



Promoting Sustainable Entrepreneurship in Mining Communities

INITIATIVE DESCRIPTION

In early 2010, Anglo American joined the Business Call to Action with its commitment to tackle poverty, empower underprivileged individuals, and promote economic growth in South Africa's mining and labor-sending communities.

Anglo American's goals:

- Create 25,000 new jobs in up to 1,500 new businesses over 7 years
- Establish an additional 12 enterprise development hubs close to major mining operations or in labor-sending communities in South Africa
- Scale up enterprise development activities in Chile and Brazil

BUSINESS MODEL

Rich in natural resources, South Africa produces an abundance of precious metals such as platinum and gold, as well as base metals, iron ore, diamonds, and coal. For more than 100 years, the mining industry has been an engine of growth for South Africa's economy, providing jobs for 495,000 people and creating another 400,000 opportunities for those who supply goods and services to the mining industry.¹ Until 1994, when racial segregation laws were repealed, black Africans and other non-whites were denied participation in the mainstream economy and had no way of benefiting from the vast wealth generated by the mining industry.

Beginning in 1989, Anglo American—the largest mining company on the African continent—took steps to correct inequities in the mining industry as well as in the communities where the majority of its employees lived. The company established a dedicated unit, called Anglo Zimele, to address key challenges to enterprise development and empowerment in these communities. The unit manages funds that leverage Anglo American's core business and seeks to support fledgling black-owned mining companies; encourage the integration of disadvantaged individuals into Anglo American's supply chain; and stimulate economic growth, opportunity, and stability in mining communities and labor-sending areas.



We are striving to make a lasting contribution to the communities associated with our operations, and we recognize that our long-term success is dependent upon collaborating with all stakeholders.

Cynthia Carroll,
Chief Executive Officer, Anglo American



¹ South Africa Department of Minerals and Energy. (March 2010.) Retrieved from: http://www.dme.gov.za/minerals/about_minerals.stm.

Anglo Zimele takes a holistic approach to enterprise development through its Community Fund, by combining access to finance at favorable rates with hands-on business support. This allows the investee—whether a company or an individual—the time necessary to develop and progress toward the point of being self sustaining.

For Anglo American, supporting these entrepreneurs and companies makes good business sense. Not only does investment in its supply chain help the company become more competitive, the initiative also helps the company gain and maintain the support of the people who live and work in mining communities. By contributing at the grass-roots level to the long-term sustainability and viability of mining areas, the company is investing in both its own future and the future of these communities. Through this initiative, the company also meets government requirements for investment in community and enterprise development.

How It Works

Anglo American's Business Call to Action commitment is focused on community development, one entrepreneur or small business at a time. As of December 2009, Anglo Zimele's network of 12 Small Business Hubs granted a total of 110 million rand (\$14.4 million) in loans to entrepreneurs operating in major mining communities or labor-sending areas. The graphic below illustrates the relationship between Anglo American and the entrepreneurs.

Anglo American guides the implementation of the initiative from headquarters, but the day-to-day management of this effort is handled by Anglo Zimele, the company's enterprise development and empowerment unit in South Africa.

Anglo Zimele places its Small Business Hubs, or walk-in office centers, in high-traffic areas near Anglo American mining

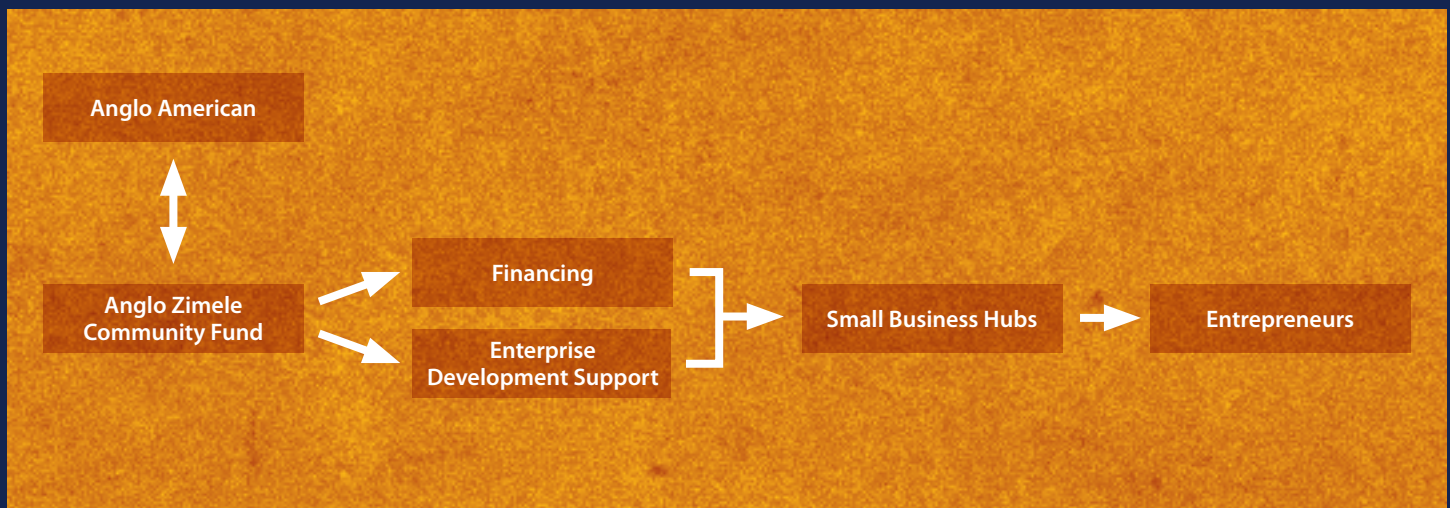
operations or labor-sending communities. The local mining operations provide the funding for setting up a Small Business Hub, which is equipped with computers, printers, and extra space for meeting rooms or office space. Each Hub is staffed by at least two staff members—a manager and an assistant—who provide business support, offer mentoring, and administer loans. The mines also provide the funding for the small business loans, which can reach one million rand (\$130,000) per entrepreneur.

Small Business Hub managers are responsible for the daily operations of the office centers. The centers market Hub services in the townships surrounding mining communities; develop and manage relationships with entrepreneurs who have applied for a loan; conduct due diligence on business operations, and oversee the disbursement of the loan to the appropriate vendors. Each Hub manager is expected to identify 20 businesses in which to invest over the course of a year. Businesses applying for loans must have a strong business model with a plan for cost recovery and loan repayment and must be black owned and operated to meet South Africa's black economic empowerment requirements.

On a monthly basis, loan applications are vetted by the Hub manager, as well as by local mining units. The Community Fund manager, who is responsible for the loans made through the Hubs, and the Anglo Zimele chief investment manager provide a secondary review before Anglo Zimele's managing director and chairman make the final decision to invest in an enterprise. As many of these entrepreneurs have no credit history and may not have formal banking experience, this system of checks and balances helps to minimize loan defaults.

Once the entrepreneur receives the needed equipment or resources, the Hub manager checks in on a monthly basis to see how each business is doing and provides advice and support if a business is facing challenges.

COMMUNITY FUND BUSINESS OPERATIONS MODEL



RESULTS ACHIEVED

Anglo Zimele, through its Business Call to Action commitment, seeks to promote 1,500 new businesses and create up to 25,000 new jobs by 2015, an increase of about 15,000 jobs since 2008.

Business Impact

Anglo American's operations in South Africa are valued at \$50 billion.² Anglo American is committed to reducing poverty and stimulating economic growth in mining communities as a means of protecting and enhancing its local investment, promoting its competitiveness, and meeting government requirements for broad-based community development.

Anglo American relies on local communities to provide labor, goods, and services to the mines. Approximately 20 percent of the entrepreneurs the Community Fund invests in provide services to Anglo American mines, such as construction, building repairs, computer training, transport, haulage, catering services, and courier services. The total value of the Anglo American supply contracts awarded to Community Fund entrepreneurs to date is valued at 52 million rand (\$7 million). Going forward, Anglo American plans to invest more heavily in local suppliers, as part of its strategy to encourage and promote local capacity, competition, and market growth.

In South Africa, government regulations require that all mining companies meet social and economic requirements in order to operate. Anglo American is working to meet targets set out by the South African Mining Charter, which include progressively sourcing from previously disadvantaged businesses over a three- to five-year period, increasing women's participation in mining operations to 10 percent within five years, and investing in the sustainability of local communities.³

² Cynthia Carroll. "Making a Real Difference: Address to the Mining Indaba," (Speech made in Cape Town on February 2, 2010).

³ Broad-Based Social-Economic Empowerment Charter for the South African Mining Industry. (March 2010.) Retrieved from: http://www.dme.gov.za/minerals/mining_charter.stm

Development Impact

Anglo American's investment in enterprise development aims to achieve Millennium Development Goals 1 and 3 to reduce poverty and hunger and promote gender equality in mining districts.

As of December 2009, the Community Fund has provided 458 loans to 384 small businesses and created approximately 4,300 new employment opportunities in industries as diverse as construction, waste management, and food services. Approximately 39 percent of the entrepreneurs in these businesses are female. The Community Fund benefits enterprises that have been denied loans by formal banking institutions due to prohibitive requirements. By providing loans at below-market rates coupled with hands-on business development support, Anglo American is helping promising, young businesses to grow stronger. This system also helps small businesses to become financially independent and make the transition to the formal banking sector.

Overall, the impact of these investments on communities has been significant. In Middelburg, South Africa, for example, Anglo American has invested in 59 entrepreneurs, of which 25 are female, providing an additional 360 workers and generating an extra 29.9 million rand (\$4 million) for the local economy.

Anglo American has also extended its enterprise development programs to Brazil, Chile, and Venezuela. To date, over 3,400 jobs have been created in Chile as a result of Anglo American's enterprise development efforts.

Locations of Anglo Zimele's Small Business Hubs



Anglo American is one of the world's largest mining groups with operations in Africa, Europe, Asia, North and South America, and Australia. With its subsidiaries, joint ventures and associates, it is a global leader in platinum group metals and diamonds, with significant interests in copper, iron ore, metallurgical coal, nickel and thermal coal.



ACTION

NEXT STEPS AND SPIN OFF EFFECTS

Anglo American is gearing up now to meet its Business Call to Action commitments. In the coming year, it plans to double the number of Small Business Hubs to 24 and invest in an additional 280 enterprises annually. Once all Hubs are operational, the company hopes to increase this number to almost 500 businesses receiving funding per year.

The Anglo Zimele unit is also setting up a 5 million rand (\$688,000) fund for Business Development and Training, which will provide new and established entrepreneurs with an opportunity to pursue formal business training.

KEY SUCCESS FACTORS

Sustainable Business Model

Anglo Zimele, Anglo American's economic growth and empowerment unit, is fully self sustaining. The group pays for administrative costs from income earned from loan interest rates.

Driven by Core Business Interests

Anglo American is committed to small-business development as a means of promoting sustainable mining communities and labor-sending areas. By investing deeply in areas that are linked to the mining industry, the company is meeting government requirements for social and economic investment as well as developing stronger linkages with local communities.

Engaged Staff

The Small Business Hub managers are an important element of the Community Fund's success. The Hub managers work one on one with entrepreneurs to strengthen business plans, strategize operations, organize finances, and more. These dedicated staff members meet with entrepreneurs on a monthly basis to determine if there are any problems and if the business is continuing to grow. If there are problems, the manager and entrepreneur work to develop a strategy to address the issue.



BUSINESS CALL TO ACTION

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