



World Business Council for
Sustainable Development

Measuring Impact Framework Case Study

2009

Newmont Supporting local economic growth in Ghana

The business case

Building a thriving micro, small- and medium-sized enterprise sector is key to the business success and sustainability of Ghana's Brong Ahafo region, where Newmont Mining Corporation has developed its first project in the country. The Newmont Ghana Gold/International Finance Corporation Ahafo Linkages Program was designed to increase the participation of local businesses in the project and bring development benefits to surrounding communities. Newmont, along with the IFC, applied the WBCSD Measuring Impact Framework to the Ahafo Mine as a way to understand the extent of the project's benefits and establish a rigorous approach to measuring, monitoring and evaluating progress in achieving the project goals.

Situation

Company context

Newmont Mining Corporation is a leading gold producer with operations on five continents, employing approximately 34,000 employees and contractors worldwide.

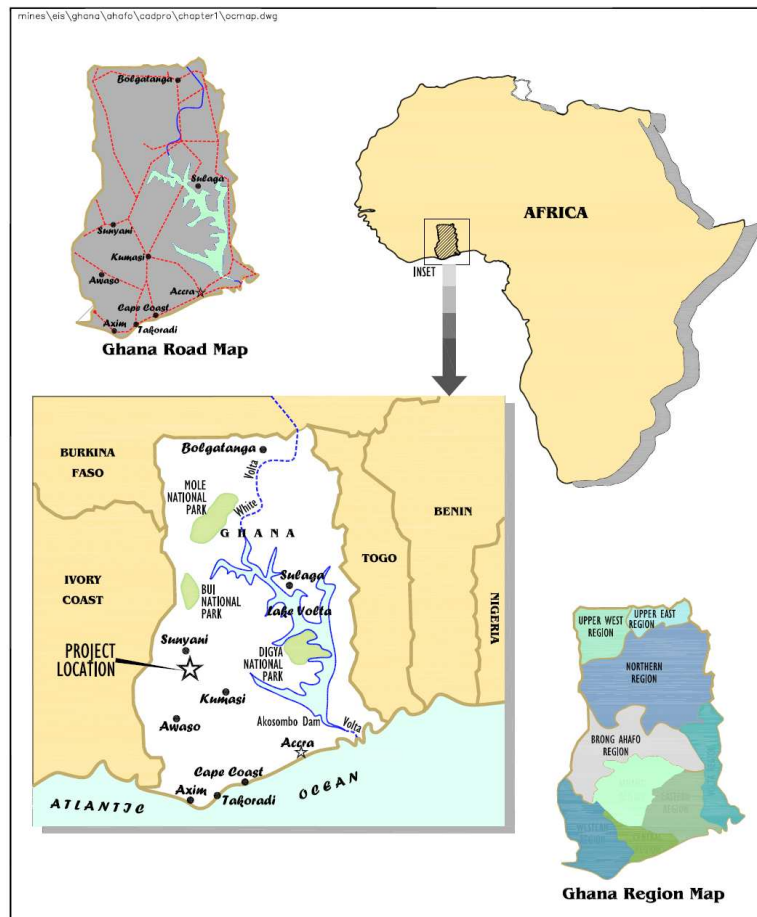
Newmont recently developed its first project in Ghana (2006) and its only operation in Africa, which at the end of 2007 had over 17 million ounces of gold reserves, representing nearly 20% of its global gold reserves.

The Ahafo Mine is located in the Brong Ahafo Region of Ghana, approximately 300 km northwest of the capital city, Accra. The project consists of two phases:

1. The development of four mining areas and the construction and operation of related mine facilities (the "Ahafo South Phase")
2. The potential development of six additional mining areas ("Ahafo North Phase") is currently being evaluated.

The initial cost of the Ahafo Mine was approximately US\$ 588 million, and is operated by Newmont Ghana Gold Limited (NGGL), a wholly owned subsidiary of Newmont Mining Corporation. Ahafo contributed approximately 8% of Newmont's worldwide equity gold sales in 2007, producing 446,000 equity ounces of gold and reporting approximately 9.7 million ounces of gold in reserves, enough to actively mine for approximately 20 years.

In 2006, the International Finance Corporation (IFC) approved US\$ 125 million in loans towards the project, or about 21% of total cost. The IFC also contributed toward the aim of promoting environmental and social standards designed to benefit local communities.



General Location Map
Ahafo South Project
Brong Ahafo Region, Ghana

Development context

The Ahafo Mine is located in the tropical, cocoa-growing region of mid-western Ghana. Agriculture and related sectors account for 68.2% of economic activities in Asutifi District (Ahafo South area) and about 71% in the Tano North district (Ahafo North area). The population of the Tano and Asutifi districts is estimated to be 123,404 and 84,485 respectively. It is estimated that more than half of Asutifi adults and two-third of Asutifi youths are illiterate. Tano adults and youths are comparatively more literate while both districts have great discrepancies in terms of male and female literacy. The incidence of poverty differs for the two districts, about 60% in the Asutifi district and 48% for the Tano district. However, for both districts the incidence of poverty is higher than the average for the Brong Ahafo region (36%) as well as for Ghana as a whole.¹ Given the agricultural background of this area, the understanding of market practices and use of formal business tools such as planning, accounting and marketing practices, are very low, with little support from governmental and non-governmental institutions.

Community engagement

The development of the Ahafo Mine presented both new opportunities and challenges to the communities around the mine site. Aside from providing jobs for up 3,500 people (32% of employees of the company and its contractors were local hires as of December

¹ Statistics are drawn from a census taken in the year 2000 for the Tano and Asutifi districts. North Tano district was carved out of Tano district following the 2000 census.

2008) the project has helped improve local infrastructure including mobile phone coverage, contributing to upgrading roads and transport access, strengthening the power supply grid and improving access to electricity supply, and others.

Prior to opening the Ahafo Mine, Newmont worked with the community and local government to responsibly and equitably resettle/relocate and compensate roughly 1,700 households located in the mining area. A committee consisting of independently elected community representatives and traditional leaders handled negotiations on behalf of the residents. New homes and schools were built in two villages and residents were granted legal title to the land, along with private latrines, potable water and access to electrification. Additionally, Newmont launched a community development fund to contribute an estimated US\$ 500,000 annually via a community foundation to support community development programs.

Newmont Ghana Gold has also embarked on other community development initiatives including the provision of water, sanitation, upgrading of the local clinics and training centers, school construction, HIV/AIDS programs for workers as well as a program on malaria prevention and an information forum for females in the community.

Ahafo Linkages Program

In addition to Newmont's community engagement initiatives mentioned above, the company also established the Ahafo Linkages Program in partnership with the IFC. The IFC's linkages programs are designed around selected IFC anchor investments to increase the participation of local business in the project and bring additional benefits to the surrounding communities. At the same time, these programs allow the IFC to increase value-added services to its clients not only to improve their business but also increase the developmental impact of its investment. The Ahafo Linkages Program incorporates some good practices of IFC linkages implemented in other parts of the world and, in particular, is modeled after and built on the basis of lessons learned from the IFC/Newmont linkages program in Minera Yanacocha in Peru.

The three-year linkages program has three primary goals:

1. To support the development of local businesses and to develop potential suppliers and providers of goods and services to the mine
2. To improve the competitiveness of local non-mining related businesses to help develop a diversified local economy outside of the mining sector
3. To develop and improve the capacity of local business associations and institutions that can provide long-term sustainable business support, training and other services to the local business community.



Photo: A potter molding clay as Ahafo Linkages Program observers look on

The program also places a special emphasis on supporting women entrepreneurs and incorporates HIV/AIDS into its training activities through the IFC Gender Entrepreneurship Markets and the IFC Against AIDS programs.

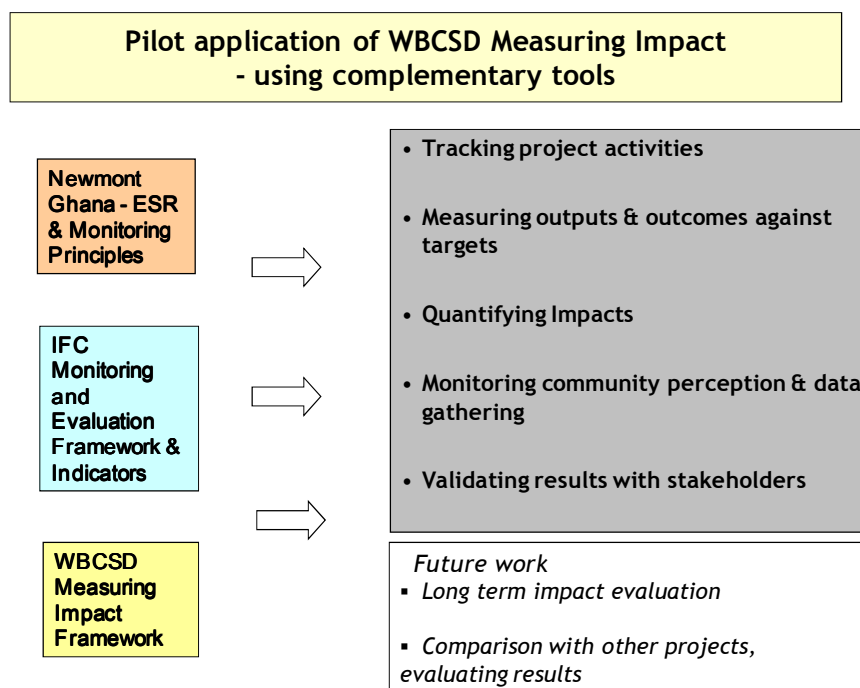
Newmont's decision to assess the impact of the Ahafo Linkages Program emerged out of the interest to explore additional measurement techniques that could provide information

on indirect and derived benefits generated by the Program in the host communities. Based on the pilot experience, Newmont could later assess the viability of applying the same methodology to the social investments at its Ahafo operations.

Process

To develop the most appropriate approach to measuring impacts, Newmont, with the assistance of IFC, adapted the WBCSD Measuring Impact Framework with the view to integrating it with other approaches used by the company, in particular Newmont Ghana's Environmental and Social Responsibility (ESR) and Monitoring Principles and IFC's Monitoring and Evaluation (M&E) Framework and Indicators. The figure below provides an overview of the integrated approach.

Figure 1: Newmont/IFC's integrated approach to measuring impact for the Ahafo Linkages Program



The company also prepared a timeline with clear deadlines and milestones (indicated below) for the pilot:

- Preparation of terms of reference
- Selection of Ghanaian consultants to implement the study
- Transfer of the WBCSD methodology to the selected consultants
- Supervision of elaboration and validation of monitoring tools to be used in the field
- Supervision and approval of the study sample
- Facilitation of field work of consultants
- Revision of initial results of field work
- Discussion of final results, revision of draft report
- Incorporation of recommendations of study into Operational Plan of the Ahafo; Linkages Program
- Dissemination of study results.

The challenges encountered in the process can be classified in two parts: timing (not inherent to the methodology) and accuracy of the information obtained (inherent to the methodology).

- Timing - While the preparation and application of the pilot took place, Newmont's Monitoring and Evaluation Unit was conducting socio-economic assessments as part of their internal activity plan and some of the team members selected for the WBCSD pilot were also part of the team in charge of the socio-economic survey. This generated some delays on the time table of the WBCSD pilot, as negotiations for the release of consultants to undertake the WBCSD pilot took some time.
- Accuracy of the information obtained - The indicators of the direct, indirect and induced benefits the Ahafo Linkages Program generates in the community are related to income and expenses. By default these topics are very sensitive in terms of disclosure and accuracy. As the methodology takes the information provided by the micro, small- and medium-sized enterprises (MSMEs)² at face value, there is room for overstatements and understatements and this can affect the quality of the conclusions and recommendations of the study. In order to minimize the effect of this challenge, Newmont Ghana Gold Ltd and IFC provided as much feedback as possible during the presentation of the draft results in addition to the information obtained from the field study.

Activities/assessment

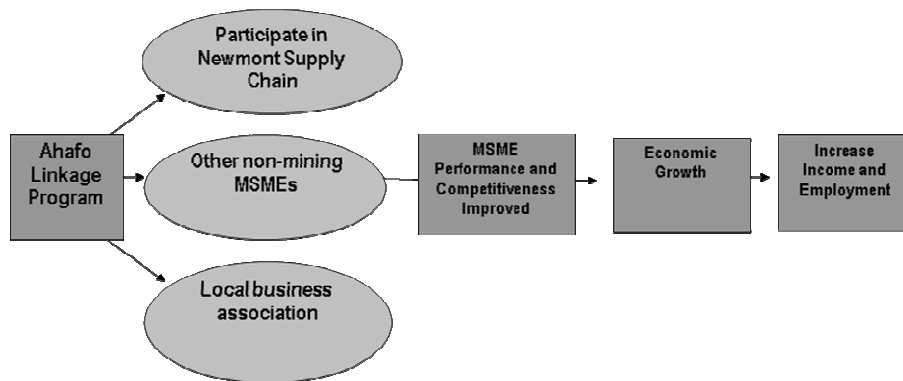
The business linkages program has three key components:

1. Local supplier development (MSMEs that participate in Newmont supply chain)
2. Local economic development (non-mining related MSMEs)
3. Institutional capacity building (local business association).

These are considered the key activities or levers of Newmont's impact through this program.

As the figure below demonstrates, the overall objective of the program is to contribute to enhancing the performance and competitiveness of the MSME sector to support economic growth as well as widespread employment and income generation in the areas near the mine.

Figure 2: Components of the Ahafo Linkages Program



² The term MSME is used in this study as microenterprises make up 90% of the businesses. Microenterprises employ up to 5 employees with fixed assets (excluding realty) not exceeding US\$ 10,000; small enterprises employ between 6 and 29 employees with fixed assets of US\$ 100,000; and medium enterprises employ between 30 and 99 employees with fixed assets of up to US\$ 1 million.

Even though the company has embarked on a number of community development projects aimed at contributing to the socio-economic development of the area, the Measuring Impact pilot focused specifically on the impacts of the Ahafo Linkages Program on income generation and MSME development in the project area.

Impacts

The Ahafo Linkage Program spans 12 communities located in the mining lease area of the Ahafo Gold Mine. This represents a relatively small radius of intervention (in comparison to other supplier development programs where the intervention includes the entire country).

Six months into the establishment of the Program, analysis of monitoring data revealed signs of economic growth attributable to the formalization of MSMEs in the intervention area (more MSMEs obtaining business registration certificates, local MSMEs establishing offices in the communities and starting basic formal practices such as book-keeping).



Photo: Ahafo Linkages Program coordinator pays visit to a provider of plantain chips

Local MSME suppliers to Newmont

The local supplier development project is designed to give contractors and suppliers the needed expertise and even financial means to become reliable and competitive suppliers/contractors to Newmont Ghana Gold.

In 2006, the Ahafo Mine conducted business with 25 local MSMEs and the total value of this procurement was US\$ 1.7 million. This period preceded the establishment of the Ahafo Linkages Program and the Local Suppliers and Contractors Development Unit in 2007.

At the end of the first year of intervention (2007), the number of local MSMEs engaged in business with Newmont increased to 52 and the value of goods and services procured from these MSMEs was US\$ 4.2 million. In 2008, the total number of local MSMEs jumped to 125 and the local content reached US\$ 4.7 million.

In 2007, 106 local MSMEs listed in the company's database were screened by the consultants implementing the Ahafo Linkages Program to assess which MSMEs had more possibilities of moving from informal business practices (lack of records, lack of financial statements, weak human resources practices, weak statutory practices, weak cost management) to formal business practices. Based on the results of the assessment, 27 companies were selected to undergo training and mentoring. This group of companies was able to combine access to commercial opportunities with Newmont with access to capacity building from the Ahafo Linkages Program. Out of the 27 companies, 21 served as respondents during the survey. The results of the study are based on the information collected from these 21 companies:

- 100% of the MSMEs surveyed adopted new business practices, of which 51% formalized their business practices and improved their financial management;



- 52% of the MSMEs surveyed reported success in obtaining bank credit, with an average of 75,000 Ghana Cedis per loan; over 70% of MSMEs that took loans continue to service their loans;
- There was a 40% increase in MSMEs meeting tax obligations to local government;
- 21 new permanent jobs were created, 10% of which are held by women; these are mostly administrative assistant positions.

One of the most encouraging signs of sustainable MSME growth is the fact that 78% of MSMEs have reinvested at least 2,000 Ghana Cedis (US\$ 1,348) into their businesses.³

The Ahafo Local Business Association

The Ahafo Local Business Association (ALBA) showed signs of improvement due in part to the support received from the Ahafo Linkages Program. Part of the support for institutional strengthening for the Association included the definition of a realistic mission, vision and objectives. In addition to the 72 members from the association that received training, over 180 new members joined the association and adopted a formal business plan along with the other members. Although survey results revealed that 87% of association members surveyed believed business practices had changed for the better, about one-quarter were not satisfied with the services of the association. (See Figure 3 for additional indicators and results from surveys.)

The sense of dissatisfaction could be attributed to initial misconceptions that members would be able to obtain contracts with Newmont by virtue of the fact that they are members of the business association. They failed to accept the fact that the association aimed to help build the formal business skills and practices of its members.

Since the pilot, the company has been able to demonstrate that the formalization of business practices has had positive effects on the statutory status of participating MSMEs and their access to finance.

Figure 3: Indicators for the Ahafo Linkages Program’s support of the local business association

Interventions	Indicators of Performance			Verification from Stakeholder Interviews
	Direct impacts		Indirect impacts	
	Outputs	Outcomes	Impacts	
Strengthening the Business Association	Business plan developed for local Business Association	Business plan formally adopted by Association	1680 cedis collected from members to provide for Association’s continuing operations	87% of Association members polled believe business practices have changed for the better However, one quarter of the respondents were not fully satisfied with services of the Association
	72 officers from Association received training	180 new members to Association		
	19 local consultants trained and ready to deliver business training			

Local economic development

The first activity in the implementation of the local economic development component of the Ahafo Linkages Program was the completion of a value chain analysis to short-list the economic activities that presented feasible business opportunities for MSMEs. The results of these studies are expected to be used to determine the sectors and MSMEs to be supported by the Program. The actual mentoring of local MSMEs (after screening and

³ Local economic development was assessed following the completion of the WBCSD pilot.



selection) started in May 2008. This component was not included during the application of the WBCSD pilot (July 2008-September 2008) for the following reasons: (i) The results for those MSMEs not currently supplying to Newmont were more challenging to gather; and (ii) It was too early to measure any benefit.

Stakeholder engagement

The stakeholder engagement approach used to carry out the assessment was the application of questionnaires through face-to-face interviews with 21 MSMEs. The questionnaires were applied by Ghanaian consultants who visited the premises of these MSMEs and used the local language (Twi) to facilitate interaction with the MSMEs. Field information collection required seven working days and was completed by three consultants.

Stakeholder engagement: Key questions

- Are you planning to make any changes to your business since the training and/or diagnosis was conducted for you?
- Have you set up an office and begun maintaining business records?
- Have you hired more workers, purchased more materials or new assets recently? How much?
- How many workers do you have?
- Have you obtained a bank loan to meet your customer's needs?
- Do you use other suppliers? How many people do they employ?
- If you have more income than before, where are you spending it?

Management response and lessons learned

As a whole, the company's hypothesis of its contribution to economic development in the project area was positive. Through the stakeholder engagement sessions, the company was able to verify this hypothesis and begin building a strategy for improving these impacts.

Newmont management response

- Sharpen intervention areas where results are below expectation – the results showed that most of the local MSMEs were not procuring locally when delivering contracts to Newmont Ghana Gold. As this action decreases the trickle-down effect of the development of local suppliers, the Local Suppliers & Contractors Development Unit and the Ahafo Linkages Program have intensified sensitization of local vendors with regards to doing local procurement as much as possible
- Engage major stakeholders on how to sustain outcomes and initial impacts
- Explore and strengthen complementarities with other social investments sponsored by Newmont Ghana Gold
- Include the Local Economic Development component in future studies to assess the impacts of the Ahafo Linkages Program.

Lessons learned

- Assisting non-mining related sectors is a challenge
- Dynamics of local business community: Although 87% of the local business association members surveyed had seen positive changes in the business community, one-quarter of the respondents were not fully satisfied with the services of the association; setting clear expectations of engagement of local business participants is important.
- Stakeholder interviews must be carefully designed to ensure objective and focused feedback; unlike other stakeholder consultations, avoid using open-ended questions.



Looking ahead

Mentoring of MSMEs in local supplier development and local economic development continues. As of April 2009, 101 local MSMEs had shown improvements in formal business practices (48 for local supplier development and 53 for local economic development). In April 2009 the Ahafo Linkages Program, in conjunction with the Ahafo Local Business Association, conducted the Ahafo Business Week (Business Roundtable, Business Fair and Business to Business Encounter) to disseminate commercial information and good business practices as well as diversify markets.

Newmont plans to apply the WBCSD Measuring Impact Framework to conduct an overall assessment of the impacts of its operations on the local and national economy as part of a long-term evaluation plan.

Long Term Evaluation Plan	
Direct impacts	Indirect impacts
Direct economic value generated and distributed	Changing productivity of enterprises, sectors or the whole local economy
Revenues	Economic development in areas of high poverty
Operating costs	Economic impact of improving or deteriorating social or environmental conditions
Employee compensation	Availability of products and services for those on low incomes
Donations and other community investments	Enhanced skills and knowledge among professional community or in the geographical area
Retained earnings	Jobs supported in the supply chain or distribution
Payments to capital providers and governments	Economic impact of change in location of operations or activities
	Economic impact of the use of products and services

Further information

Ahafo Community Relations Review 2009

newmontghana.com/index.php?option=com_content&task=view&id=224&Itemid=2

Newmont Ghana Gold Ltd --Ahafo South Project Independent External Social Compliance Monitoring 8th Review – August 2008

newmontghana.com/images/stories/ahafo_pdf/ind-ext_social_compliance_monitoring_report_november_2008-ahafo_south_project.pdf

IFC Linkages Help Smaller Businesses and Local Communities

www.ifc.org/ifcext/media.nsf/Content/Linkages_Extractive_Industries_Jun07

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Our **mission** is to provide business leadership as a catalyst for change toward sustainable development, and to support the business license to operate, innovate and grow in a world increasingly shaped by sustainable development issues.

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