

## Supporting mining community development through economic diversification: The adoption of Enterprise Facilitation (EF)<sup>TM</sup> in Cobar, Australia

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### ABSTRACT

This paper discusses Enterprise Facilitation (EF)<sup>TM</sup>, a grass-roots approach to creating local economic development which mining companies have begun to incorporate into their Corporate Social Responsibility (CSR) initiatives. In particular, the paper looks at the genesis and results of the Cobar Enterprise Facilitation (CEF) initiative, which since its inception in 2008 has helped to create 43 new businesses, expand 10, and retain 5. Together these businesses have generated over \$2,456,300 in gross sales; created 90 jobs and generated \$776,650 in direct investments into the community of Cobar located in New South Wales, Australia. The population today is 3818 and 5120 in the Cobar Shire of which 11.3% is indigenous. New Gold's Peak Gold Mine, like other mining companies, is seeking to make their community investment initiatives more efficient and is committed to providing positive and lasting impacts in Cobar. Peak Gold Mines was the initial supporter of the multi-stakeholder Cobar Enterprise Facilitation (CEF) project and continues to be heavily involved with some of its employees serving on the CEF board. Enterprise Facilitation continues to be used as a tool that supports entrepreneurial activity producing sustainable economic benefits that have broadened Cobar's business base. It is a model for local economic development based on a community-implemented program, which engages local civic leaders and utilizes local resources. Peak Gold Mines' work in bringing Enterprise Facilitation<sup>TM</sup> to Cobar was acknowledged by industry peers and achieved a

top-four finish in the New South Wales Minerals Council Community and Sustainability Awards. Enterprise Facilitation<sup>TM</sup> was also referred to in the updated edition of the International Council on Mining and Metals (ICMM) Community Development toolkit as an example of community investment initiatives that support diversification of local economies. The Sirolli Institute has developed this methodology over 25 years, and mining companies have recently adopted it as a tool to strengthen and diversify local economies, contributing to sustainable development in mining communities.

### 1. INTRODUCTION

In the last few decades the media has reported on numerous conflicts and unsuccessful cases of mining companies' interactions with local host communities, where blockades and protests are mechanisms adopted by local communities to manifest their discontentment (CBC News, 2013). The inadequate distribution of benefits is at the core of the discussion (Kemp et al., 2010) and is aggravated when a mine is near to its end.

In 2012, members of a group of rural communities in Mexico's Durango district erected a blockade barring entrance to the La Platosa mine, Excellon Resources' only operating mine. The protest forced all production at the high-grade multi-metal mine to grind to a halt. The protest intended to show the community displeasure at the company for not complying with contractual obligations, which included hiring preferentially from the community and establishing a water treatment facility to treat water

used on the mine site so that it could be used for agricultural purposes (ProDESC, 2012).

With the intention of creating positive relationships as well as to enhance the quality of life in host communities, mining corporations have traditionally turned to philanthropic models, which have engendered donor-recipient relationships that are not to be sustainable in the long run as they do not focus on building capacity within the community to sustain itself after mine closure (Veiga et al., 2001).

The philanthropic approach to CSR has largely been built on a top-down paradigm that sees community investment decisions being made high up in the hierarchy of the community together with mining companies, and handed down to a community that sometimes neither wants nor can appreciate the investment. Some industry leaders have since come to the realization that the philanthropic model of CSR initiatives are not only ineffective and unsustainable, but are detrimental to the communities on the receiving end (Sirolli, 2003).

After many years of Corporate Social Responsibility (CSR) and philanthropic initiatives such as giving away money to buy new jerseys for the local soccer team, renovating the local historical church, or constructing a hospital, mining companies are coming to realize that although some of these initiatives are necessary and can have an immediate positive impact on the quality of life of the local population, they are not sustainable in the long term and do not ensure that communities will support mining projects in their region.

In addition to this, it is not rare to see hospitals under-equipped, schools understaffed and needing renovation once the flow of funds from the mining company inevitably ceases. This creates a collective sentiment of frustration to local governments, communities and mining companies involved in the process. In addition to that, the growing nationalism resource mentality is creating more pressure on the mining industry to ensure that local host communities are also meaningfully benefited from the resources located in their regions (Butler, 2013).

Despite the realization of these challenges, mining companies are still struggling with: a)

how to be more effective in their CSR initiatives; b) how to create the appropriate level of engagement with local host communities; and c) what initiatives will have long lasting positive results for the host communities. Based on these three challenges, two principles seem to be emerging: a) in order to produce long lasting results, it is critical to focus on supporting the local economic development of communities; and, b) local community members need to be at the center of these initiatives, engaged and willing to participate and contribute to the betterment of their own communities.

This is supported by the International Council on Mining and Metals (ICMM) in its Community Development Toolkit when recommend it that, “Our job is to enhance the benefits from the mining project through economic stimulus. For long-term community and economic viability and sustainable community development, it is vital that efforts be made to help diversify local economies” (ICMM, 2012).

Considering this, community engagement theory and practices have been discussed among academics, consultants and the mining sector and over the years have gained more relevance (Maser, 1997; Kemp, 2009; ICMM, 2008; World Bank, 2012).

There is no recipe on how to engage communities but a consensus seems to exist where there are different levels of engagement with community members as indicated in the Community Engagement Continuum (Table 1). All levels of engagement are important depending on the stage of the mine’s life cycle as well as local context. However to implement successful community development, the level of engagement necessary is *collaboration* and *empowerment*. Local communities develop a sense of co-ownership in the projects supported by the mining companies and steadily, leadership becomes the driving force of community members.

Empowered communities, collaboration between groups, and leadership create the ideal foundation to initiate successful local economic initiatives and those attributes are some of the guiding principles of the Enterprise Facilitation™ methodology (Sirolli, 2003).

Companies such as New Gold and Rio Tinto

are striving to make their CSR initiatives more effective and have begun incorporating Enterprise Facilitation™ (EF) as a tool to create stronger, more resilient communities, through local economic development.

Table 1: Community Engagement Continuum.

Level of Engagement	Company's Role	Community's Role
Empower	To support the development of skills of community members to enable them to play an active role in the decisions that affect their communities; To co-authorize the final decisions with the local community members.	Leadership
Collaborate	To work together with the community to find solutions; To partner with the public in the development of alternatives, implementation of projects and the identification of the preferred solutions.	Co-ownership
Participate	To include the community in the planning and implementation of projects; To ask the community opinion on how they would complement approaches to a project.	Participative
Consult	To ask and listen to the community on specific issues; obtain feedback on alternatives and solutions.	Reactive
Inform	To support the development of skills of community members to enable them to play an active role in the decisions that affect their communities; To co-authorize the final decisions with the local community members.	Passive

Source: Adapted from Infrastructure Planning and Natural Resources (IPlan) ([www.iplan.nsw.gov.au](http://www.iplan.nsw.gov.au)).

## 2. ENTERPRISE FACILITATION METHODOLOGY

Enterprise Facilitation™ (EF) is defined as a replicable, cost-effective, person-centered approach to economic development, founded on two fundamental ideas: 1) Human nature is intrinsically good and the fulfillment of our talents, through work, improves our lives and the communities in which we live; 2) Development is grass-roots movement and it is based upon elements that are already present within the community (Sirolli, 2003). The goal of EF™ is to help individuals and communities around the world to achieve economic success through their entrepreneurial dreams. As the name of the method implies, the process is based on facilitation: the role of EF™ is to act as a net, extending throughout the whole community, waiting for the individual with an entrepreneurial idea to enter and seek support in developing a passion into a business reality. The facilitation process is coordinated by an enterprise *facilitator*, who looks after the client for free and confidentially (Sirolli, 2003; Whitman, 2011).

EF™ is based on several psychological and economic principles. Abraham Maslow's Hierarchy of Needs theory is at the foundations of Enterprise Facilitation™: individuals who have their basic needs satisfied are in search of ways to realize their full potentials (Maslow, 1943). Individuals who engage in EF™ are those whose basic needs are satisfied and are seeking *self-actualization* through the creative process of entrepreneurship. The second principle is based on Carl Roger's client-centered approach to psychological therapy: people can find their own way to fulfill their passions; the facilitator should provide non-judgmental support and create trust (Rogers, 1961). Applied to business, this is perhaps the sharpest point of difference from most of the conventional programs. Almost all methodologies for economic development are based on a distrust of the client. Clients are generally seen as lazy, destructive and sinful, and need to be guided and supervised throughout the path chosen *for* them (Whitman, 2011).

An economic founding principle of EF™,

based on Ernst Schumacher's ideas (1973), is to not offer help to those who have not asked for it. Service should be provided only to those who wish to better themselves and only after having been invited to do so. The last principle is that entrepreneurship cannot be predicted solely by a linear business approach, but can develop through opportunity seeking and is unscheduled (Whitman, 2011).

This paper looks at the genesis and results of the Cobar Enterprise Facilitation (CEF). Firstly a Bibliographic review was conducted as well as documental review at the company's website. Interviews were conducted with the former Peak Gold Mines' General Manager as well as the Environment Manager, the first supporter of the Enterprise Facilitation™ methodology. The purpose of this approach, in addition to understanding the chronological sequence of events and its results, was to also understand the challenges and opportunities experienced by the mine when supporting the CEF project.

### 3. PEAK GOLD MINES AND COBAR SHIRE COMMUNITY

New Gold is an intermediate gold producer with mines in the United States, Mexico, Canada, Chile and Australia. Peak Gold Mines (PGM) is a medium sized gold mining operation owned by New Gold that is comprised of a copper-gold processing plant and five deposits, all on a commercial production scale. The mine is located within the Cobar Shire mining district approximately 600 km northwest of Sydney and eight km south of the town of Cobar in New South Wales (NSW), Australia.

The mine came into production in 1992 and in 2008 achieved a milestone, producing its two millionth ounce of gold since the commissioning of the mine. PGM have a current estimated mine life of 5 years, with ongoing exploration activities seeking to grow reserves.

The community of Cobar Shire comprises a population of approximately 5120 people and its economy is built around the mineral extraction activities in the region as well as pastoral activities.

#### *The Cobar Enterprise Facilitation Project*

Starting in 2007, PGM management decided that it needed to change its CSR approach if it wanted to recast Cobar into a sustaining township independent of mining. As a result of this decision PGM established a new policy stating that Peak Gold operations are to "encourage economic prosperity in surrounding communities, both during and post mining operations by fostering local, private and civic entrepreneurship". With this guiding principle, in early 2007, PGM sponsored a visit to Cobar by Ernesto Sirolli, the founder of the Sirolli Institute ([www.sirolli.com](http://www.sirolli.com)) and architect of the Enterprise Facilitation™ Program of community development. The Institute's aim is to help establish links between local people, businesses and community-based organizations through an Enterprise Facilitator whose role is to assist entrepreneurs, and to serve as a catalyst for a broadening of the economic base of communities.

PGM then sponsored another visit by Sirolli and subsequently a steering committee (Cobar Enterprise Facilitation Inc.) was formed, made up of a cross-section of the Cobar community including local business people, civic leaders, and organizations such as the weekly newspaper and government officials. Many of these groups continue to offer in-kind contributions such as meeting rooms, monthly articles and coffee to the CEF initiative. The Cobar Shire council has a Special Projects officer that provides research for grant opportunities.

Funding for the project was driven by the potential of creating better communities through local economic development. To raise the necessary funds, the steering committee undertook a major fundraising exercise where \$90,000 was raised in 90 days. The target was achieved and the Cobar Enterprise Facilitation program commenced activities in 2008.

At the time the project was initiated, PGM was the leading funder along with Cobar Shire Council - the local government, Endeavour Mine and CSA Copper Mine. It is important to note that community members provided the social capital of time and energy to bring these sources together. This committee has evolved into the ongoing resource team, meeting month-

ly and providing guidance, resources, mentoring and advice to entrepreneurs and continues to be a source of “social funding”.

The first one to listen to Ernesto Sirolli and to believe that the methodology should be brought to Cobar was PGM’s Environmental Manager. The Chief Operating Officer for PGM promptly supported the idea, but both executives knew that the EF™ methodology would require a paradigm shift not only in their thinking but also in the overall community.

PGM’s senior management was skeptical about the paradigm shift required as well as the fear of the unknown, but despite this, the company embraced the idea and supported the implementation of the project. Once the community showed their support for this initiative, the next hurdle was educating two different management teams, both the mine site and the corporate management about Enterprise Facilitation™. When the funds were in place, PGM had the task of making sure the community would truly implement the project.

Since its inception in 2008 the Cobar Enterprise Facilitation initiative has created 43 new businesses contributed to the expansion of 10, and retention of 5. Together these businesses have generated over \$2,456,300 in gross sales, created 90 jobs and generated \$776,650 in direct investments (Table 2). Cobar Shire has a population of 5120 of which 11.3% is indigenous.

As a result of these numbers PGM was nominated for the Regional Business Award (Awards Australia, 2011) and has becoming a reference to other mining companies and communities of a successful case of sustainable local development with strong community en-

agement and participation.

#### 4. CONCLUSIONS

A typical Enterprise Facilitation program assists in the creation of 50 new businesses and 150 new jobs over a five year period. In addition to small business and related job creation, a typical Enterprise Facilitation™ effort assists in the successful turnaround of at least five businesses during a five year period, together with an average of fifteen jobs. Research from the US Bureau of Labor Statistics states that less than 50% of new businesses still exist after five years of operations (Spletzer et al., 2004).

On the other hand, survival rates for newly created businesses supported by Enterprise Facilitation™ programs have consistently been above 80% after five years (Webb, 2001). This difference underlies and supports the value proposition offered by the Enterprise Facilitation™ model. Not only will the adoption of the approach create a diversified economic and social environment, it will also ensure that the new businesses will thrive over a longer period of time, making the investment worthwhile.

The ICMM recognizes that “knee-jerk” infrastructure development approach is unsustainable even though it easiest for mining companies to do. Effective programs are those that shift away from a philanthropic and paternalistic approach to one of sustainable economic independency that ensures future development of communities and their long-term livelihood (Epps, 1996). CSR initiatives can be used as starting points to obtain agreement with local communities, which allow companies to operate. Mining projects planned together with locals can develop not only a positive relationship but also an economically sustainable community once the external support from the mining is withdrawn.

Mining companies, therefore, should facilitate local entrepreneurship. By definition, facilitation is bottom-up and responsive. Working with entrepreneurs in a community requires the creation of a “convivial” social infrastructure that allows for free, confidential, and competent services. Unless such social infrastructure is in place, would-be entrepreneurs will shy away

Table 2: Results obtained by Cobar Shire EF Project.

Results	
Businesses Opened	43
Businesses Expanded	10
Businesses Retained	5
Job Created	90
Investment Generated	\$776,650
Clients Assisted	127
Personal Contacts Made	551
Business Failures	1
Businesses Sold	3

from working with outsiders or, even worse, they will seek help for the wrong reasons.

Companies need to change their policies and need to be committed to supporting meaningful community development. Such approaches, which are those that produce results at the community level, require a closer and more collaborative relationship with local communities. This collaboration improves communication with host communities and lowers the company's risk of losing its social license to operate. Finally the EFTM methodology helps local communities to take ownership of the community development projects and as a result become less dependent on the financial resources of mining companies.

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