



Case Study

AT A GLANCE INDUSTRY:
Mining and Resettlement

COMMODITY:
Iron Ore

CLIENT:
Iron Ore Mine

LOCATION:
Northern Cape

PROBLEM SUMMARY:
Is project success as simple as its academic definition in the case of mining projects?

SERVICE:
Project Support

AUTHOR:
Netterine Venter –
Project Support Consultant



A Resettlement Project

Enabling mining access by resettling a mining community

Abstract:

In order to ensure the continued operations of its mining activities, a relocation project was undertaken to ensure the mine's continued business justification.

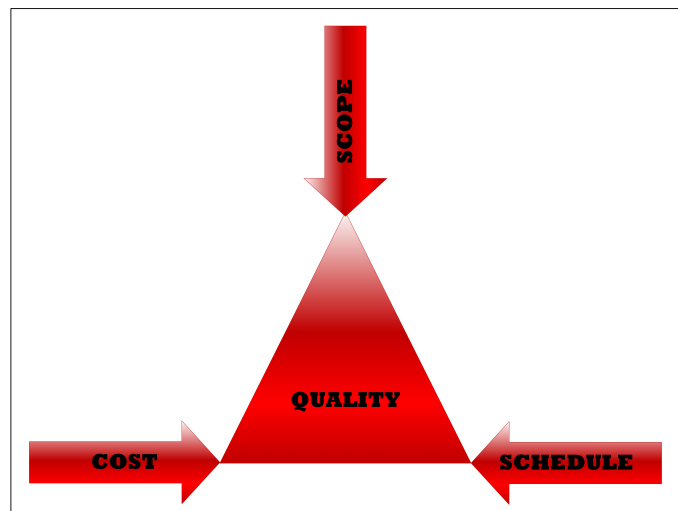
Keywords:

Community, Resettlement, Project Success, Mining



Problem Statement

Traditionally, project success is determined by the triple constraint triangle determining whether the project was delivered on time, in budget and within scope.



In modern project management methodologies, project success is defined as the acceptance of project outcomes by the client, which may include undelivered outcomes. This definition accepts that there may have been changes to the initial success criteria for the project, and that it was managed, approved and documented in a transparent way.

In practice, however, project success is also reliant on **perceived** project success by key stakeholders who may have differing and even opposing objectives to that of the project team and client. Therefore, a project may be considered successful by some, but not all stakeholders. This is especially true in the mining industry due to its strong social and labour involvement, constant exposure to the media and intense involvement with governmental entities.



Background of the Project

A small town in the Northern Cape was founded in the 1950's to house mine workers. During the 1970's and 1980's many of the properties in the town were sold to private individuals. Today, the town is home to more than 500 home owner households, and many more renter households. Based on exploration estimations, there are significant iron ore deposits underneath the town, which is earmarked as part of the mine's Life of Mine. Although the mine has been aware of the possibility of resettling the town since the early 1980's, the actual relocation project only commenced in 2012.

The following acceptance criteria had to be taken into consideration prior to the projects' approval:

- › An agreed threshold level of community buy-in had to be achieved by means of signing "in-principle" agreements.
- › The company had to approve the projects' Business Case to ensure that the capital outlay to fund the project was justified for the ore underneath the town.
- › The project had to be technically executable.

The project was conducted in accordance with IFC standards, which is generally regarded as the guiding standard for resettlement projects in the extractive sector. The basis for the IFC resettlement standards are the like-for like principle:

- › Community members may not be economically worse off after the resettlement.
- › The project has to provide sustainable solutions for loss of livelihood of displaced residents.
- › The project/company has to improve living conditions among physically displaced residents.



Project Objectives

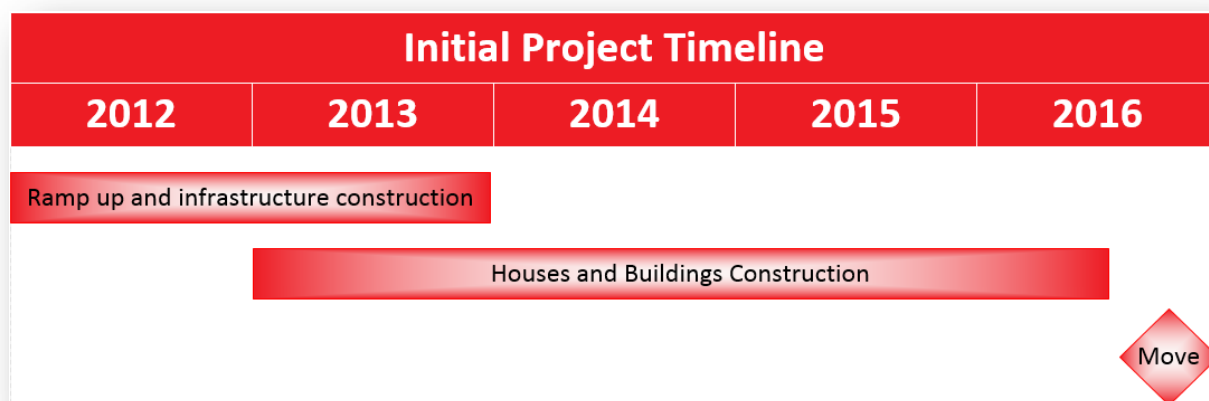
Ensure the town is vacant within a specified safe distance from mining activities, by means of:

- › Offering residents an option to either replace their house with a newly constructed house at the host site, or with an existing house of their choice within a budget determined by the value of their previous house.
- › Supply sufficient living space for renters residing in the town.
- › Ensure the project is conducted as per IFC standards.



Method

According to the Investment Proposal, the projects' implementation was initiated in 2012, with the intention of moving the entire town during the last quarter of 2016.



Census data was collected to identify and quantify the people (both owners and renters), businesses and churches in the town, while land surveyors and architects determined the exact scope of buildings and infrastructures using aerial surveys and physical valuations. On 10 December 2013, a moratorium was declared to baseline the number of residents and structures in the town, and fix the scope of the project.

After the “in principle” agreements were signed, individual negotiations commenced with the community to offer the option of an exchange, wherein the project would build a new residence for the resident at the host site, or a buy-out, where the resident could buy an alternative residence outside of the host site.

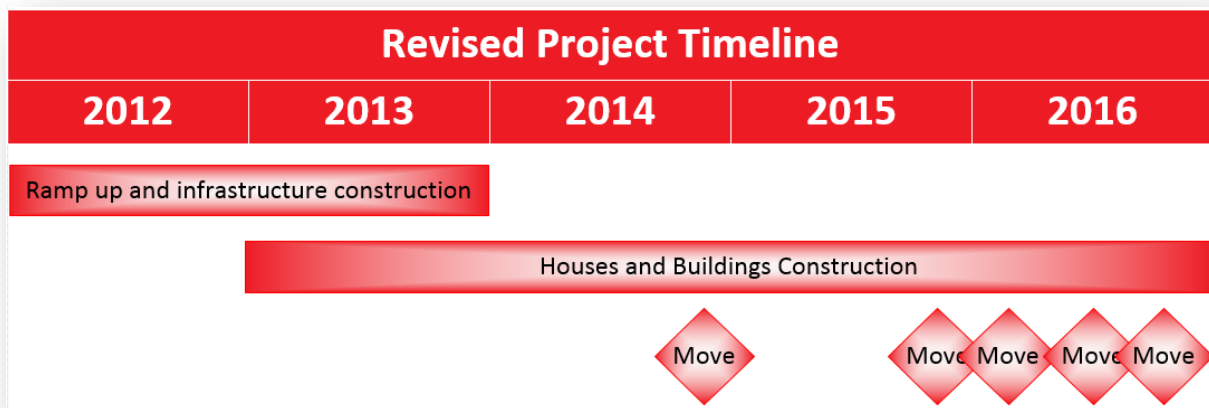
A policy was developed to consistently determine the value received by home owners and to ensure that all residents would be compensated equally and fairly.

As construction progressed the project identified the opportunity to move sections of the town in a phased move approach, a strategy which later greatly benefited both the project and the community:

- › From a psychological perspective, moving residents to the Host Site maintained the momentum of the project as the residents were excited about the new houses and could move prior to becoming despondent about the long process. The residents who moved had

contact with residents who hadn't moved yet, assisting the project in keeping the excitement alive back in the old town.

- › The construction team was able to stagger the defects liability warranty period over a longer period of time, which significantly reduced the pressure on the construction contractor. The construction contractor could therefore also address defects in parallel to construction activities, which was preferred to keeping a skeleton team on site after all construction had been completed.
- › The phased moves served as proof that the project was progressing, which motivated refusers to re-enter into negotiations with the project, to avoid being left behind.
- › The site support office's workload was levelled over a longer period of time, improving its manageability and avoiding the appointment of short term staff.



Once the strategy of a phased move was implemented, a further progression on this strategy was devised to move as many people as possible, as soon as possible, in the face of uncertain times due to fluctuating commodity prices internationally.

As the town became empty, the sizable challenge of the renters became more apparent. Sufficient rental space was not yet available at the host site, and the space that was available, wasn't within price range of many renters.

Renters who could not afford rent outside of the town was classified as vulnerable renters, for whom a different strategy needed to be implemented.



Project Results

By the end of the Final Move in November 2016, approximately thirty eight of the original 513 home owning residents still reside in the town. For nine of these households, the reasons for not moving revolved mainly around accommodation availability for their tenants, outstanding municipal accounts and unresolved legal and estate matters. These matters would be addressed by the end of the project, enabling these residents to move.

Can the project be considered successful?

Approximately twenty six residents in the town refused to move, hoping for additional financial compensation by hindering the mine's ability to continue mining. If the projects' success was defined by delivering a vacant town to the mine, project success could be compromised by these refusers insisting on staying in the town. These refusers would be handed over to the mine operations after project closure. Even so, considering that the refusers were a known and quantified risk (feasibility studies made provision for a 10% refusal rate) since the project's inception and were actively being managed, one could argue that the project would hand over a defined and known realised risk to the client, thereby still achieving project success.

If the mine can continue mining even with the presence of the refusers, by carefully managing their presence, then Project Success would be achieved if measured in terms of continued business justification.

The empowerment and upliftment of the community could be regarded as a deliberate secondary success of the project, as it improved the mine's reputation among the larger community of the area. In the larger political landscape of South Africa in which mines often receive bad publicity, the mine would've also assisted in fighting the negative stigma around mines with the success story of the project.



Customer Value

Through the use of the land:

- › The mine can continue its operations uninterrupted into the town area.
- › Secondary job creation as a result of the decommissioning of the town would result from demolition activities.
- › The local municipality no longer had to maintain old and outdated infrastructure of the town.

Through the new infrastructure erected at the host site:

- › The residents of the town are truly uplifted. Many residents, especially from poorer areas in the town which was considered an informal settlement, would never have had prospects of owning a brick-and-mortar house if it weren't for the resettlement. Many residents never had flushing toilets or running water, not to mention geysers. Although the IFC specifies that no owner may be left economically worse off than before the resettlement, most residents were in fact better off.
- › Sustainable development would continue at the host site through landscaping, maintenance and training, creating work and stimulating the local economy for members of the community in the long term while maintaining a pleasant living environment.
- › The project assisted in the establishment of new infrastructure, which would otherwise have been the local municipality's responsibility.

