



**IFC SUSTAINABILITY EXCHANGE**  
Washington- DC  
**Developing a Local Procurement Policy**  
**Site Perspective- Newmont Ghana**



# Agenda

- Newmont Mining at a glance
- Location of Ahafo Mine
- Why Local Business Policy at Site Level?
- Local Suppliers and Contractors Dev.(LS&CD) Unit (SCM)
- Challenges of Implementing the Policy
- Lessons Learnt
- Newmont Ghana National Sourcing Policy and Mining Industry Approach
- Defining Local Business at Newmont Ghana- Site Level

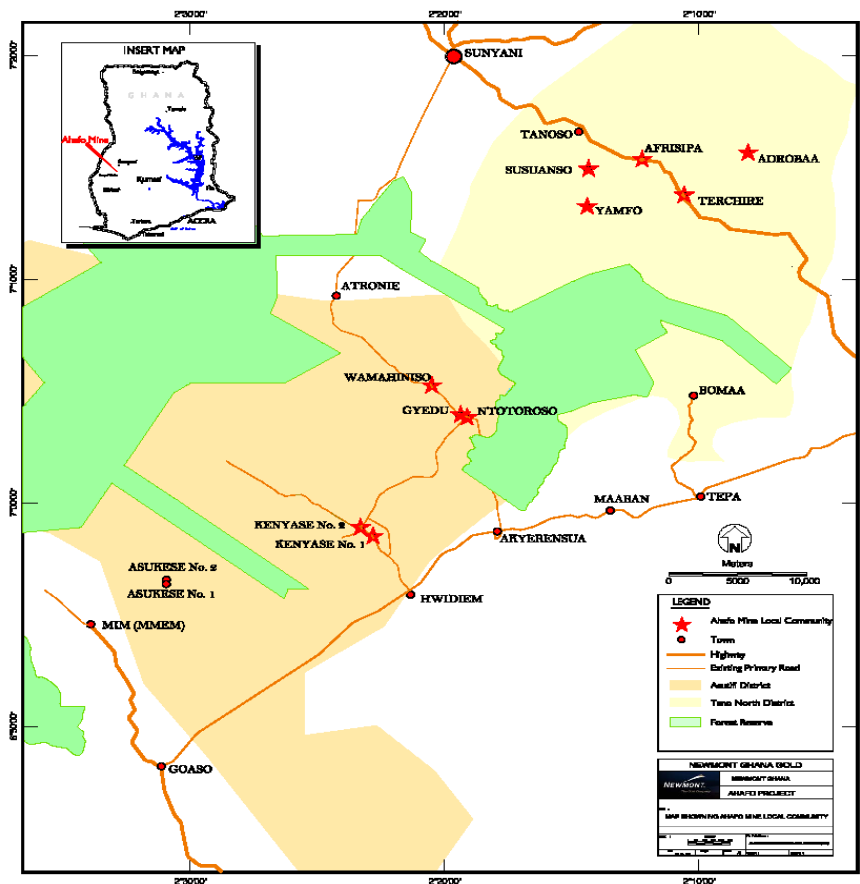
# Newmont Mining Corporation at a glance

- Newmont is one of the world's leading gold companies, based in Denver, Colorado, USA. Founded in 1921 and publicly traded on the NYSE since 1925, and other stock exchanges.
- Newmont has operations in North America, South America, Australia, Indonesia and Ghana.
- Newmont and direct contractors employs approximately 34,000 people.

## Vision

To be the most valued and respected mining company through industry leading performance.

# Newmont Ghana Gold Ltd: Ahafo mine



- Brong Ahafo Region of Ghana approximately 180 miles northwest of Accra.
- Mining lease area includes 10 communities, with approximately 208,000 habitants characterized by subsistence farming and literacy levels close to 50% amongst adults.
- Newmont's first African project.
- First gold on July 18, 2006.
- 500-550k ounces of gold produced per year.
- Second African project- Akyem started construction in 2011.

# Why Local Business Policy at Ahafo

- Consistent with company philosophy to create value for communities.
- Social licensee to operate.
- Lessons learnt from Linkages Program in Peru demonstrating importance and process to build capacity and engagement.
- Aligned with community expectation to directly participate in business activities (contracts).
- Local businesses had low capacity making it difficult to develop business relationship with company.
- Policy and program provided a transparency mechanism to manage the traditional mindset related to entitlements.
- Established a dedicated unit in Supply Chain Mgmt to develop/implement a Local Business Policy.

# Local Suppliers and Contractors Dev. Unit-SCM

## **LS&CD Unit Purpose**

- To maximize local content under transparent and competitive procedures.
- To develop a long term sustainable policy for the development of Local Suppliers and Contractors, and to manage its effective implementation.

## **LS&CD Unit Responsibility**

- Work within the framework of a jointly sponsored NGGL-IFC Ahafo Linkages Program.
- Work with the Ghana Chamber of Mines to develop an industry-wide import substitution strategy for products which are currently sourced overseas, but could be realistically be produced in Ghana (e.g. Grinding Media, Mill Liners, etc.)

# Challenges

## Internal Stakeholders

- Practical implementation of new SOP specifically designed to assist MSMEs, but in many ways very different from what had been acceptable previously.
- Reluctance of end users to “take a risk” with MSMEs.
- Difficulty in obtaining constructive and appropriate feedback on the performance of local MSMEs from end users.

## External Stakeholders

- Expectations from local entrepreneurs, business opportunities are entitlement.
- Traditional mindsets and structures not familiar with market practices.
- Performance of local entrepreneurs: volume, quality and competitive price.
- Implementation of knowledge acquired during training and technical assistance.

# Lessons learned

- Unless the company's core values include real and meaningful commitments to social responsibility and sustainability the local business program is unlikely to be successful.
- There must be a strong internal buy-in and support from Senior Management at level site in order to succeed.
- The process needs to start well before the mine starts operation (i.e. during project construction).
- It takes time, patience, transparency, fairness and diplomacy to deal with local MSMEs.
- This is not a one-way street. There are responsibilities and benefits for both parties.

# ALP Achievements

The Ahafo Linkages Program (ALP) was successfully implemented from October 2007 to May 2010, and focused on 13 communities.

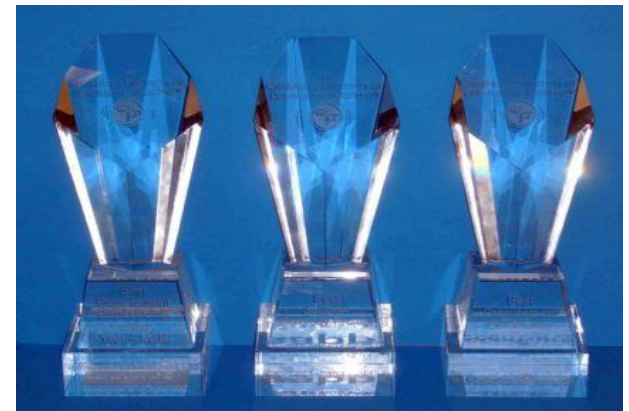
Key results and achievements:

**Local procurement value increased** from US\$1.7m (2006) to US\$14m (2010).

About 373 local businesses have received contracts from Ahafo;

## International Recognition

- **World Business Council on Sustainable Development (WBCSD):** Best practice SME linkages/sustainability project
- **Chartered Institute of Purchasing and Supply (CIPS):** Received 3 out of 8 awards for Africa continent in 2010. Two Corporate Awards & One Employee Award



# National Sourcing Policy

Integrate “Local Local” Standard Operating Procedure (SOP) into the Policy

Nationwide approach to Supplier Development & Increase in Local Content.

## VISION

- To be the most respected mining company in Ghana in terms of optimizing the value of in-country spend and the development of sustainable local businesses.

## MISSION

- To deliver price and quality competitive goods and services to meet the needs of the business whilst:
  - Providing transparent opportunities for Local Companies to secure contracts,
  - Continually striving to increase the amount of expenditure with and the sustainability of local companies in the longer term,
  - Maximizing the contribution of Newmont Ghana’s mining activities to the broader Ghanaian economy,
  - Supporting capacity building and partnering with local companies on a broader front with industry groups, NGOs, vendors and investors.

# National Supplier Development-Objectives

- Minerals Commission intends to make Local Business Development Programs (LBDPs) mandatory for all mining companies.
  - Ghana Chamber of Mines seeks to develop & implement a framework which is economically sustainable & mitigates concerns relating to product quality & continuity of supply.
- Validate local supplier opportunity list of 27 categories.
  - Detailed “gap analysis” of existing suppliers/service providers.
  - Look at areas such as manufacturing capacity, QA/QC, HSE systems, management training and systems, access to finance, etc.
- Develop detailed execution plan to “close the gaps” for local suppliers to meet the industry’s needs on an economically sustainable basis.
- Develop detailed strategy for major commodity groups
  - Potential for import substitution.
  - Identification of potential overseas investors and partners.

# Defining Local Business at Site Level

- Definition of Local Business
- Sample Local Business Validation Form
- MSME database
- Selection of Bidders

# Defining Local Business in Ahafo and Akyem Mine Sites

## Definition of Ahafo Local Community

- a) “community towns that are physically located on the Mining Lease of NGGL within the current operational area of the Ahafo Mine Project or within the Mining Lease area under active exploration”
  
- b) “community/traditional area that has a significant amount of its traditional land covered by the Mining Lease of NGGL within the current operational area of the Ahafo Mine Project or within the area of the Mining Lease under active exploration”.

Source: Ahafo Social Responsibility Agreements (2008)

# Defining Local Business in Ahafo and Akyem (cont.)

## Influence Area

- 7 communities in Asutifi District
- 6 communities in Tano North District

## Target Beneficiaries

- Local Micro, Small and Medium size Enterprises.
- No less than 3, not more than 99 employees.
- Registered at Ghana's Registrar General (including taxation).
- Principal business address and business operations located in any of the above 13 communities.
- Validated as local by local community representatives.

# Local Business Validation Form- Ahafo & Akyem

## PERSONAL DETAILS SECTION

**Full Name:** .....  
*First Name Middle Name Last Name*

**Registration No:** *(office use only)*  
.....

**Birth Date:**.....  
*dd / mm / yyyy*

**Birth Place:** .....  
*(village, district and region)*

**Company's Name:** .....

**Postal Address:** .....  
.....

**Home Town:**.....  
*(village, district and region)*

**Contact Detail:** .....

**Current Address:** .....  
*House Number Village/District Region*

*I certify that the information in this form is true, correct and complete and I understand that any false or misleading statements or omissions supplied in this form may result in termination of my current contract.*

**Signature:** ..... **Date:**.....

## VALIDATION SECTION

**Chief:** .....  
.....

**Validated by: Assembly Man** .....  
.....

**Youth Leader** .....  
.....

*Name*

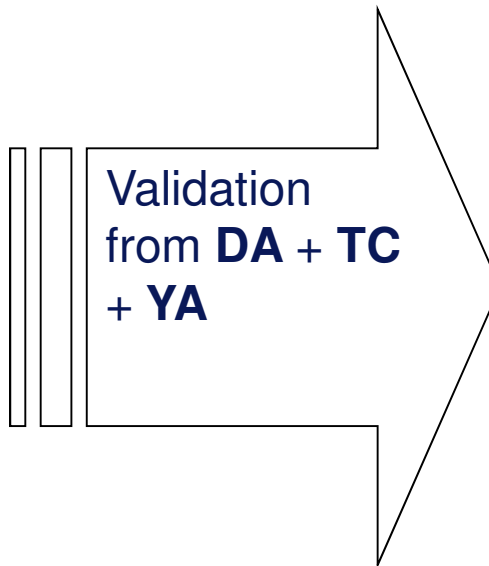
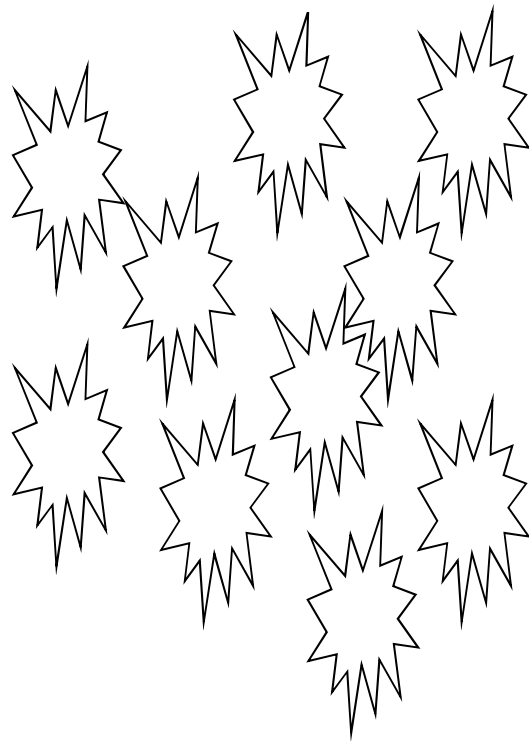
*Signature*

*Date*

# MSME database- Ahafo and Akyem Mine Sites

**Local Micro, Small  
and Medium Size  
enterprises**

**Information form +  
validation Form+ positive  
results of business  
diagnostic**



Micro, Small and Medium  
Size enterprises MSME  
Database:  
LS&CD unit, NGGL

# National Sourcing Policy- Selection of Bidders

The Level of Ghanaian Ownership will be important criterion for selection of bidders during tender adjudication process.

“All things being Equal” prioritization will be in the following order:

- Local Local Company- validated mining list companies
- Fully Ghanaian Owned Company- 100% Ghanaian ownership
- Ghanaian Participation Company- >50% Ghanaian ownership
- Ghanaian Registered Company
- International Company



# QUESTIONS??????????

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