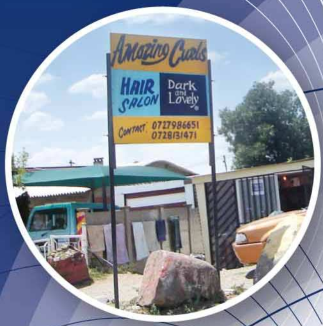

CDS RESEARCH REPORT

LED & SMME DEVELOPMENT

Towards a post-mining economy in a small town:

Challenges, obstacles and lessons from South Africa

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Towards a post-mining economy in a small town:
Challenges, obstacles and lessons from South Africa

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The paper draws extensively on t Social Impact Assessment which was conducted for De Beers on the Koffiefontein Mine

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1. Introduction

Mining closure has been an international phenomenon as resource depletion has continued and economic changes have resulted in the decreased value for some commodities. It has also been a topic of research for an increasing number of scholars. Geographically, a large number of case studies exist world wide, with work on Australia (Maude and Hugo, 1992; Niel and Lea, 1992; Sturney, 1992), Canada (Archer and Bradbury, 1992; Gagnon, 1992; Keyes, 1992), Sweden (Liljenas, 1992; Nygren and Karlson, 1992), Finland (Talman and Tykkylainenen, 1992), Ghana (Acquah and Boateng, 2000), Indonesia (Strongman, 2000), Papua New Guinea (Jackson, 2002) and Romania, Russia and the Ukraine (Haney and Shkaratan, 2003) being prominent.

Historically, South Africa has been primarily dependent on mineral and energy production and export (Nel, 2002). It is especially in the arid areas of South Africa where diamond mining has been prominent. In line with the international experience, mining closures have also been prominent in South Africa during the past 20 years. These closures have been the result of depleting resources on the one hand, as well as more international competition and mining competitiveness on the other. Although there is an increasing number of papers on mine closure in South Africa (see Seidman, 1993; Binns and Nel, 2001; Binns and Nel, 2003, Nel and Binns, 2002; Nel et al., 2003; Marais et al., 2005) in general, the topic seems to be under-researched despite the fact that South Africa has been hard hit by numerous mine closures during the past 20 years.

It is against this background that the paper examines the phenomenon of mine closure and its impact on the small town of Koffiefontein in the semi-arid region of the south-western Free State (Karoo). The paper attempts to identify opportunities, obstacles and lessons from this case study. Fundamentally, we argue that despite good intent by most of role players, our case study suggests that longer-terms partnerships and the integration of development thinking between different spheres of government and mining companies remain difficult in practice. This situation persists despite some hope being offered by the availability of the best enabling legislation and planning frameworks in South African history.

Against this background, the paper is structured as follows. It starts off with an overview of literature on mining closure in remote and single-industry towns. Next, the narrative of mining, mine closure and lost opportunities is discussed in respect of local economic development in Koffiefontein. Further, the potential, obstacles and lost opportunities to diversify the economy of Koffiefontein are the analysed. Considering, this reality the paper then turns to a discussion of the enabling legislation and planning frameworks which reflect the state's attempts to minimise negative cases such as Koffiefontein. Finally, a number of lessons are identified for local economic development in small towns in arid and semi-arid areas, and within the changing legislative environment.

The paper is based on a Social Impact Assessment conducted for a De Beers mine in Koffiefontein. In the process, a large number of individual interviews were conducted with the business and social sectors in Koffiefontein, as well as with provincial and national government departments.

2. Mine closure and economic development: A literature review

Mine closure is a phenomenon that has affected both the developed and the developing world. During the Industrial Revolution, coal mining became one of the main economic activities in the western world. In the 1960s however, resources depletion, poor economies of scale, increasing labour costs and conflict, price fluctuations, the use of alternative fuel sources, and the increasing significance of importing cheaper coal from Third World producers led to a decrease in mining, with a resultant job loss of over a million in the western world between 1955 and 1968 (Nel et al., 2003). Not only the coal mining industry, but also other mining industries were affected by this trend.

As mining in the western world declined, it dramatically increased in developing countries, with a surge in mining investments in the 1960s, 1970s and 1980s (World Bank, 2002: 3). Yet, many of these mines are now approaching the end of their feasible existence. At the same time financial and demand cycles have played a crucial role in the fortunes of mining activities (Neil, 1992). In 2002, the World Bank predicted that a minimum of 25 large mines in developing countries are to close within the next ten years, which would have large-scale impacts on the local and national economies of affected countries (World Bank, 2002: 5).

Since the mid-1800s South Africa has been dependent primarily on mineral and energy production and export (Nel, 2002). The fall of the gold price, increased mechanisation, and the exhaustion of mineral resources in certain areas, have caused the mining industry experience a decline in the number of operating mines. The situation in respect of mining has further been exacerbated by increasing globalisation of the South African economy (Marais, 2006). For example, in the coal mining sector, "the number of operating coal mines… has declined by more than half, from 112 in 1986, to 53 at the end of 2000" (Limpitlaw, 2004: 1). Towns depending on mining as a mono-industry are hardest hit in that mine closure erases the towns' economic bases (Laurence, 2002: 28). Strongman (2000: 13) captures the impact of mine closure in the following: "Mine closure is often traumatic for local communities—especially in remote areas if local government is weak, labor productivity and non-mining income are low and labor mobility minimal".

The effects of mine closure are further exacerbated by the fact that mining communities have several social characteristics that are unique to mono-industries. Although these characteristics are not generalisable, it is nevertheless necessary to consider certain degrees of prevalence of these characteristics within mining communities. Firstly, mining communities may not be strongly cohesive. There may be strong social cleavages between mineworkers and non-mineworkers within the community. There may also be strong divisions between the mineworkers' union and the company (Neil & Tykkylainen, 1992: 21). Secondly, owing to the high level of dependency on the mine, there may be a lack of both entrepreneurial tradition and experience in a mining town. Thirdly, due to the support provided by a mine and the relative prosperity of mining towns, local government bodies might be less pro-active in community development than where mines are not present. Fourthly, those community members who are most able to mobilise community action and to support local development, are also those who are most likely to leave the town once a mine closes (Neil & Tykkylainen, 1992: 21).

Lack of employment is "one of the most serious and long-lasting consequences of mine closure, even five or more years after the downsizing of the local mining workforce" (Haney & Shkaratan, 2003:ii). Additionally, a large proportion of the mineworkers' skills are specific to mining operations, which renders re-employment in other sectors difficult (Harichunder, 2000: 6). Employment problems prevalent under mine closure are characterised by two facts: The *quantity* and the *quality* of the jobs that are actually available decrease dramatically. The quality of jobs decreases because long-term, stable jobs providing adequate wages are scarce (Haney & Shkaratan, 2003: ii). The examples of Russia, the Ukraine and Romania demonstrate that chronic under- and unemployment lead to the general decline of living standards, as well as reversion to the informal, less secure economic sector, which is characterised by lower wages and less social and legal security. This situation places vulnerable groups in jeopardy, in that they are least able to protect themselves (Haney & Shkaratan, 2003: 17).

Job loss not only affects mine employees but also mine-supporting industries. An example is in KwaZulu-Natal (South Africa) where the closure of coal mines has had a devastating impact on the secondary industries that produced iron and steel in Newcastle, and on the glass and cables industries in Dundee (Nel *et al.*, 2003: 375). Nel and Binns (2001) found the same in the Free State goldfields.

Indirect impacts on local business should also be considered. The example of Virginia (in the Free State Province of South Africa) demonstrates that businesses, in general, suffer from mine downscaling to the extent that they are rendered unsustainable (Seidman, 1993). Industries providing services to mineworkers and their dependants (such as taxi transport) will collapse completely (Thompson, 2003: 14). Taxis, hawkers, spaza shops and small- and microenterprises are negatively affected by mine closure, the reason being that the loss of a fixed income and out-migration entails the consumer base being eradicated and the purchasing power of the community being decreased (Seidman, 1993: 17; Sowetan, 1991: 4). The informal sector also suffers: with the closure of a mine, the more senior and skilled mine staff leave, which implies the loss of jobs for domestic workers. Furthermore, a high level of unemployment in the region at the time of closure results in diminished opportunities for retrenched workers to find alternative employment because they lack skills (Laurence, 2002: 28; Seidman, 1993: 26). Evidence moreover suggests that estate values could also fall in towns that are totally reliant on mines and where large-scale out-migration takes place (Laurence, 2002: 27).

Retraining and redirecting mineworkers for a more diverse economy has also been one of the key initiatives in the Free State Goldfields (South Africa). Research in this regard demonstrated that some mineworkers were able to utilise their retrenchment packages for business development such as opening "spaza" shops (informal neighbourhood stores) in the informal settlements and starting taxi businesses. Others, however, struggled to utilise their retrenchment packages to generate an income because they either lacked entrepreneurial skills, or their retrenchment packages were too small. The research showed that mineworkers received no advice on what to do with their retrenchment funds and most of them spent these funds on “fixing houses, ...paying debts, or on family maintenance” (Seidman, 1993: 25; 28).

Some studies commissioned by the International Finance Corporation clearly suggest that mining-dependent towns that do not develop non-mining dependent industries during the lifespan of the mining operations, do not survive (PEAC, 2004). Considering the above impacts the challenge is to mitigate the possible socio-economic impacts of mine closure. Mitigating the impact, should according to the World Bank (2002:14), start with government and the mining company assisting people to understand their dependence on the mining sector. In addition to a realisation of this dependence international experience also suggests that the earlier a process is initiated to develop a post-mining economy, the better the chances of success (PEAC, 2004). Nel *et al.,* (2003: 377) identify three LED mitigation strategies pursued by the municipality and the community of Dundee in KZN, which corresponds to broad international experience. The first is that local government tries to draw in new large-scale investment by international firms. This approach has also been attempted in the Free State Goldfields (South Africa). Secondly, local interest groups and the municipality pursue LED strategies in an attempt to address the unemployment and poverty levels of a region. This approach consists of an active attempt by the local community and the municipality to address local economic development co-operatively. The community of Utrecht in KZN, for example, developed a comprehensive LED action plan that enjoys the buy-in of the municipality, the local community and the business sector. The strategies employed include, amongst others, plans for the provision of land for urban farming activities and the promotion of the production of local arts and crafts by township residents. A third strategy is that the community starts spontaneous and independent LED initiatives based on self-initiated projects. However, despite these noble ideas, research conducted internationally has shown that only a very few LED initiatives really prosper. It should also be borne in mind that LED initiatives might not create sufficient jobs immediately, but that, in the long term, the possible impact of these initiatives on the economy is significant (Nel *et al*, 2003: 376).

3. Mining and mine closure at Koffiefontein: a historical overview

Koffiefontein is a semi–arid region with summer rainfall. The average annual rainfall is approximately 300mm. Rainfall is inconsistent and droughts are not uncommon. This renders Koffiefontein the agricultural area with the highest risk in the Free State because of the propensity for hailstorms[2]. Furthermore, Koffiefontein, although not totally isolated, is quite some distance far from Gauteng, KwaZulu-Natal and the Western Cape - the economic core areas of South Africa. Koffiefontein is also classified as a typical small town. A number of papers have noted economic decline in small towns in South Africa (CDE, 1996; Marais, 2004)). Nel (2005) has noted the following aspects in respect of economic decline in small towns in South Africa:

- The collapse of many prosperous mining centres, such as the coal towns in KwaZulu-Natal

[2] Information obtained from Mr Scholts van der Merwe – Chairperson Koffiefontein Agricultural District Farmers’ Union.

- The demise of rail / transport towns
- There has been a decline in agricultural output in many areas as a result of the shift to niche rural activities, such as game farming, which have significantly reduced the reliance on local small centres as points of economic activity.
- Advances in transport technology and changes in retail patterns have facilitated access to the more distant regional centres and displaced the role of the small agricultural service centres.
- In many of the smaller, weaker centres these is now artificial economic dependence on state welfare on the part of the town's people. This is associated with the loss of many formal sector job opportunities, burgeoning poverty and the out-migration of the skilled.
- In many towns, as a result of the amalgamation of smaller centres under a single authority, the loss of local government status has weakened towns, and the new local authorities are often incapacitated.

Despite these declines in many small towns some exceptions do exist (Marais, 2004) in that most small towns also perform an important function as rural service centres. Koffiefontein too plays this latter role as a rural service centre over and above its dependence on mining. Given its location in a semi-arid area of South Africa as well as its small-town character, the focus now shifts to an overview of the history of mining activities in Koffiefontein.

The closure of the mine in Koffiefontein in February 2006 was not the first time the mine was closed. The history of diamond mining reflects several openings and closures of the mine at Koffiefontein. The alternative use of mining infrastructure has also been common. The history of mining activities in Koffiefontein can best be described in six phases. The initial phase follows the discovery of diamonds. The first diamonds in the area were discovered in 1870 on a farm that was later to become the town of Koffiefontein (about 100 km from the more famous Kimberley site). De Beers became the main mining company, but gave up its mining rights in 1892. In the same year (1892), Koffiefontein was officially recognised as a town and is thus the second oldest town in the Free State (Kontrei, 2004a: 6)[3].

The second phase started with World War I and continued to the closure of the mine during the Great Depression in 1932. Until the Depression, this period was probably one of the most prosperous economic eras in the existence of Koffiefontein.

The third phase encompasses the period between 1932 and 1971, when there was virtually no mining activity in Koffiefontein. When the mine closed in 1932 a number of alternatives were pursued. One such alternative was the construction of a fairly big dam (Kalkfontein Dam) to be used for irrigation purposes. Not only did the dam provide some labour opportunities but it also brought with it irrigation opportunities, which brought about "great changes in farming" and at least assisted in diversifying the

[3] In 1888, an application to recognise the area as a town was submitted, but it was approved only in 1892.

economy (McGill, 1991: 83). The increase in intensive farming assisted farmers to produce milk, and, in turn, facilitated the opening of a cheese factory in 1950.

The second alternative to mining was ushered in by the commencement of World War II. The town saw the opportunity of making the large number of mine-related facilities and infrastructure (at that time unutilised) available for military purposes. During 1940, the Union Defence Force took over the deserted mine hostels and used them as an internment camp and prisoner-of-war (POW) camp. In this way "the town's financial problems were solved" in that the military activities attracted both businesses and service providers to the town (McGill, 1991: 84). After the war, De Beers resumed sampling operations in 1950. However, in 1953, De Beers again withdrew (Diamond Fields Advertiser, 1987b: 11).

The fourth phase started in 1971 when the mine again became fully operational. The reason for this was to replace production from the exhausted Jagersfontein Mine (Diamond Fields Advertiser, 1987a:1; Rapport, 1987: 5). The mining method until then had been an opencast operation, which during 1981 was converted to underground mining (Potgieter 1987: 11). This period was marked by renewed business confidence in the area.

The fifth phase was initiated by the closure of the mine in 1982 owing to the depressed diamond market, and the mine was maintained on a "care-and-maintenance" basis (Diamond Fields Advertiser, 1987b: 11). Upon closure of the mine, 1 200 employees were retrenched[4]. A week after the sudden mine closure of 2 June 1982, the prediction was that the town would lose its purchasing power on which many of the businesses depended. Those who remained at Koffiefontein aimed at promoting their town. Businessmen and the municipality met with regional development advisory boards, hoping to establish new businesses and industries. These included the development of a steel-manufacturing plant and a meat-processing plant (The Friend, 1982: 6). The sunk capital in the town provided the necessary infrastructure for the development of local industries. Additionally, the municipality received a large number of enquiries from people who were interested in moving to the town as a result of lower costs of living (The Friend, 1982: 6).

The sixth phase started when the mine was reopened in 1987. The reason for this was "the strong recovery in the diamond market during 1986 and in particular the renewed demand for the larger and better qualities of rough diamonds" (Diamond Fields Advertiser, 1987a:1). At this time there were 160 empty houses at Koffiefontein. Approximately 1 100 people were re-employed by the mine when it was reopened, preference being given to the local population and those previously employed by the mine (Diamond Fields Advertiser, 1987a: 1). The re-opening of the mine saw an increase in the total population of Koffiefontein of more than 105% - from the pre-opening total of 4 247 (1985) to 8 722 in 1991 (Statistics South Africa: Community Profiles, 2004). Until

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[4] It should be borne in mind that the literature sources date from the period in which Apartheid was at its peak. The articles are thus racially segregating.

its closure in February 2006, the Koffiefontein Mine was the largest operating diamond mine in the Free State.

A number of aspects should be noted from this historical overview of mining and mining closure at Koffiefontein. Firstly, it should be noted that, historically, the mining company could open and close the mine at will. In fact, the closure of the mine in 1982 was a total secret. The formal understanding of closure was only realised one morning when workers could not enter the mine premises. Secondly, linked to the dominance of the mining companies, no planning was required to think about a post-mining economy before any of the closures. Thirdly, it seems that, during all the mining closures, it was possible to use state resources or state interventions to provide for either an alternative economic sector, or to use the mining infrastructure in a different way. Fourthly, mine closure and its local socio-economic impact were seldom on the agenda of mining companies until the finalisation of new legislation in a post-apartheid South Africa. The paper now turns to a more detailed understanding of the consequences of this mine closure.

4. Potentials and obstacles in managing a post-mining economy

Future economic diversification and potential should also be viewed against the inherent limitations of the area. At the same time, unlike previous state intervention during the previous mine closure periods, it seems unlikely that direct state intervention in the form of the construction of a dam, or the utilisation of the infrastructure or direct economic benefits in respect of decentralised manufacturing initiatives will again assist the economy in a closed mining environment. Initiative in this regard will have to come from the Koffiefontein community. Furthermore, as international experience has suggested, planning for the socio-economic impact of mining should start *at the time that the mine opens*. In order to understand the possible economic impacts of mine closure on Koffiefontein, the situation prior to mine closure requires some consideration. Koffiefontein, is one of 18 small towns in the Southern Free State (Xhariep District). The economy of the town has been dominated by mining (nearly 40%c of the economy comes from mining) and unemployment figures have been considerably smaller in Koffiefontein than in the surrounding areas.

The social and economic consequences to be triggered by a decline in population are no doubt more important than the decline in the population itself. A steep decline in population will no doubt lead to a decline in income for the business sector resulting from the erosion of the consumer base, and will eventually lead to the downscaling of many businesses in the town. Approximately 52% of the businesses included in the survey indicated that they were either *entirely* or *very* dependent on the mine or mine employees for an income. Only a quarter of the businesses in the sample (26.3%) indicated that they were *not at all*, or *not very much* dependent on the mine or mine employees for an income. In this regard only 35% of the businesses interviewed indicated that they would certainly remain in Koffiefontein. A significant decline in population could thus see the closure of a very large number of businesses at Koffiefontein. These implications for Koffiefontein will take place despite an existing large economic leakage from Koffiefontein. This economic leakage takes place because up to 50% of the employees in the survey indicated that they did most of their monthly shopping in two of the larger centres, Bloemfontein or Kimberley. In an economy where approximately 40% of the economic base has centred on mining, there can be little doubt that mine closure has serious negative implications. Against this background, the paper now explores possible potentials, obstacles and lost opportunities in respect of economic diversification in a post-mining economy.

4.1 Potential economic diversification initiatives

4.1.1 Continued small-scale mining and the use of the crusher stone

There are possibilities to rework the mine dumps of Koffiefontein and Jagersfontein as a resource that could increase the mine's life. However, these opportunities are limited because the average grade of the dumps is not extremely high. The problem with this opportunity is that it did not develop on a small scale while the main mining activities were still in operation. The current status is that the mine has closed down, but De Beers (the mining company) is trying to sell the mine. The result is that no new initiatives can be undertaken. The crusher stone from the mine dumps could be used for making bricks and road construction. However, the limited road construction in the vicinity, as well as the high transport costs associated with the transport of crusher stone, limits the use of this possibility.

4.1.2 A bridge over troubled waters

The main connecting routes between towns on various sides of Koffiefontein do not run through the small town. The road connection between these towns is outside Koffiefontein. The importance of roads that run through small towns has been indicated in other research (Van Staden and Marais, 2005). However, it seems as if the bridge over the Riet River should be repaired at some stage. Some suggestions have been made to the effect that a new bridge should be constructed by means of a public-private partnership between the mining company and the provincial government, so that the traffic is relayed through the town.

4.1.3 Salary payment dates

Bank managers indicated that the level of local expenditure is considerably higher when salaries are paid on Tuesdays or Wednesdays. This prevents people from travelling to other bigger towns to buy their groceries. Although the mine has now closed, getting employees (also government employees) to pay salaries on these days of the week and not necessarily on a fixed day of the month might have a considerable positive implication for Koffiefontein.

4.1.4 Marketing the area as a retirement area

Another possibility is the redesign of the town as a retirement area. The mine has more than 250 middle-income housing units in its possession. Most of these units are currently unoccupied. In addition to having these units available, the mining company has also been instrumental in creating recreation infrastructure in the town (e.g bowling turf, golf club, recreation club) which could attract retirees. The fact that house prices are considerably lower than in larger urban areas might prove to be an attraction for people who do not have a large pension. Once again, the current attempt to sell the mine hampers the process of marketing these houses in the context of retirement.

4.1.5 The tourism potential

In South Africa, tourism is seen as one of the economic sectors in which economic growth will take place. The Mining company has been instrumental in creating the Horizon Tourism Route in the southern Free State, which includes Koffiefontein. The redundant mine infrastructure may be made available for purposes of tourism development. For example the development of a mine museum might be appropriate. At the same time, the available recreation infrastructure can also be used to attract weekend or day tourists to the small town.

4.1.6 Retraining mineworkers

One of the main problems noted in the relevant literature is the problem in respect of the limited skills of mineworkers. The opportunity exists to provide alternative skills to mineworkers. Most employees (71%) admitted that they needed to receive training in order to improve their prospects of finding other jobs. Most of the latter wanted to be trained in artisan skills, *i.e.* as boilermakers, fitters, electricians, plumbers, mechanics, joiners, welders, etc., which they believed would improve their labour mobility. At the same time consideration should be given to making training opportunities available in line with the requirements of the economy.

4.2 Obstacles

Four obstacles require specific attention in this section.

In the first place, the fact that the mine has closed down but that the mining company is trying to sell the mine causes a large degree of uncertainty. Options such as marketing the mine houses as a retirement village are difficult, because no long- to medium-term future has been mapped.

The second major obstacle is that of maintaining the existing levels of infrastructure in the interim. Marais *et al.*, (2005) have outlined the relationship between the mining company and service delivery by the local municipality. There is a danger that this interim period could keep alive the hopes of the people in Koffiefontein for a mine re-opening, but that the basic service delivery in which the mine has played a crucial role could deteriorate, thereby making tourism and marketing the town as a retirement village impossible.

The third obstacle in diversifying the economy of the area lies in creating an appropriate public sector response across spheres of government. The danger is that local government – with its limited resources - will have to bear the brunt of mine down scaling.

Fourthly, the creation of an appropriate institutional mechanism to drive a post-mining economy is still not in place, while a serious lack of institutional and technical capacity exists at the local government level in respect of addressing issues of economic diversification.

Finally, the economic link between having an appropriate school and medical services in a small town and the ability of the towns to attract other people should be highlighted. For example, marketing the small town as a retirement village without having a medical doctor (historically linked to the mine) could be difficult. At the same time, the school will lose a number of learners, which in turn will result in a number of teachers losing their posts and leaving the area. The important consideration in this regard is that fostering a post-mining economy requires extra-ordinary coordination between local initiatives, mining company responsibilities and provincial and national government sectoral departments.

5. The new planning paradigm, new mining legislation and mining activities

The above picture has portrayed a fairly negative scenario. However the changing planning paradigm in South Africa does provide some hope.

5.1 New mining legislation

The Mineral and Petroleum Resources Development Act [Act 28 of 2002] requires mining companies to complete an environmental management programme in order to acquire mining rights. The Act clearly states that every person (or company, in this case) who applies for a mining right must submit an environmental management programme (EMP), which entails that an environmental impact assessment (EIA) has to be conducted. Preparing an environmental management programme entails *inter alia* the investigation, assessment and evaluation of the impact of the proposed mining operations on the socio-economic conditions of any person who might be directly affected by the mining operation (see also par. 1.5). In principle, this new mining legislation in South Africa requires mining companies to start planning for mine closure at the time the mine opens.

South African mines have come a long way, in terms of their commitment to local development. They are already funding and assisting many local projects. The new requirement to write Social Plans is encouraging mines to develop even more far-reaching programmes and projects than they are already doing. What is now needed, is for the interventions of mines, government departments and municipalities to find common points of contact, so that partnerships can be forged and synergies can be exploited. It also presuppose different behaviour while in the process of mining and thereafter. This reality is even more problematic in that it requires effective partnerships with various partners and spheres of government.

5.2 The key role of local government

Internationally, municipalities are becoming recognized as a crucial level of government in the process of enhancing development. There are several reasons for this new interest in decentralization of functions to municipalities, in South Africa as well as elsewhere:

1. Every inch of South Africa now falls within a municipality (the so-called "wall-to-wall" municipal system).

2. In South Africa, municipalities are constitutionally recognized as the key front-end development agencies of the state. Not only are they recognized as a "sphere" of government, indicating proximate equal status to provincial and national government, but they are also likely to receive many more developmental functions in future. Furthermore, a growing share of the national fiscus is allocated to municipalities (the so-called "equitable share" of government revenue).

3. As development agencies, municipalities have important advantages. They are concerned with a wide range of developmental functions, and therefore transcend the usual "sectoral" or "silo" structure of government departments. Furthermore, they have a democratic base, due to the fact that they are elected bodies (including ward and PR representation), as well as structures such as ward committees.

4. As developmental agencies, municipalities have various advantages over civil society organizations. They can pass by-laws, raise revenue, receive government subsidies and grants, undertake spatial planning, and provide bulk infrastructure. This does not mean that civil society organizations are unimportant; but it does mean that municipalities are an important potential gateway to co-ordinated development in a region.

5. The new focus on drafting Integrated Development Plans, which has been bolstered by several years of technical and financial support by the Department of Provincial and Local Government, offers the first real opportunity for integrated development programmes in most municipalities. The IDPs play an important role in "integration", whether in the sense of *spatial* integration (e.g. rural and urban areas, wealthy and poor areas), *racial integration, functional* integration (e.g. health, water, sanitation, LED and transport), or *economic* integration (e.g. mining, agriculture, commerce, tourism). In fact, for the first time in South Africa's history, is there an opportunity to reflect holistically on a number of developmental problems and priorities simultaneously. IDPs are required to be reviewed on an annual basis, and in future, government spending priorities will have to be aligned to IDPs.

For these reasons, it is imperative that the mining sector takes cognizance of the IDPs that have been drafted. Where the mines have not yet participated effectively in the IDP-drafting process (and there may be a whole host of reasons for this, elaborated on below), this should be remedied in future.

The IDPs fulfill a major role in bringing together (often for the first time) a wide range of developmental issues, priorities, stakeholders and programmes. We argue, therefore, that IDPs are an important platform on which to build – and there is, of course, the selffulfilling prophecy that the more the IDPs are taken seriously by key developmental players (such as mines), the more robust the IDPs will progressively become.

For the mining sector, the focus on IDPs also has a major advantage that it addresses developmental issues *not* from the point of the mining sector itself, but from the point of view of the surrounding communities and the government authorities. This, in itself, is a valuable way of understanding how the mining sector is perceived and experienced by the larger society, and therefore how the mines can target their social interventions most effectively. On occasion, it is useful and salutary to step outside one's own frame of reference, and view the situation from other vantage points. This may well bring to view new and latent economic strengths, assets and positive spin-offs.

In addition, IDPs are increasingly regarded by government as a binding document on *national and provincial departments* as well, and not only on the municipalities themselves. Government is placing increasing pressure on national and provincial governments to co-operate with municipalities in the drafting of IDPs, and there is a clear intention that public expenditures will only be authorized in future if such expenditures are provided for in the IDPs. This is being done to harness the "silo" behaviour of national and provincial departments, and to force them to co-operate with municipalities – and with each other – so that government programmes can be meaningfully co-ordinated. Section 24 of the Municipal Systems Act of 2002 lays the groundwork for this style of inter-governmental relations: " If municipalities are required to comply with planning requirements in terms of national or provincial legislation, the responsible organs of state must … (a) align the implementation of that legislation with the provisions of this Chapter; and (b) … consult with the affected municipality." For mining companies, the implication is that, if it seeks partnerships with national or provincial departments on particular programmes or projects, then such programmes must also be negotiated with the relevant municipality, and it should be included in the IDP.

For several reasons, IDPs are of interest as a type of intellectual interpretation of the local *status quo* as well as a conceptualization of developmental opportunities and options. Firstly, they do involve some public participation (of varying degrees in different municipalities), and therefore are probably the most accurate contemporary record of how local leaders and local residents view mining issues. Secondly, they are typically influenced by development planners (who act as consultants to municipalities), and therefore they bring on board some of the latest trends in spatial planning and development thinking.

While the report uses IDPs as the starting-point of analysis, this should not blind us to the many difficulties faced by municipalities, and often reflected in IDPs:

1. It has become almost axiomatic that many South African municipalities have "inadequate capacity", in the sense that they are faced with real problems as regards the number of staff, inadequate revenue, inappropriate organizational structures, inadequate skills, and problematic political dynamics. Where state institutions are

weak, private institutions face dilemmas of whether to proceed on their own, or to wait for government institutions to be ready. Such decisions have to be made on a case-by-case basis, with due regard to likely consequences and future options.

2. While some IDPs have become excellent guides to development, many other IDPs are still poorly drafted. Relatively few IDPs, as yet, have a meaningful focus on economic development. However, it should be noted that the quality of IDPs appears to be improving steadily.

3. The public participation processes underpinning many IDPs have been inadequate. Many key local constituencies (such as commerce and mining) have not been included in the debates leading to the drafting of IDPs. This may have been due to the reluctance of these constituencies to participate, or because they were never invited to meetings. Many IDPs are biased in favour of lobby groups representing the poor, in particular black township residents, but they are often biased against rural constituencies (such as farmers or farm workers). Furthermore, many municipal Councillors still harbour a distrust of the private sector, and this leads to a systematic bias in Council decisions.

4. Some Local and District Municipalities' IDPs remain unco-ordinated, despite strenuous efforts by central and provincial governments to get these municipalities to co-ordinate their planning processes. In some cases, this suggests actual conflicts or disagreements amongst district and local government; in other cases, it is due to the appointment of consultants with different planning approaches. There remains substantial confusion about the appropriate roles of district and local governments with regards to various development functions, and this may well bedevil mines' attempts to engage meaningfully with the municipal sphere.

5. A final difficulty is that IDPs are simply plans, and plans do not always get implemented. Many IDPs are likely to remain a dead letter unless stakeholders are committed and capable of implementing them.

6. What seems missing from the South African situation, thus far, is the active involvement of *central government* in dealing with mine closures. It appears that central government has done virtually nothing to alleviate these crises. In the Free State, the provincial government has shown little interest in the plight of the Goldfields. This shows the need for issues of mine closure to be put much higher on the government agenda. To expect municipalities to carry this burden, often at a time when their rates base is being undermined, is completely unrealistic. International case studies suggest that governments need to be involved in the restructuring or closure process. For example, grants need to be provided to assist companies to increase their productivity, or to change their production processes, or to diversify local economic activities (University of Helsinki, n.d.: 4). It may be simply unrealistic – or downright destructive – to expect mines and municipalities to be able to transform their economic base. There is surely a claim on the government fiscus to assist with these challenges. The Department of Trade and

Industry, the Department of Labour, the Department of Agriculture, and the Department of Public Works, are prime candidates for becoming centrally involved in planning for closure.

IDPs therefore offer valuable opportunities for consultation and partnership. In general, it can be argued that those mines which take IDPs most seriously will gain the most influence and impact for their developmental activities. The final section will make more detailed proposals on how mines can engage with the IDP process, and assist municipalities to build capacity.

6. Conclusion

It is increasingly recognized that responses to mine closure require a much more proactive closure *policies* and programmes, by government at all levels, and with effective mine involvement at all stages. Planning for closure should start when the mine *begins* production. The new requirement that mining companies compile Social Plans goes a long way towards entrenching this type of long-term planning. The governmental counterpart to this approach is municipal Integrated Development Plans, which can identify threats and opportunities in the local economy. South Africa already has 8 years' experience in empowering municipalities to write and implement IDPs, and much has been learnt about the difficulties and challenges in integrating mining and other economic issues. The new holistic development orientations of mines and municipalities are beginning to coalesce.

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