDC

Objective:

The IDC is a self-financing state-owned development finance institution with the primary objectives of contributing to the generation of balanced, sustainable economic growth in Southern Africa, and to further the economic empowerment of the South African population, thereby promoting the economic prosperity of all citizens. The IDC achieves this by promoting entrepreneurship through the building of competitive industries and enterprises based on sound business principles.

Requirements:

Specific Criteria for Mining Projects

Mining deals have unique requirements that include:

- Confirmation of mining and minerals rights.
- Commodity cycles, off-take agreements, etc.
- Environmental management programme and mining authorization.
- Exploration data indicating resources and grades according to Samrec codes.
- Geological reports, maps and minerals rights.
- Mining-specific accounting processing and working capital costings
- •An economically viable business plan.
- •Minimum financing requirement of R1 million.

Types of Finance Provided

- Commercial loans
- Guarantees
- Bridging finance.
- Export/ import finance
- Quasi-equity finance

Medium term finance in the form of loans, suspensive sales, equity and quasi-equity to:

- Establish or expand junior mining houses
- Acquire mining assets by HDPs.
- Undertake mining related activities such as contract mining
- Establish or expand Jewellery manufacturing activities
- Interest rates are competitive and risk related and based on the prime bank overdraft rate.

Contact Details:

Entrepreneurial Mining and Beneficiation SBU

Contact Person Abel Malinga

IDC Call Centre: 086 069-3888

Telephone Number: (011) 269-3252/3643

Website: www.idc.co.za

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