Complex Orebodies Conference 2018

Paper Number: 13

On equitable distribution of mining wealth and the social licence to operate imperative – An African case study

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ABSTRACT

Society is split between two competing perceptions of mining: (a) that it is “a curse” and unsustainable due to the exploitation of finite natural resources at any environmental and social cost; and (b) that in stark contrast, mining is an agent of economic development liberating otherwise unused natural capital to generate wealth. To reconcile these perceptions and achieve a social licence to operate, mining companies seek to provide a net benefit to the community, through various mechanisms, to compensate for the impact caused by their activities. The challenge is a complex one – even for the ‘simplest’ of orebodies located in stable mining jurisdictions. Higher task complexity is present in emerging economies and for those mining projects for which the revenue streams are not exchange-traded. Ultimately, providing benefits that are considered “equitable” remains an elusive concept that can include factors beyond a company’s immediate span of control.

A social licence however, if maintained, provides two critical benefits: (a) minimisation of risk and insolvency; (b) a sustainable competitive advantage through the generation of broader societal and economic value and creation of a reputation that enables future projects. To achieve these outcomes, companies need to incorporate the social licence as part of their core business – with tangible actions, not simply platitudes
A case study from Kenya is used to illustrate key themes, frame the task complexity and describe the implementation of targeted initiatives aimed at increasing equitable wealth distribution and developing and maintaining a sustainable social licence to operate.