



COLLABORATIVE LEARNING PROJECTS

CORPORATE ENGAGEMENT PROJECT

Dikulushi Project – Katanga Province Democratic Republic of Congo

Anvil Mining Limited

Field Visit: November 22 to December 15, 2005

This field report is one of a series of reports developed as part of the Corporate Engagement Project, directed by the CDA Collaborative Learning Projects (CDA) in Cambridge, Massachusetts, USA. The objective of the Corporate Engagement Project (CEP) is to provide managers with clear ideas about how their work with communities relates to the broader socio-political environment and to develop practical management tools for supporting stable and productive relations in the societies where corporations operate.

To this end, CEP field visits are undertaken to help corporations gain insights into the positive and negative impacts of their daily activities on the local and national context. CEP would like to acknowledge the willingness of the participating corporations in constructively exploring their effect on surrounding communities in efforts to improve their daily interactions with local stakeholders.

**For more information on the Corporate Engagement Project, see
www.cdainc.com**

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Introduction

This Corporate Engagement Project field visit was conducted by a team of experts who have experience in conflict and in working with extractive companies, as well as a strong understanding of regional/local dynamics. The approach is to visit the site, conduct extensive interviews and observe the situation firsthand. In that way, we gain direct insight into existing community-company dynamics and hear directly from the community about issues that concern them.

The first step in the CEP field visit carried out for Anvil Mining Limited was attending the Natural Treasures conference on extractive resources in the Democratic Republic of the Congo (DRC). Held in Brussels in November 2005, the theme of the conference was "Source of conflict or key to development?" This conference provided CEP with the opportunity to meet with policy makers, companies and non-governmental organizations (NGOs) to discuss issues related to resource extraction in the DRC.

Following the conference, the field team went to the DRC. The site of Anvil Mining's DRC headquarters, Lubumbashi is the second largest city in the country and the major city in the province of Katanga. It has a population of about one million people. Lubumbashi acts as the base for regional headquarters of most of the foreign mining companies operating in Katanga province and has a long history of supporting mining efforts with infrastructure and services. In Lubumbashi, the CEP team met with:

- Anvil Mining company staff,
- The Governor of Katanga Province
- The General in charge of Military Area 6,
- The Bishop of the Archdiocese of Lubumbashi, and
- Representatives from NGOs and human rights groups

The CEP team then went to the Anvil Mining site at Dikulushi and spent time in the communities that line the 50km road from Dikulushi to Kilwa. Over the course of two weeks, CEP spoke with more than 200 people in either small group settings or individual conversations. It met with local military and government officials, representatives of civil society, business people and religious leaders as well as people working in various capacities in agriculture and local markets.

The meetings and conversations centered around the themes:

- What things unite us?
- What things divide us?
- What was life like before the company?
- What has changed since the company arrived?
- What can be done for the future?

We invite feedback on the observations laid out in this report. In all of CEP's efforts, we work to establish partnerships between groups with different agendas

with the ultimate objective of increasing the positive impact that companies have, or can have, on the quality of life of people where they operate. The purpose of this report is to contribute to broader discussions within the company and between the company and stakeholders on options for positive corporate engagement in the context of the Democratic Republic of the Congo.

Executive Summary

- Over the course of the visit CEP found that the community was rich with concerns about its relationship with the mining company and had ideas about what could be done to support improving the relationship. In general, CEP found people in the communities supportive of the company's presence as an engine for economic development.
- At the same time, CEP heard that after four years of experience with the company many people were just now discovering what the differences are between a state-supported enterprise and an Anglo/European-style, profit-seeking public company. Chief among their many concerns about the relationship that had developed since Anvil came to the area was that they find it difficult to get access to information about company operations and feel powerless to influence or to contact decision makers. As well, there is a strong current of feeling that the company has not lived up to its promises and is not doing enough to support the communities in return for gaining access to the mineral resource. They also expressed concerns about how the company has an effect on the local power structure in the community as a result of paying per diems to the Chefferie.
- Although Anvil and, indeed, modern copper mining, are new to the area, the company faces legacy issues and expectations that arise from peoples' familiarity with Gecamines, the country's main government-owned copper-mining entity. Among the legacy issues are people's belief that the company should "look after" the population by creating schools, health facilities and housing. As a result, they have high expectations about what resources the company can bring to bear in the community and the way in which it can act. These expectations are elevated by peoples' feeling that following a long period of conflict the government has essentially withdrawn.
- However, CEP observed that one of the key drivers that often puts the company and its staff in a position to not fulfill these expectations is the perception of Anvil staff that the nature of the company is as a profit-seeking enterprise with a responsibility to look after the interests of its foreign shareholders. The company has successfully gone through a difficult operational startup in a complex and often difficult operating environment. After a year (2005) of lower earnings, company management focused strongly on reducing costs. This effort resulted in the company being operated with as thin resources of staff and material as was possible.

Meanwhile, staff say turnover is high and the company faces challenges in its decision-making processes that have an impact on the communities. For example, managers who raise community-related issues often become the people responsible for "solving" them regardless of whether they have sufficient expertise, experience or resources to do so. Compounding this is the company's commitment to use staff recruited locally or regionally to carry out its external affairs activities – community relations, community development, government relations and public relations -- but who do not have a background of best practice in these areas. As a result, the company's social development team responsible for community relations and community development use techniques more designed to "manage" people in the communities than to engage with them.

- The company has set up a structure of trust funds as a result of its negotiated agreements with the Congolese government to contribute 10% of the profit generated by the project to community development. Although the company says the structure is the simplest that could be set up, there is little understanding in the communities of these trust funds and CEP found no-one in the communities or, indeed, in the company's local management, who understood who is responsible for making decisions about the use of these funds or what the criteria are for decision making. As a result, people in the communities have expectations but no clear understanding of how the company will meet them. The combination of having a difficult concept (the trust) with ineffective communication lessens the impact of company's social rate of return and can actually work in a negative way. People say the company tells them it is spending money but they don't understand how and so interpret what they see as a lack of evidence of fulfillment and an indication the company is not acting in good faith.
- People in the communities have ideas about how perceived problems in the company-community relationship can be addressed. Chief among these are implementing genuine community consultation and effective communication about company activities and creating processes that allow access to company decision makers. They also said they believe it may be possible to create a multi-stakeholder dialogue process that helps define roles and responsibilities of the company, government, civil society and community members. Anvil's agreement with Pact is intended to address this issue.

Background

Democratic Republic of the Congo

History of the Region

The Congo, formerly a Belgian colony, became an independent republic in 1960. The Congo was renamed Zaire in 1971 by the then President Mobutu but became the Democratic Republic of the Congo (DRC) under the presidency of Laurent Kabila in 1997.

A massive influx of refugees from the 1994 internal conflicts in Burundi and Rwanda contributed to an outbreak of civil war in the Congo in 1998.

When Laurent Kabila was killed in 2001, he was succeeded by his son Joseph, who moved to establish a government of national unity preparing for an election before June 30, 2006. One of the new government's top priorities was revitalizing the national economy. As part of this process, the government adopted an international-style Mining Act based on security of tenure and encouragement for mineral exploration and development. As a result, some of the world's major resource companies are investing in new projects, particularly in Katanga Province, where Anvil has substantial mineral interests. The area has some of the world's richest deposits of copper and cobalt.

Much has changed in the DRC in the last five years. The Government has signed accords with most of its neighbors and the United Nations has established a 16,000-strong permanent mission (MONUC) in the country.

Economic recovery was stimulated by the World Bank work on mining reform and legislation that led to increased foreign investment. Such investment was underpinned by foreign aid and the involvement of organizations like the World Bank's Multilateral Investment Guarantee Agency (MIGA), which has provided Anvil with political risk insurance.

Constitution and Elections

The people of the Democratic Republic of the Congo (DRC) must go to the polls for legislative and presidential elections by June 30, 2006, when the mandate of the transitional administration ends. This government was set up under the terms of a December 2002 peace agreement that ended five years of war in eastern DRC between the government and various rebel groups. About 24 million voters were registered in 2005. The local and national multi-party presidential and National Assembly elections will be the country's first democratic elections in 45 years. More than 80 percent of the eligible Congolese voted in favor of the new constitution in a December 2005 referendum.

Economics

The economy of the Democratic Republic of the Congo -- a nation with vast potential wealth -- has declined since the mid-1980s. The war dramatically reduced national output and government revenue, and increased external debt. Foreign businesses reduced or stopped operations because of the conflict, lack of infrastructure and the difficult operating environment. Conditions improved in late 2002 with the withdrawal of a large portion of the invading foreign troops. Following agreement by President Kabila to implement reforms, international financial institutions and international donors reopened relations with the transitional government. Much economic activity lies outside the GDP data. Economic stability improved in 2003-05, although an uncertain legal framework, corruption and a lack of openness in government policy continue to hamper growth. In 2005, renewed activity in the mining sector, the source of most exports, boosted Kinshasa's fiscal position and GDP growth. Business and economic prospects are expected to improve once a new government is installed after elections.

(Source: CIA – The World Factbook)

National

The DRC's 60 million people are from 200 African ethnic tribes, the majority of which are Bantu. The official language is French. The national literacy rate is estimated at more than 65%. The country is composed of 10 provinces and one city, the capital city of Kinshasa. President Joseph Kabila has been both head of government and chief of state since 2001. He succeeded his father, President Laurent Desire Kabila, who was assassinated.

Regional

A key theme that evolved over the course of the research was an often mentioned expression that the company should support people in the communities because the local government is "almost dead."

FARDC

The DRC government is creating a unified national Congolese army, integrating former warring factions into brigades. The Forces Armee de la Republic Democratique (FARDC) now has six brigades and is working with the United Nations peacekeeping forces in the DRC. However, funding for the military is thin, particularly outside of major population centers such as Lubumbashi. As a result, people in the communities report that the armed forces are often "self-funding" by pressuring people to give them either money or food. [The CEP's observation was that many soldiers appeared to lack regulation footwear.]

Local conditions

Civil War and Local Conflict

When civil war broke out in the DRC in 1998 the conflict between the government and various rebel groups was motivated in large part by the struggle for control of natural resources. The five-year war killed an estimated four million people, mainly through hunger and disease. It also severely disrupted economic activity. Since a ceasefire in 2002, eastern parts of the country remain volatile.

At the same time, people in the communities surrounding Anvil's Dikulushi operations in Katanga province describe themselves as being peaceful and as having few ongoing internal conflicts, with the exception of impacts on the area's fishing resource by an influx of fishers from another region. These fishers were displaced as a result of the regional conflicts between the state and the Mayi-Mayi, a DRC insurgency. The internal conflict in Kilwa centered around the newcomers' ability to take a larger share of the fishery because they used a net that had a smaller weave. Local fishers responded by adopting the smaller-weave nets. However, people in the community say using the smaller nets has had significant impacts on the sustainability of the fishery because the fishers now take less mature fish and the fish stock is not able to reproduce at a sustainable rate. People in the communities say part of the problem also results from a lack of enforcement of existing fishing regulations that would support the fishery. They say that the same is not the case in Zambia, just across the lake, because there the regulations are more adequately enforced.

MONUC, Area Conflicts and the Kilwa Incident

The DRC and five neighbouring states signed the Lusaka Ceasefire Agreement in July 1999. To maintain a liaison with the parties and carry out other talks, the UN Security Council set up the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC) in November 1999. MONUC is a permanent mission with about 16,000 troops in the DRC. The world's largest peacekeeping operation, MONUC has been deployed to disarm former rebels in the Congo. It faces a considerable challenge in dealing with militias who know there are rich pickings for those who can maintain control over the considerable mineral deposits in eastern DRC. MONUC resources in the province of Katanga are thin. The Pweto area, which at the time of the visit saw active incursions by rebel Mayi-Mayi forces, was the only area close to Anvil operations with any MONUC presence.

Since mid-2005 the Mayi-Mayi have been active in Dubie, roughly 40 km northwest of the Dikulushi mine and conflict in the area has been generating increasing numbers of internally displaced people in need of resources. Anvil has provided food and other resources on an ad hoc basis to a group of Franciscan

Nuns providing relief services in the community.

However, insurgent activity sparked significant conflict in the Kilwa area in 2004 from which the community is still recovering. In October of that year, a small group of insurgents took control of the community of Kilwa. The government responded by dispatching troops who, in the course of taking back control of the communities, killed a number of civilians and went on an extensive looting spree. Reported estimates put the number of dead at more than a hundred.

By the time the government had sent troops, Anvil had evacuated most of its staff. In order to increase their mobility, the local army officers demanded and used company vehicles to transport soldiers. The incident sparked an intense focus by national and international human rights and other organizations to determine what happened and about the position of companies in such circumstances.

(The CEP team did not explore the details of the October 2004 incident, as other organizations are more qualified to do so. CEP's aim instead was to gather perceptions of local stakeholders to aid Anvil in taking a forward-looking and constructive approach to future relationships with stakeholders.)

In the meantime, people in the communities around Kilwa told CEP that, when it comes to resisting the military, they understand the company is no different from them and that when the military threatens it the company has little choice but to accede to its demands. This means that at least some people now see Anvil as being less powerful than they previously thought.

Description of Anvil Mining Operations

At the time of the field visit, the company had one high-grade copper and silver mine that had been in production since 2002, an advanced copper project that was scheduled to begin production by the end of 2005, and was signing an agreement for a copper-cobalt project. The Kolwezi Project is about the same distance from Lubumbashi as is Dikulushi. CEP visited only the Dikulushi copper-silver project.

The Dikulushi project began production in October 2002. The mine and associated processing plant are designed to produce 20,000 tonnes of copper and 1.6 million ounces of silver per annum. Anvil's second operation, the Kulu 70% copper project, began production in November 2004. The HMS plant at Kulu will process 385,000 tonnes of ore a year with an average grade for the first three years of more than 6% copper for a targeted production of 16,500 tonnes of copper recovered for 2006. The mining of the waste rejects/tailings of the Kulu deposits is a relatively simple operation. Total company annual production rates on a consolidated basis (Dikulushi and Kulu mines) are expected to increase to more than 36,500 tonnes of copper in concentrate in 2006.

The company says it has a strong management team with extensive experience in Africa and proven development and operating expertise. It says it is committed to:

- continued growth in the DRC,
- increasing shareholder value
- responsible social development for local communities, and
- responsible environmental assessment and management practices.

Findings

Impact of the company on society

Social development

Most interviewees say the company has a largely positive impact on social development because it offers jobs and improves infrastructure, building hospitals, schools, shops and markets. These actions are seen as having a direct impact on civil society.

Increased presence of the military

Military officers and troops stationed outside major cities are often not paid and left to fend for themselves. As a result, people say they are constantly under the threat of extortion. In the community of Kilwa in October of 2005, for example, a soldier entered a house and demanded money. While the woman in the house went to look for money, the officer shot and killed her two children.

Many people in the communities told CEP that before October 2004, when the military resources in the area were increased, the community-military relationship was generally positive. However, people say they are now more vulnerable to being pressured to support the military with either money or resources. For example, people say there are more soldiers traveling on the road and that farmers working in fields adjacent to the roads are targeted by soldiers asking for or extorting money or supplies as they pass by.

In other examples, people in Dikulushi also say that, because the community is located at a crossroads, they are often harassed for money. They say that in the last year there were several incidents of soldiers passing through the community who went house to house looking for food or money. People in the town say they do not generally go out after about 2000 hours because they are more likely to encounter problems with the military at night.

In other areas, people say the security situation is generally satisfactory except for harassment from the military at night. They say this harassment has increased since the company established an operation in the area.

Impact on cost of living

Fishing and agriculture remain the principal activities for most community members. Jobs generated by and at the mine have been well received but, people say, have also created hardship for those not employed by the company. People point to the steady increase in the cost of basic staples, some of which have doubled, and to periodic shortages in the market influenced by the once-monthly payment schedule for Anvil employees. Market sellers say prices rise in the weeks leading up to "pay day" as a result of supply and demand forces and that prices rise toward the end of the month and in the rainy season because it becomes more difficult for them to hold adequate stock.

Options

The company could create a social monitoring program that enables it to track new impacts resulting from its presence. For example, in one community people said there is an increasing number of women abandoned with their families by spouses who had moved them to take jobs with the company. This appeared to be an emerging trend but one the company had no way of tracking. As a result, people appeared to feel the company did not care about impacts such as this.

Local chiefs and members of civil society said it may be possible to lessen the increased impact of harassment of civilians by the military by creating a dialogue process involving the military and that clearly defined its role in relation to the company. This could allow the company to support the military in ways that would be acceptable to the people and NGOs and shine light on problems that are now not being effectively dealt with.

Shopkeepers say they believe fluctuating prices could stabilize somewhat if there were greater supply or if they had the financial resources (credit) to be able to increase their stocks. Anvil has already discussed potential micro-credit programs with organizations such as PACT that could help offset this dynamic. Similarly, farmers in some communities say that they could increase supply the company could use if they had resources such as micro-credit to change their production techniques or for buying more seed.

Local Relationships/Stakeholder Engagement

Modalities of Engagement

Per diems are a primary tool for managing interactions with local chiefs, government officials and military¹. This was generally seen to be a good concept inside the company because it acknowledges services rendered by individual officials and departments. For instance, because of the company's transport schedule, port officials in Kilwa are often called out at night, beyond their regular hours of work.

¹ Anvil says per diems paid to the military were only to the eight or nine soldiers, including members of the national mine police, stationed at Dikilushi to provide security to the company.

Some people in the community didn't feel the per diems paid to the chiefs were a bad thing because when the chiefs have money they don't look to the people in the towns and villages for as much financial support. However, people in the communities and in civil society organizations said it would be preferable if Anvil had a policy that standardized this practice by outlining criteria for per diems and amounts to be paid. This could be done by creating a dialogue process that involved all parties and through which the per diem process could be made more transparent.

Access to Management

In general, people to whom CEP spoke in the communities said they would welcome more involvement and especially more communication with the company. They were often frustrated at what they believed to be a difficulty with getting access to company decision makers. For example, on several occasions chiefs of smaller communities reported that, because the company was not coming to the communities, they had gone to the facility gate and been turned away.

People said they knew of no official process for registering a complaint. From the company's standpoint, complaints are often received by an official letter, but there is no formalized process for dealing with them. Creating and publicizing an official complaints process could go a long way toward allaying concerns about lack of access to the company. Such a process would clearly lay out how complaints would be received and recorded, as well as the process that would be used for responding to them and how they would be communicated about.

In the past, company staff visited some of the chiefs on a regular basis. However, in 2005 a staff member was threatened by the army who thought he was "interfering" with their stipends, which were being affected by the company's decision to engage the national mining police instead of the army to provide security to the mine. As a result, at the time of the field visit people said there were no regular meetings between Anvil representatives and local chiefs. Representatives of civil society organizations say they believe it would be possible to involve representatives of all parts of society – including the chiefs and the military – in a dialogue table that could create a formal understanding, and possibly an agreement, on the roles and responsibilities of various actors. To succeed, they say Anvil could help support the process financially but that the process must be independent and transparent. They say it could be convened by a neutral party.

Communication (perceptions and reality)

A common theme among those with whom CEP spoke was that the company had initially promised to improve the road to Lubumbashi and that this would have enabled farmers and fishers to find other markets for their products, thereby decreasing their dependence on local markets and acting as an engine for regional development. Some say when people bring their needs to the company they are shown the mining license and told that the company has no

obligation to help them. They say they are disappointed by the company's decision not to improve the road to Lubumbashi and the Anvil's argument that it would cost too much is irrelevant because it is taking the resources on the basis of comments it made earlier that it would improve the road.

The company faces ongoing challenges with community perceptions about how long it will stay in the area. People say that although the company often talks about the "long-term" in their view it acts as though it's only there for the short term. They point to the difference they perceive in development between the port facilities in Kilwa and those across the border in Zambia. However, company representatives say this difference is really only a result of the difference between managers – the one in Zambia being a little more creative with the resources he has.

Anvil's Security Department has compiled a "promises register". This document, based on work from International Alert's set of conflict-sensitive business practices, is a list of all commitments made by company staff to members of the community or to government. In Anvil's case the register is available at the security office but did not yet appear to be publicized in the communities. The register was created without consultation in the communities and was put together after the security director did research internally about what commitments company staff felt they had made. Because it was not used as a vehicle for consultation it does not reflect people in the communities' understanding of the company's commitments.

Another example of poor communication is related to Anvil's plan to start underground operations in 2006. This plan would see the company employ new workers with different skills. It raises questions about what will happen to the existing workforce and how the company will communicate this. Yet, although the new work is on the horizon there was no obvious knowledge of this upcoming change among the people CEP spoke with in the communities. Without a high level of communication people in the community are likely to not understand the nature and need for the change (e.g., that it extends the mine's life and potentially its longer term ability to have a positive impact) and to react based on information they don't have.

Analysis

The impacts from the company's positive actions – its three attempts to create sustainable agriculture projects, its significant work rehabilitating Kilwa's hospital and ongoing contribution to its operations to name but two – are often watered down or negated by its inability to communicate effectively about them in a way that engages the community. For example, although the company and its staff have put considerable effort into creating programs to supply the company with agricultural products, many communities appeared to be unaware of it or that these initiatives failed. People said they felt the company simply did not want to deal with them. In fact, at least two communities said one of the things the company could do to improve relationships would be to buy produce from them directly instead of buying it through third parties in the Kilwa market. Some

people say that by buying directly the company would reduce the effort required to market the produce (there is no regular transport for produce – individual farmers carry it by hand or by bicycle).

In another example, although the company invested considerable effort in rehabilitating the Kilwa hospital – which people in the communities see as the major health service provider – CEP repeatedly was told that all Anvil did was paint the outside of the building. There is little awareness that the company restored the facility's electric power, provides the hospital with a monthly ration of fuel for its generator (based on the hospital's estimate of its needs), renovated the beds, rebuilt its septic system, etc. As a result, when people spoke of the company's contribution they dismissed it as being minor.

Options

People in the communities contacted by CEP were concerned about the nature of the relationship between them and the company but were also concerned that the company might leave (note the concern mentioned above about their perception of the company's long-term talk but short-term action). In almost all the conversations it was clear that people had actively thought about the nature of the relationship and its future. When CEP asked people "what will make a difference for the future?", people responded with a series of factors. Among them:

- Peace,
- Less stress in daily life by having things such as supermarkets,
- Focused development programs that they understand and that are transparent. People said they did not understand what the company was doing or how decisions were being made.
- A sustainable fishery,
- Having the company hire a proportion of people from each village to spread the economic spin-off impact generated by people with steady incomes; this equally distributed hiring process should be managed by the company.

At the time of the visit, Anvil did not have a formal, published policy on local purchasing that had been well communicated in the towns and villages. People say Anvil can also help improve the local situation by buying supplies locally and assisting with materials.

In a similar way, people said creating and publicizing an official complaints process would help allay concerns about lack of access to the company because it would create a kind of transparent access that now does not exist. Such a process would clearly lay out how complaints would be received and recorded, as well as the process that would be used for responding to them and how they would be communicated about.

Although people in the communities and in civil society organizations did not object to the principle of providing per diems to officials, they said it would be preferable if Anvil had a policy that standardized this practice by outlining

criteria for per diems and amounts to be paid. This could be done by creating a dialogue process that involved all parties and through which the per diem process could be made more transparent.

Recent experience in other mining projects suggests that involving the communities in developing policies that affect them is an effective way of initiating long-term communications. Members of the communities and of civil society organizations expressed a willingness to participate in helping develop a Code of Conduct for the company that will be transparent and can be used to measure company action, an agreement on appropriate levels and manners of military involvement and an agreement on the role of chiefs and the stipends they receive for services.

At the same time, representatives of civil society told CEP that while they welcome support from non-Congolese organizations, they do not want outside organizations to act out their own issues in the context of the relationships between companies and Congolese communities.

Social Development Issues

Anvil says from January 1 to December 31 2005 it sponsored the following Social Development projects:

- Development of a new school at Lumekete - Project cost to date to construct and operate Dikulushi and Lumekete Schools -- US\$1 10,652.
- The Dikulushi Clinic -- Once approvals had been received from the Ministry of Health, the clinic was opened to the general public on a fixed charged basis in January 2006. -- US\$26,380.
- Refurbishment of the Kilwa Hospital was completed by Anvil Mining in June 2005 -- US\$220,000.
- Four schools in Kilwa were completely painted.
- Plumbing materials (2,000m piping plus fittings & valves) were donated to Caritas in order to upgrade and extend the existing water reticulation in Kilwa -- approximately US\$5,000.
- US\$575,000 was committed to the development of a potable water supply network for Pweto.
- Feasibility studies to supply power to the Kilwa and Dikulushi region from the Koni hydro-electricity facility and refurbish the road from Kasomeno to Kilwa were completed in 2004-2005 -- US\$1 32,000
- Secondary classes at the Dikulushi School were opened

- The Kilwa power supply was extended from the company's docking facility to the Hospital and Mission
- Establishment of English classes for employees and local population in the Anvil guest house in Kilwa was established
- Emergency food supplements and supplies were shipped to refugees in Dubie during December 2005

The total cost for implementing the actions detailed above was US\$452,033. There was an outstanding commitment to provide potable water supply to Pweto of US\$575,000, bringing the total for social development projects to US\$1,027,033,

The company has initiated relationships with social development agencies such as PACT and World Vision but these have not yet developed into program activity. Both organizations conducted community assessments. The company was pursuing having PACT, which already has extensive programs in other parts of the country, take on a role managing community development programs on Anvil's behalf. This was delayed by the October 2004 incident in Kilwa. PACT signed an agreement with the company in April 2006.

Community Involvement in Community Projects

Anvil's Public Relations and Social Development departments were in agreement that the most pressing development issues about which the communities were concerned were provision of clean potable water, health and education. In response to this, the social development department had created a program to drill wells for potable water, starting with the communities closest to the mine. However, people in the communities appeared to be unaware of this program and neither the social development department nor the public relations department – which would normally support it in this kind of initiative – had a plan for how to communicate about the company's assistance.

As a result, people in the communities say they don't know if the company will actually attempt to engage with them and do not understand what drives its decision making processes. At the time of the visit, people in the communities were not aware the company was making provision of water a priority and, instead, felt that their requests and aspirations were being unheard or ignored.

Insufficient explanation about the background of projects

Conflict between people in the communities and the company often appears to be generated by either a lack of or a breakdown in communication. For example, the company made a commitment to install a potable water supply to the town of Pweto, which sits at the head of the lake. Though it is the regional capital, it is not close to the communities that bear the most direct impacts from company operations. This decision puzzled people in the other communities and,

because it was not communicated effectively to the other communities of impact, it was seen as an arbitrary use of resources to benefit a community that is not directly impacted.

The water project also generated a conflict in Pweto when the company decided it needed to pause the project before it was completed. When the company's project leader said he was going to go on leave and said he was taking water project materials back for safe keeping local informal leaders decided a company the size of Anvil Mining would not just depend on one person and that the decision actually indicated the company would not complete the water project. In reaction, the community turned out in force and protested the decision. Anvil responded by sending a senior company staffer to talk about the decision and reassure the community.

Although the conflict generated by the decision eventually abated, the company inadvertently reinforced the community in realizing that conflicts of this nature were effective in focusing company attention. Asked by CEP about what they would do if the company stopped work again, one local leader was clear: "We will walk again. To Dikulushi if necessary. They're exploiting our resources and we should benefit. It's our territory."

Because of the nature of the company's operations this conflict had a third, unlooked-for impact. Responding to the concern in Pweto, the company sent its Social Development Department manager to stay in the community until the issue was resolved. Because of the way the Department is structured, that meant there was only one social development staffer available at the site for a significant period of time and the company was unable to carry out a long-term active outreach program helping in the formation of community development committees. By the time of the assessment, people in the communities in turn had grown frustrated that the company had made a series of assertions and perceived promises it was failing to deliver upon because its social development department was too thinly staffed.

Anvil's good intentions led to three levels of conflict:

1. "Local" communities feel they are bypassed in the benefit distribution while they bear the negative impacts
2. The manner in which Anvil implemented the project sent the message that negative behavior (demonstrations) will be rewarded
3. A responsive approach means that human resources were pulled away from places where they were needed and left the company vulnerable to accusations of not being able to deliver on promises made.

Local Trust Fund

To fulfill the requirement that it invest 10% of its profits in initiatives that benefit the communities, Anvil has set up a trust structure that, people say, is difficult for most people in the communities to understand. The Beneficiary is defined in the Trust

Deed as "any community or member of a community that is or may be entitled to benefit from the application of Dividend Income under the Deed."

The trusts are entitled to 10% of the net profits of AMC, which operates the Dikulushi mine. The trustee companies (incorporated in Australia), which hold the 10% in AMC on behalf of the trusts, are wholly owned subsidiaries of Anvil. The funds are to be used for the social, economic and infrastructure development of the region around Dikulushi.

The amount due to the trust is shown in the company's accounts under non-controlling interest. The amount includes 10% of the net profit from the Dikulushi mine less any amounts advanced by AMC for the development of any social, economic and infrastructure projects.

However, there is little understanding within local management as well as in the communities about who decides and what the criteria for decision making is regarding how and where the money gets spent. This is further complicated by the lack of understanding in the community of what constitutes "profit". The company in 2005 spent or incurred US\$1,027,033 in support of community and social development projects, an amount it says exceeded 10 percent of its profit for the period.

People repeatedly told CEP that they believed the company has lots of money because they see trucks constantly hauling both supplies and products. Although they are familiar with some of the ways the company has invested – such as refurbishing the hospital in Kilwa – they are not familiar with the company's overall program or with how decisions are made.

Options

Local stakeholders say that one recent sign of hope was a series of meetings in October 2005 led by the company and with a representative of the World Bank's Multilateral Investment Guarantee Agency (MIGA), in attendance. During the meetings people spoke about their main concerns– potable water, health and education – and were told they should set up a community committee company representatives can meet with to discuss how Anvil can support their initiatives. At the time of the field visit most communities said they had established such committees and were waiting for further contact from the company.

Employment/Recruitment

Unfulfilled expectations serve to reinforce a theme among some in the community that the company is there to steal their resources in complicity with the government. Such beliefs are reinforced by what people perceive to be corruption in hiring practices and lack of understanding of the area's traditional culture. Both of these emerged through conversations that focused on how the company's local recruiting officers chose only people they either knew or who

had given an incentive*. In many cases people were not surprised by the presence of possible corruption but were offended that even people recommended by their local chiefs had not been accepted for employment.

In Kilwa, people talked about the difference between the hiring practices of Anvil's security contractor and the company itself. Where the security contractor clearly communicated its expectations about qualifications for specific jobs and then carried out a transparent process to determine them, the company was seen to be non-transparent and unpredictable.

Management Issues

The social development department reports to a vice president of operations at the company's corporate headquarters.

Observations

There are no clear written policies on corporate giving or a clearly defined process for decision making when community problems arise. Instead, these issues tend to fall to the individual who identifies them. Because effective intervention and problem solving are not institutionalized and instead are tied to personalities they are subject to outside influences, such as fluctuations in morale during a period of rapid staff turnover .

The social development department appears to be separated from the rest of the Dikulushi operations. Although the department head has functional reporting to the general manager and participates in daily management meetings, he officially reports to corporate office. While this is a way of reinforcing the importance of the department's work, it also runs the risk of fragmenting the company's ability to create effective outreach programs to the community. For example, the company's public relations and government relations functions do not report to the head of social development. Instead, they report to the head of the Human Resources department.

Discussions with Anvil staff at the country management and project level indicated a high level of support for the ideas of increasing shareholder value – i.e., making the Dikulushi project more profitable – and of social development for local communities. The company in 2005 created a Social Development department. However, it is thinly staffed. The department is currently structured with a manager and two staff. But because of the company's rotation schedule there are typically only two department members at the site for significant periods of time. The department is tasked with engaging with more than a dozen communities spread over a broad geographical area. When unforeseen events happen department staff respond, diverting their efforts away from continuing progress in building relationships. Over time this means that the company is frequently in a reactive mode and has difficulty in moving forward with its

* by most accounts this incentive is the equivalent of the first month's salary: either a goat or 30,000 francs

community programs, in effect negating its ability to capitalize on its social investment efforts.

Most communities CEP spoke with, for example, complained that following the department's initial meetings in October 2005, department staff had not returned. By adding even one more trained and experienced staffer to the department the company would be able to continue to react to emerging issues and build on the relationships in which it was already investing.

In another example, the company in the past had employed three security officers, which meant there were always two security officers on site. At the time of the field visit the company had reduced staff to two security officers, which means that in a typical three-month period, there was only one expatriate security officer on site for two of the months. This leaves the company vulnerable in the event the Security Manager is not available or away from the site, which in turn limits the director's ability to personally engage with stakeholders.

Options

The observation of CEP was that there appear to be a lack of management tools to support the general manager in efforts to build capacity to manage issues relating to communities and other stakeholders. For instance, there are no clear written policies on corporate giving or a clearly defined process for decision making when community problems arise. Instead, these issues tend to fall to the individual who identifies them. Because effective intervention and problem solving are not institutionalized and instead are tied to personalities they are more subject to outside influences – such as morale in a period of rapid staff turnover – than would otherwise be the case.

Community complaints about lack of effective communication stem at least partially from community perceptions that the company's actions are unpredictable and not transparent – it has no policies or guidelines for action that they know about.

As well, lack of clear policies and processes for dealing with complaints, community conflict, corporate giving and other areas where the interests of communities and company overlap results not only in a lack of clarity but in uncertainty about the company's intentions. In CEP 's experience, this can be at least partly resolved by developing and effectively publicizing policies, standards and procedures and by developing sufficient resources to carry them out effectively.

Those resources could be drawn from people in the region – there is a university in Lubumbashi that has academic departments that could be engaged for resources and training. It could also be supported by engaging resources with expertise in international best practice relating to extractive industry developments.

Relationship with the Military

The company has a complex relationship with the military. The company said that in the past it had given per diems to the local military on site. However, reacting to recent pressure from national and outside groups, the company instead provides the national mining police force with per diems that enable the force to provide ongoing services. This shift has changed the company's relationship with the military and some employees say it has brought increased uncertainty for the company. They point to a recent attempted violent robbery by ambush, allegedly by local military forces, of the company's pay roll. This signals a change in the relationship between Anvil and the military as some people point out that rather than seeing Anvil as a benefit (providing per diems) some military officials now consider the company as a target. The implications for this are unknown but will force Anvil to develop strategies to respond to this reality.

Also, it highlights a dilemma for Anvil. The company's response to requests from NGOs that it change the way it engages the government on security issues have, in fact, increased uncertainty. At the same time, company representatives say it is committed to acting in a socially responsible manner.

Community Issues

During the site visit, both community residents and government officials spoken with on a random basis clearly expressed that the three main difficulties they face are:

- lack of access to sufficient, potable water,
- Lack of a local health center, and
- Lack of education facilities.

Common among other issues they spoke of as of lesser urgency was the difficulty experienced by agricultural workers in having to travel long distances to get to the fields in which they work. This challenge in some communities exacerbates issues about employment – the first to the fields tend to be hired before others.

What unites the communities

While people had many ideas about issues dividing the community and barriers to their being able to engage more fully with the company, they also had a strong sense of issues and factors that helped unite the communities. These include:

- Having a strong chief. In at least one community the stability and strength of the chief resulted in the community banding together with other neighboring communities to build a health centre and to build and support a school
- Love and people living together: mutual support and helping each other in time of need

- the spirit of solidarity that inspires people to look after themselves and support each other

These values held by community members influence their actions and also inform the company how best to work with the communities – by engaging them in processes that enhance these values and that build self-supporting capacity.

Conclusion

Unlike some mining operations, Anvil is surrounded by communities that see its overall presence as a positive force that brings improved economic conditions and the opportunity for further development. This could be a solid footing for progress based on engaging the communities, including civil society organizations, in ways that involve them in decision making. In CEP's experience, this can be at least partly resolved by developing and effectively communicating policies, standards and procedures.