

Sharing the wealth with local suppliers

Feature Company: Lonmin

Summary: A three-year partnership between the International Finance Corporation (IFC) and platinum miner Lonmin promotes social and economic growth in communities surrounding Lonmin's operations in South Africa's North West Province. To date, the award-winning Lonmin-IFC programme has supported the development of 34 local entrepreneurs, who have collectively been awarded contracts worth more than US\$31.5 million.

Platinum group metals (PGMs) have direct, and indirect, socio-economic impacts on the communities in which they operate. Directly, the platinum industry pays governmental taxes in their countries of operation and provides employment to employees and contractors.

PGM mining and production also creates wealth through indirect impacts that emanate from the secondary effects of capital investment, mine development and mine payrolls in the local community. Mining companies can directly influence the extent of these indirect benefits, as demonstrated by IPA member company Lonmin and its ambitious partnership with the International Finance Corporation (IFC).

Lonmin is the world's third largest platinum producer and operates mines in the Northwest Province and Limpopo provinces of South Africa. Lonmin employs 25,000 people in its operations in mines that should be active for another thirty years. In July of 2007, Lonmin entered into a three year partnership with the International Finance Corporation (IFC), a division of the World Bank that focuses on private sector development in emerging markets.

The Lonmin-IFC local supplier development programme is an ambitious programme that aims to bring economic development and wealth to the local community. The focus of the programme is on villages situated within a 15 km radius around Lonmin's Marikana mines, an area Lonmin has designated as the Greater Lonmin Community or GLC. This area is comprised of approximately 250,000 people and is characterised by a 60-65% unemployment rate, with 50% of the population living in informal settlements and shacks.



To date, the Lonmin-IFC programme has supported the development of 34 local entrepreneurs to the value of US\$31.5 million in the disciplines of construction, ore transport, training and catering.

Prior to the launch of the Lonmin-IFC programme, Lonmin had focused its community development efforts on procuring goods and services from Historically Disadvantaged South Africans (HDSA). The Company had set annual targets to increase its total procurement spend with HDSA suppliers. Although Lonmin's targets were achieved, the procurement programme did not result significantly in the empowerment of the local community to the Company's satisfaction, as HDSA suppliers from the metropolitan areas of Johannesburg and Pretoria had primarily benefited from this policy.

The strategic objective of the Lonmin-IFC local supplier development programme therefore is to tap the entrepreneurial skills of the communities immediately surrounding the mine. The company aspires to develop sixty locally owned supply companies during the next three years and award them with contracts exceeding US\$60 million. The intent of this programme is to promote sustainability by contributing significantly to the development of the communities through enhanced knowledge, skills and entrepreneur development. The basis for success is for these suppliers to extend their services, not only to other mining organisations in the regions, but also to non-mine related customers.

After the first thirty months of the programme, Lonmin had awarded 215 contracts to 34 local suppliers, to the value of US\$31.5 million in the disciplines of construction, ore transport, training and catering. These results, while only preliminary, demonstrate the Lonmin-IFC local supplier development programme's potential for wealth creation. This initiative makes it clear that Lonmin's commitment to its local stakeholders is not just talk, but rather a concerted effort of engagement, partnership, programme development, implementation, evaluation and learning.



Bons Moeng, the owner of Bons Construction, one of the companies that has benefited from the Lonmin-IFC local supplier development programme. The husband and wife owned construction company has successfully been awarded four contracts under the programme.

Source: Lonmin Plc

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