



## COLLABORATIVE LEARNING PROJECTS

### ***CORPORATE ENGAGEMENT PROJECT***

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## **Ahafo Project – Brong Ahafo Region & Akyem Project – Eastern Region**

### **Newmont Ghana Gold Limited**

#### ***Field Visit: September 9-26, 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 to constructively explore 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](http://www.cdainc.com)*

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## EXECUTIVE SUMMARY/ GENERAL OBSERVATIONS

- § Newmont operates in a context where practices (both past and present) of the mining industry have established a widely known and negative legacy. The main elements of this legacy are:
- Environmental degradation (overflowing tailings ponds, inadequate mine rehabilitation, cyanide spills, etc.)
  - Destruction of livelihoods as mines take farmland and leave farmers landless.
  - Negative social impacts such as prostitution, alcoholism, localized inflation etc.
- This implies that nongovernmental organizations (NGOs) and local communities compare Newmont with other mining projects. During the CEP visit, local stakeholders displayed a positive perspective about the Newmont activities compared to other mining projects. Specifically mentioned were higher levels of compensation, salaries, corporate transparency, and standard of resettlement housing.
- § The feedback and suggestions from Accra-based advocacy groups provide important insights for Newmont about the concerns of such NGOs. Discussions with local stakeholders reveal that the Accra-based advocacy groups that are frequently consulted by international groups have a limited constituency in Newmont’s area of operations. Local NGOs, opinion leaders, government representatives, and traditional authorities uniformly and consistently resist the notion that Accra based NGOs speak on behalf of the community.
- § Although individual complaints exist, the majority of stakeholders at both locations with whom CEP spoke say they appreciate four ways Newmont currently operates:
1. Transparency; stakeholders mention the public nature of company documents and meeting minutes, the depth of the information provided in presentations at the early phase of the project

(compared to other mining projects in Ghana), and the fact that the company organized visits to other mining projects and provided negotiation training.

2. Inclusiveness; there is appreciation that Newmont enabled communities to select their own representatives and that the company does not speak with one single representative (e.g. the chiefs only) per community.
3. Accessibility; Newmont is seen as having an open door policy, "We know their gates are always open."
4. Respectful approach; A variety of examples were mentioned including paying respect to the chiefs, careful driving practices, respecting sacred places during construction, taking people's complaints seriously, and changing the names of the pits in collaboration with chiefs.

Farmers in the Akyem area mentioned they do not agree with the current compensation rates (at least for oil palm) that Newmont proposes but a majority recognizes that Newmont is trying to be respectful in the way it negotiates with them.

- § While the current situation is positive, there is concern about future impacts. In the Ahafo area there is an upbeat atmosphere and at the same time a certain degree of skepticism about the long-term benefits of the projects. Those that have not benefited from compensation, politicians, and some traditional leaders wish to see that Newmont presents a "social responsibility plan" that provides a vision and a long-term strategy. "So far so good, but that is no guarantee for the future."
- § In the Akyem area, negotiations over crop compensation are taking longer than expected. Discussions with farmers reveal that their position is as much about fear for the future as it is about financial compensation. For example, some youth leaders estimate that over 70% of their peers have no plans or ideas about what to do once their farms are gone.
- § Both in Ahafo and Akyem, the single most apparent root cause for many of the challenges that Newmont is facing (and possibly will face in the future) originates from a cash-for-land policy rather than a land-for-land policy. In a context where over 90% of the population relies on farming, taking away land implies not only a significant impact on the livelihoods of many people, but also on their way of life and consequently on their overall wellbeing. Farmers and some of their representatives express a genuine concern about how they will care for their families in the long-term without access to farmland and after they spend their compensation money.
- § People in the resettlement areas in the Ahafo project area realize they have no land to farm and that their land is gone forever. The majority of people CEP spoke with say they are currently spending their compensation money and have insufficient income to match these expenses. While some consultants to Newmont state they believe that everybody has some access to land, many of those currently residing in the resettlement areas claim they do not. They expressed concern about their future once the compensation money is spent, "How are we going to feed our children?" At the same time, resettlers say that they have not seen any signs that reassure them the future is going to be better. At present there is no system in place to determine the validity, degree, and specificity of these concerns. There is a chance that the lack of detailed information about the most vulnerable segment of the population, in combination with the fact that people still have some compensation money left, provides a false sense of normalcy. This may only become evident once people exhaust their coping mechanisms (compensation money) and become more visibly destitute.
- § A second challenge for the Ahafo project will be to maintain positive relations with local stakeholders after the construction phase, which ends mid-2006, and when employment opportunities will decrease. Local employees acknowledge that Newmont has always been very transparent about the temporary nature of the job. However, Ahafo project will lose several very skilled and engaged community experts (currently working with Planning Alliance, Opportunities Industrialization Centers International (OICI) and Lycopodium), as their terms of reference will be completed. These experts have more personal interaction with common people –as opposed to representatives- and address many of the issues that Newmont's community relations staff would otherwise have to deal with. This implies that Newmont's community relations capacity will decrease at a time when demand for community attention will likely increase.

- § A third challenge for the Ahafo project, according to staff, relates to royalty distribution and usage. By law, traditional and civil authorities will receive a percentage of these royalties. It is still unclear how the traditional authorities will use it. During the CEP visit, chiefs were quite clear that it is at their sole discretion how they would use the money (e.g., “for the upkeep of the palace”).
- § For Akyem, the next challenge will be to deal with the financial aspects of the crop compensation negotiations while acknowledging and addressing people’s concern about their future livelihoods. This implies that the company may need to take a multi-pronged approach (rather than a focus on the financial aspects only) to address the underlying and implicit obstacles.
- § Newmont management is well aware of these challenges and is in the process of “exporting” successful approaches (such as a labor pool for non-skilled labor) from Ahafo to Akyem and is considering other options. These include:
  - Develop a comprehensive community engagement and community development strategy based on jointly developed long-term objectives.
  - Develop a local contracting policy and support for local business development.
  - A land acquisition process combined with the provision of technical expertise to intensify farming methods.
  - Increase the company’s “listening capacity.” Some community experts observe that communication engagement is largely issue-based and focused on achieving goals that are in the interest of Newmont (e.g. compensation and relocation issues) instead of engaging in issues that are of interest to the larger community.
  - Support and strengthen existing government and NGO capacities.
  - Develop and disseminate a systematic and known grievance procedure.
- § There is evidence that indicates Newmont is well positioned to address current and future challenges. From a CEP perspective Newmont distinguishes itself through the process of engagement (the “how”) while the company emphasizes the outcome of such processes (the “what”). Individuals from different departments (and much broader than the community department only) often take innovative approaches and have creative ideas. What lacks is a comprehensive strategy. In other words, best practices are sometimes driven by individual efforts rather than based on a company policy or strategy. The development of a comprehensive approach based on a vision that is developed with local stakeholders and accompanied by a related strategy could convert the willingness to work positively with local communities across the organization into a more structured and effective implementation of activities.

## INTRODUCTION

The Corporate Engagement Project (CEP) is a collaborative effort involving multinational corporations that operate in areas of socio-political tension or conflict. Its purpose is to help corporate managers better understand the impacts of corporate activities on the societies in which they operate. Based on this analysis, CEP helps companies to develop management tools and practical options to address local challenges and stakeholder issues.

Against this background, Emma Nikki Owiredu, Independent Consultant, and Luc Zandvliet, Project Director of CEP, traveled to Ghana from September 9-26, 2005, to visit two projects of Newmont Ghana Gold Limited (Newmont): the Ahafo project in the Brong-Ahafo region and the Akyem project located in the Birim North District in the Eastern Region. In Ahafo, Richard Adjei Poku of The Guards of the Earth and the Vulnerable, a local NGO based in Kenyase joined the team, and in Akyem, Prince Del Adinyira of the National Commission on Civic Education based in New Abrim accompanied the CEP team. In both cases these persons worked as interpreters, independently from their organizations.

The CEP team started the visit by spending four days in Accra to meet with company representatives, various advocacy and human rights NGOs, the International Finance Corporation (IFC), government representatives and other gold mining companies. The Accra discussions preceded a seven-day visit to

the Ahafo project and a five-day visit to Akyem. At both sites the CEP team spoke with a variety of company staff, contractors, local nongovernmental organizations (NGOs), traditional leaders, Union Committee Members, a member of parliament (MP), district assemblymen, (chief) farmers, youth, high school students, local entrepreneurs, people living in the resettlement areas (Ahafo specifically), and people that have taken a relocation package. In total, the CEP team conducted 76 interviews and spoke with over 170 people.

In addition, the team also contacted NGOs and interest groups in the USA who have a specific interest in mining companies such as Newmont.

This report's three sections briefly discuss some aspects of the context in which Newmont operates. Section I discusses the observations and feedback we received with regard to corporate impacts of the projects, Ahafo in particular. Section II discusses the different observations on stakeholder engagement. Section III discusses the most frequently mentioned operational policies as they affect and interface with local stakeholders.

Most chapters follow a similar layout starting with a) an explanation of the key aspects of Newmont's approach followed by b) stakeholder feedback/observations/issues and c) options/opportunities. This report discusses various aspects of Newmont's practices (highlighted in text boxes) because they have become standard for Newmont and are unique in their approach and creativity. Such practices are valuable for other companies and interested parties and further the learning objectives of CEP.

The fact that the Ahafo project is 36 months ahead of the Akyem mine in the project cycle means that issues vary on each site. This is the reason why some of the topics discussed are site specific whereas other observations concern both sites. We have indicated site specific information where applicable.

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 Ghana context.

## **INTRODUCTION TO THE NEWMONT OPERATIONS**

There are a number of public documents on Newmont Ghana's operations that provide detailed and valuable background information on both projects. These documents are available on <http://www.newmont.com/en/operations/projectpipeline/ahafo/docs/envsocimpaccess.asp>.

Ghanaian law stipulates that all public land is owned by the government. Chiefs hold custody over their "stools." While surface rights belong to the landowner or user, all mineral rights belong to the central government. This has the following profound implications:

- Farmland is given out by the chiefs to farmers and is not for sale.
- Only crops, not land, can receive compensation.

Traditionally farmers use a crop rotation system to cultivate part of their land while leaving the remainder to lie fallow. Since crops do not grow on fallow land, it is not eligible for compensation.

Around 10% of the royalties generated by a mine flow back to the locality of revenue generation and is distributed amongst the District Administration (5.5%), traditional leaders (Chiefs and Elders) (3%), and the Administrator of Stool Lands (1.5%). Mining companies operating elsewhere in Ghana observe:

- The accountability mechanisms regarding the use of these royalties lack transparency and,
- Local development funded by these royalties focuses on district capitals rather than on the rural areas.

### Ahafo background information

The Ahafo project is located in the Brong Ahafo Region. The concession area is about 40 km long and includes more than 50 villages and hamlets. Within the concession area Newmont plans to start two main projects (Ahafo South and North) of which Ahafo South is currently under construction.

Within the concession area the company uses a much smaller “mine take area” (MTA) which is comprised of the land area that is being used for mining and related activities. All people living on this MTA lose access to their land and are either relocated (moved to a different house that they own outside the MTA) or resettled in two newly constructed resettlement villages.

The Ahafo project directly impacts approximately 10,000 people; 400 families are in the process of resettlement and 1,600 families have relocated.

Newmont works with a variety of consultants and NGOs that assist in the implementation of community related activities. Three organizations have a permanent presence on site:

- § Stratcomm Africa implements communications activities.
- § Planning Alliance (PA) advises on crop compensation, resettlement, and relocation process. It is the entity managing for Newmont the physical resettlement process (planning, designing and supervising the construction of the resettlement towns and infrastructure).
- § Opportunities Industrialization Centers International (OICI) is an NGO that provides services to the so-called project affected people (PAP). OICI conducts activities varying from social baseline surveys, providing financial management workshops (focused on those receiving compensation money), and coordinates an alternative livelihood program.

At the time of the visit, the resettlement villages were in the final stage of construction and about 25% of the families had moved into their new homes. The mine processing plant, including a tailings dam and access roads, were under construction providing employment for 3,500 people (including 600 from the concession area). Construction activities will finish by mid-2006. In the operations phase following the constructions phase, the projected need for employment will decrease to about 600 people of which about 180 will be non-skilled labor positions and will be strictly for people from the concession area.

### Akyem background information

The Akyem project is located in the Eastern Region and follows a similar project cycle as Ahafo with a delay of 36 months. Eight villages and 26 hamlets are located within a five km radius of the projected footprint area. At the time of the visit, Newmont had conducted test drilling and was surveying land but had not made any visible imprint on the area, pending government approval for the project. The proposed location of the mining pit still is a green hill covered with banana and coco trees.

One of the main lessons from Ahafo, Newmont managers acknowledge, is the time pressure under which mining projects face once a project receives a mining lease. In Ahafo, according to staff, this time pressure sometimes came at the expense of engaging with communities according to the ideal scenario. Newmont Ghana management learned from this experience and requested that the Newmont Board allocate a budget to allow for an external relations team to work with communities for two years, not even knowing if the project will be approved or not. In addition, Newmont delayed the Akyem project by eight months to ensure the community relations (CR) team can do its work prior to the arrival of the first bulldozers.

Local stakeholders in Akyem are relatively well informed about mining operations, partly because there is frequent contact (through staff and contractors) between Ahafo and Akyem. Local youth from Akyem periodically conduct “scouting missions” to other mines such as Ahafo and Tarkwa, which means that communities in the Akyem area have a more acute sense of what is at stake. They are determined to “do better” compared to these others mining sites.

## SECTION I: CORPORATE IMPACTS

In this section we will focus on the impacts of the project. This section largely deals with observations from Ahafo given the longer presence and larger scope of the project compared to the Akyem project. We will first discuss impacts of the project and then discuss feedback from people currently residing in the resettlement villages.

### 1.1 Impacts of the Ahafo Project

Newmont is aware of the potentially negative social, political, and economic impacts of their activities in a relatively densely populated area. It has taken measures to mitigate some of these impacts

#### Measures to Mitigate Potentially Negative Social and Cultural Impacts

- § A significant company policy is to provide a bussing service for all its employees throughout the concession area for the duration of the construction period. This policy:
  - Allows staff to be at home every night, reducing alcoholism, prostitution, and expenditures for families, and
  - Provides equal opportunities for employment to everyone living in the area and does not favor those living nearby, avoiding jealousy and the creation of winners and losers.
- § The exploration team mapped sacred sites, sacred groves, cemeteries, and other culturally sensitive places. They also took into consideration “taboo days” on which certain activities could not take place (e.g. disturbing the earth). In addition, at the advice of local communities, a local traditional healer still resides next to the site.
- § Traffic marshals with speed-guns positioned at the entry of each village and along all access roads enforce a slow speed driving policy.
- § Newmont constructed a bypass to reduce traffic overload through Kenyase.
- § Education to non-local staff and contractors about having affairs with local women. The company says it has fired staff for this reason. The Commission on Human Rights and Administrative Justice (CHRAJ) confirmed Newmont’s rigorous implementation of this policy.

#### Community Feedback/Issues

- § Positive impacts people from the Ahafo areas point out include:
  - The booming local economy. Businessmen say their business is thriving. Some provide new services and products to the area (photocopying and new types of food). The installation of a communications tower means that dozens of people have found employment providing phone services. In Kenyase, three months after installation of a phone tower, an estimated 20% of the local Kenyase population had a mobile phone
  - Community pride. People repeatedly point out that the presence of the mine has positively impacted their self- esteem and pride and that the town is now “vibrant” compared to before. Others stated, “People all over the world now know about Kenyase, nobody knew about us before.”
  - Effective mitigation policies. Local stakeholders acknowledge the impact of the mitigation measures Newmont has taken. For example, on different occasions farmers expressed their surprise that “we have not heard that even a chicken has been killed by the Newmont cars.”
  - The relatively minor impact on the social fabric. Although some men complain that local women favor mining employees, crime and alcoholism have only slightly increased. To date no public brothel has emerged in the area.
- § Community members from Kenyase I and II and Ntoroso point out the following negative impacts:
  - The loss of farmland. In a context where over 90% of the population relies on farming, taking away land implies not only a significant impact on the livelihoods of many people, but also on their way of life and consequently on their overall wellbeing.

- Increased pressure on existing social services (health and education services) due to the influx of outsiders. The pressure on water and sanitation facilities in Kenyase is generally seen as an urgent problem.
  - Increased cost of living. While a two-tier pricing system has emerged (Newmont employees pay more than others), the price of rent has increased up to 800% and the price of some food crops has quadrupled.
  - Increased crime. Some people are concerned about the future impacts of the mine. They point out the risk of increased crime, poverty, and emergence of illegal miners (“galamsey”) once crop compensation money is spent.
- § The impact of the projects on the role, position, and the legitimacy of traditional authorities in both areas deserve further attention. At the surface, both in Ahafo and Akyem some chieftaincies are unstable and rivalries between some stools exist. The future royalties from the project will increase the stakes for the traditional authorities and will test their organizational and governance capacities.
- § In order to avoid dependency on the company, Newmont has pursued a tripartite partnership approach to community development projects. For instance, in Akyem a nearby hamlet faced a water shortage. It would have been “easier” for the company to drill a borehole. Instead, Newmont convened a meeting with local people and the government to discuss alternatives to address the issue. The government agreed to provide pipes, the community agreed to provide labor and sand, and the company agreed to provide cement, thus increasing local ownership.

#### Options/Opportunities

- § *Work with local stakeholders to develop a community development vision.* Both Ahafo and Akyem have not yet developed a comprehensive community development strategy. This is partly due to addressing the more immediate issues such as resettlement and compensation. Community experts working with Newmont observed that local communities were still unclear on how they could best benefit from the corporate presence over time. It was suggested that the company starts defining, with the community, what they hope to achieve in five or 10 years, what strategies need to be designed to reach these objectives and which stakeholders need to be involved.
- § *Prepare the community for long-term mining impacts.* At the time of the visit, most communities in the Akyem area were still not aware of some of the inevitable negative side effects of any mining operation (increase in price levels, migration, pressure on services, etc.) There is no indication they are prepared, or even realize that in one year or so, over 2000 workers from outside the area will descend on the area. In other places, such as Kenyase in the Ahafo area, people are more aware of these impacts. Through supporting groups such as the National Committee of Civic Education (NCCE), Newmont could help the communities to develop their own mitigation efforts proactively and before they become a serious issue for the company and the communities. The company could consider assisting the NCCE with implementing its current activities more effectively (e.g., by providing logistical assistance such as motorcycles). Supporting groups such as the NCCE would benefit Newmont in the long-term, as it would mean that in the future the company would engage communities better able to articulate their own aspirations.
- § *Support local NGOs.* Some local NGOs near both projects fulfill an important role to both the company and local communities by educating the public about, for example, outcomes of negotiations. They also serve as a channel for villagers (or local people) to communicate their grievances. At the same time, the effectiveness of local NGOs is constrained by limited resources. Newmont could provide these resources but only in a manner that avoids them being seen as “buying favors.” For example, the company could assist NGOs in writing proposals, introducing them to donors, make suggestions for programs etc.
- § *Coordinate with, and support, existing plans and capacity.* There are opportunities to create synergy by collaborating more closely with the district planning offices and other existing programs. For example, the district has a number of community development officers that implement their own

programs in need of key planning, organizing, and technical capacities second nature to the company.

The District Chief Executive (DCE) in New Abrim mentioned they had started a “Youth in Agriculture” program to provide vegetables and fruit for lunches at schools (which the government has announced it will provide). Newmont could support such initiatives through technical expertise and assist the group to also produce alternative products needed by its employees (sewing coveralls, shirts etc.).

### 1.2 Life on the Resettlement Sites of the Ahafo Project

Following are some aspects of the resettlement and relocation approach of Newmont.

#### Key Aspects of the Resettlement/Relocation Approach

- § Newmont relocates people (not resettles) if they demonstrate to the RNC that they have another home that they own outside the MTA. This is to avoid people spending all their money with no home left.
- § People can choose among standard designs for their house, pick its color and their plot location.
- § Newmont ensures that new houses come with a title, which provides people with collateral (access to bank loans). An additional advantage is that it allows people to use their home as a rental property.
- § The company provides electricity to the village and along main roads. Homeowners have to pay for installation and wiring of their own home.
- § The company provides water to central tap stands. Trained members of a water and sanitation (WatSan) committee maintain and repair the system. The committee will ask for a small fee for water supply from residents to maintain the system.
- § Resettlement houses come in space-by-space basis, not room-by-room.
- § To maintain a degree of social cohesion, people can opt to live as a community in the new village.
- § The design of resettlement houses are such that people can easily expand their homes through their own effort, which occurs.
- § In response to complaints that people have difficulties reading blueprints, in Akyem Newmont constructed two model homes (on resettlement seize plots) to make it easier for people to visualize the possible design of their new home.
- § A specialized NGO (OICI) provided financial management courses to all recipients of compensation money.
- § OICI also offers an Livelihood Enhancement and Empowerment Program (LEEP) to all affected families consisting of batik-making, soap-making, grasscutter and snail production. It also teaches agricultural techniques.

#### Stakeholder Feedback/ Observations/ Issues

- § There are many signals that some relocated people are “not worse off” and may even be “better off,” which is one of the objectives of the project. We observed multiple examples of people who successfully invested their compensation money in businesses such as taxis, car-washing services, guesthouses, stores etc. However, it is difficult to quantify this improvement since many people who had to leave their land, have left the area altogether and cannot easily be located. As a result, the fate of an estimated 20% of the relocated people is largely un-verifiable.
- § All twenty people with whom the CEP team spoke in both the Ola and the Ntotoroso resettlement areas say they are pleased with the quality of their new homes, the proximity of a water source, and

their private latrines. Some complain about the reduced number of rooms they have compared to their original homes.

- § Some people have already started gardening or have expanded their houses. Others are in the process of constructing large homes on their lots (paid by compensation money) hoping to rent to company employees and have a long term source of income. Some people already rent out one or more rooms of their new homes to generate income.
- § At the time of the visit approximately 25% of the homes were occupied. Others are still staying with relatives in surrounding towns or rent rooms in towns until their resettlement homes are finished (Newmont provides money to cover the rent). Some people currently residing in the resettlement area say they feel positive about the transition from rural farmer to urban dweller, although most people have received the keys of their homes only weeks ago. A number of women have made use of the availability of electricity and have started a water selling business. Others say they benefit from the Livelihood Enhancement and Empowerment Program (LEEP) that has trained them in soap production which they sell to Lycopodium, the main construction contractor.
- § The majority of the people CEP spoke with in the resettlement areas expressed concern about their future once the compensation money is spent (“how are we going to feed our children?”). At the same time, they say that they have not seen any signs that reassure them the future is going to be better. Resettlers say they are currently spending their compensation money on day-to-day expenses (and have been for the past months) while they have no, or insufficient, income to match these expenses. While some consultants to Newmont state they believe that everybody still has some degree of access to land, many of those currently residing in the resettlement areas claim they do not, which claim is supported by neighbors who say they were lucky enough to find access to alternative land.
- § At present, there is not a systematic way to determine the degree and specificity (on a household level) of expressed vulnerability. There is a risk that the lack of detailed information about the most vulnerable segment of the population (women-headed households, numbers, degree of vulnerability, coping mechanisms) in combination with the fact that people still have some compensation money left, provides a false sense of normalcy. This may only become evident once people exhaust their coping mechanisms (compensation money) and become more visibly destitute.
- § In general people list the following obstacles in the transition from rural farmer to urban dweller:
  - Whereas in the bush, farmers collected fruits, snails, water and other food items free of charge, in the resettlement area they have to pay for each food item.
  - Some people have started small businesses (frying donuts, selling water) to cater for construction workers in the resettlement. They wonder who will buy their produce when construction ends.
  - Several people acknowledge they were not able to invest their compensation money in a sustainable manner. Workshops on how to invest their compensation money came after they had received compensation and, many people say, “You cannot advise a rich man.”
  - Many settlers say they find it difficult to find new landlords. Few people want to lease their land due to the following reasons:
    - § Since the prices of food crops are high, food crop farmers use the land themselves rather than lease their land.
    - § Many people expect that one day Newmont will expand the MTA and pay compensation.
  - While some families are starting alternative livelihoods, others say that the training was too short, “did not stick” and that the NGO offering the training would need to come back.

#### Options/Opportunities

- § *Determine the vulnerability level.* The Resettlement Action Plan, which is a public document (<http://www.newmont.com/en/operations/projectpipeline/ahafo/docs/resettleplan.asp>) makes provisions for a monitoring and evaluation mechanisms to ensure that no people are “falling in between the cracks.” Some community experts suggest there is space to start this monitoring exercise sooner than foreseen. They argue there is a sense of urgency to verify how well, or not,

resettled and relocated people are faring, provided the absence of an ongoing information system. This approach would allow for the design of mitigation options and when people still have some compensation money left. Obviously, this window of opportunity is getting smaller as people keep using their money.

- § *Consider buying land.* Newmont is looking into the option to acquire land for affected families. Providing technical agricultural expertise to farmers to utilize intensive farming techniques might be a specific area for consideration and, if successful, will address most of people's concerns.
- § *Provide financial training prior to, not after, compensation.* Feedback on the financial management course provided by OICI is positive. Various people said they benefited from the course. However, most people urged that the timing of the course should be prior to receiving compensation.
- § *Start the planned micro-credit program asap.* OICI plans to start a vocational training center combined with a micro-credit program. Residents support these plans and urge OICI to start "soon."

## **SECTION II: STAKEHOLDER ENGAGEMENT**

This section discusses how engagement with various stakeholders takes place. In addition, various stakeholders express their own perspectives on the company. The section starts with Accra-based advocacy NGOs, then discusses Newmont's general communication and transparency mechanisms, followed by observations on dealing with traditional authorities.

### *2.1 Accra-Based Advocacy NGOs*

#### Stakeholder Feedback/Observations/Issues

- § Discussions with several US-based NGOs reveal that most of them base their opinion about Newmont Ghana on a limited group of organizations and individuals within Ghana. One or two NGO's are generally mentioned as a source of information. These individuals/groups are based in Accra and have no offices in Newmont's area of operation although one group has a spokesperson and small 'committee' in Kenyase.
- § The Accra-based NGOs point out perceptions (factually correct or not) that exist in the wider advocacy community and thus are important to Newmont:
  - Newmont relies on the chiefs as the sole community representatives and corrupts these chiefs.
  - The company works via proxies such as the police in managing community grievances. NGOs mentioned this as why they consider Newmont the same as other companies.
  - The company benefits from the low capacity of regulating bodies such as the Environmental Protection Agency (EPA).
  - The company benefits from the low education level of local farmers.
  - Newmont does not respond to local grievances, it has no grievance procedure.
  - Newmont has a poor legacy in other countries where it operates.
- § In Newmont's area of operations, discussions with local stakeholders reveal that the Accra-based advocacy groups have a very limited constituency. Especially around the Ahafo area, local NGOs, opinion leaders, government representatives, and traditional authorities uniformly and consistently resist the notion that these NGOs "speak on our [the community's] behalf", and state these NGOs are mostly driven by self interest or that they advocate on behalf of certain individual cases (allegedly those who were not compensated for speculative activities). One indication of the lack of local support for Accra-based NGOs is the fact that these NGOs are not included in the Resettlement Negotiation Committee (RNC) of the Ahafo project. The RNC is an elected body including a wide range of community representatives that includes NGOs that enjoy local support.
- § There are some local NGOs with programs both in the Ahafo project as well as in the Akyem area. At Ahafo, all three locally based NGOs are part of the RNC.

### Options/Opportunities:

- § *Demonstrate how Newmont Ghana “is different.”* Newmont Ghana is both dealing with the legacies of other mining operations in Ghana as well as with the legacy of its own operations in other parts of the world. Whether justified or not, NGOs demand that Newmont demonstrate “how it is different.” This is an opportunity for the company to demonstrate what the company has learned from its experiences in the US, Peru, and Indonesia, and how the Ghana projects are benefiting from those experiences.
- § *Measure developmental impacts quantitatively.* Some NGOs suggest that Newmont develop indicators that measure the corporate impact on the quality of life of people. This would dovetail with a suggestion from a consultant to Newmont to conduct a Social Economic Matrix exercise which would measure the net impact of the mine (how much did the compensation, employment, and other economic spin-offs offset the loss of economic activities) on a local, regional, and national level.
- § *Make public the answers to FAQ’s by outside groups.* During the visit, CEP heard grievances from Accra-based groups that appeared to be based on rumors or misunderstandings when we verified these in the villages or with the Newmont staff. The CEP team learned that the Newmont management regularly receives similar questions from concerned external stakeholders. One suggestion was to publish a FAQ sheet on the Newmont website together with Newmont’s response as well as the measures taken by Newmont as a result of these questions.

### *2.2 Communication – Transparency*

Newmont management stresses the importance of taking a transparent approach in the company's efforts to gain and maintain a social license to operate. Following are some mechanisms that the company uses to implement this policy.

### Transparency Mechanisms

- § Newmont has an open door policy. People on site as well as in Accra follow a policy to be available to “anybody that wants to speak with us.”
- § Bulletin boards in each village showing vacancies, announcements, and minutes of meetings.
- § The use of public meetings (“town crier meetings”), plays, or puppet shows to convey messages.
- § Elected committee representation from all hamlets and villages in the MTA that meet with Newmont on an ongoing basis (RNC in Ahafo and the Crop Compensation Committee and the Consultative Community Committee in Akyem).
- § Important meetings are video and audio taped and that are accessible to local communities upon request.
- § Quarterly meetings with 1) traditional leaders 2) assemblymen 3) youth association chairmen and 4) chief farmers in Ahafo.
- § Bi-weekly presentations to stakeholder groups such as youth, local political establishment, regional political establishment, and traditional authorities in Akyem.
- § In Ahafo summaries of four public disclosure documents have been translated into a local language (Twi) and publicly available in several towns. Public Disclosure Officers are tasked to answer questions from the public and explain the following documents:
  - Resettlement Action Plan.
  - Environmental Social Impact Assessment.
  - Public Consultation and Disclosure Plan.
  - Independent Assessment of Resettlement Implementation.
- § Presentations at local high schools and invitations to high schools for field trips.
- § Periodic presentations to the media (public disclosure documents, cyanide code).
- § Basic training courses on negotiation provided by a university.
- § The provision of courses for local opinion leaders and elders on leadership training, conflict resolution, and other topics by OICI.
- § Akyem has plans to open an information office.
- § Organized visits of representatives to other mining sites.

- § Observations that signal proximity in modest but important ways:
  - Nametags of employees show a first name in bold letters rather than have different labels that signal the type of contract or a last name only.
  - Fencing around the compounds in Kenyase and New Abirem has no barbed wire and security perimeter, which reinforces a visible sense of proximity.
  - CR people say they give out business cards to local stakeholders with their details “so that I’m accessible.”

### Stakeholder Feedback/Observations/Issues

- § Although individual complaints exist – which are discussed – the majority of local people with whom CEP spoke with across stakeholder groups and on both locations state that the company makes consistent efforts to operate in a transparent and respectful manner. These groups include:
  - Local people who have no comparison with other companies (farmers, market ladies, entrepreneurs, employees).
  - Local stakeholders who have a reference based on visits to other mining projects (chiefs, some opinion leaders, district assemblymen, local NGOs).

- Nationally based contractors who compare Newmont with other mining companies with whom they work, the IFC and one MP from Newmont's areas of operations.
- § Local stakeholders say they appreciate four ways Newmont currently operates:
- Transparency; stakeholders mention the public nature of company documents and meeting minutes, the depth of the information provided in presentations at the early phase of the project (compared to other mining projects in Ghana), and the fact that the company organized visits to other mines as well as provided negotiation training.
  - Inclusiveness; there is appreciation that Newmont enabled communities to select their own representatives and that Newmont does not speak with one single representative (e.g. the chiefs only) per community.
  - Accessibility; Newmont is seen as having an open door policy "We know their gates are always open."
  - Respectful approach; A variety of examples were mentioned including paying respect to the chiefs, careful driving practices, respecting sacred places during construction, taking people's complaints seriously, changing the names of the pits in collaboration with chiefs. A local police commander stated, "They want to do the right thing, and have asked me several times to stay out of a dispute and let them handle it themselves."
- § Despite positive feedback about the current relationship especially in the Ahafo area, district assemblymen and some chiefs express a degree of skepticism about the long-term future benefits and impacts of the mining operation. Politicians and some traditional leaders, expect that Newmont will develop a "social responsibility plan" that provides a vision and a long-term community development strategy, including for those who have not benefited from compensation. "So far so good, but that is no guarantee for the future."
- § Given the scale of both projects, community relations managers on both projects acknowledge they engage largely with community representatives and that there is room for improving communication with common farmers.
- § Some community experts observed that communication is still largely defined as public relations and, by nature, focuses more on "sending" than "receiving." At the same time, engagement is largely issue-based and focused on achieving goals that are in the interest of Newmont (e.g. compensation and relocation issues), rather than to also engage in issues that are in the interest of the larger community and those not directly affected by compensation or resettlement issues.
- § In Akyem, there is a fair amount of misunderstanding among farmers that need to be explained:
- The delay between the announcement and implementation of job opportunities (employment will largely occur during construction).
  - The requirements for current employment positions and the fact that people from Obuasi or Tarkwa are currently obtaining positions.
  - The technical process of mining. For instance, some farmers who had their land surveyed a year ago assume Newmont is "cheating" because they have not yet been compensated.
  - The reason why Newmont has selected international contractors to construct the plant.
  - The concept of temporary contracts (to address the notion that Newmont "fires" people).
  - The concept of compensation. Some people expect the company to set them up for life rather than to see compensation as a transition towards a new livelihood.
- § Newmont uses different contractors and groups that engage with communities. These include:
- Surveyors, who are often the first company representatives that farmers meet.
  - OICI
  - StratComm
  - PA
  - Civil works and other contractors.
  - Newmont's own community development and community relations team.

A representative from one of these groups in Akyem noted that these groups may all give different messages to the people they encounter in the field. He cautioned his staff not to answer certain questions to avoid confusion.

- § Especially around Akyem, there is a significant difference among villages about the information that villagers say they receive from their representatives. In some places, the trickle-down of information is low despite the fact that representatives have explicitly committed to keeping their constituencies informed. There is no mechanism in place to measure the degree to which this takes place.
- § In Ahafo, some people still believe there will be more jobs available after the construction phase. Others trust that the impact of mining will largely be positive and that Newmont will take care of the negative impacts that may occur. Others express social and environmental concerns such as:
  - The risks of HIV/AIDS.
  - Increased crime rates.
  - Water pollution as a result of mining.
  - Air pollution and dust levels.
  - Cyanide spills.
- § In one resettlement area the CEP team encountered two men who rented rooms (on a food/lodging for work basis) hoping to gain employment. They said they had been around for nine months and had not received any response to their job applications.
- § Local stakeholders say they use the following venues to express their grievances:
  - Visits with the Newmont's community relations staff to address issues personally.
  - The office of the District Chief Executive.
  - OICI.
  - The Commission on Human Rights and Administrative Justice (CHRAJ).
  - By writing a letter to the district assemblymen.
  - Through the elected bodies that have regular and ongoing meetings with Newmont (RNC in Ahafo and both the Community Consultative Committee and the Crop Compensation Committee in Akyem).

There is no one single formal and transparent grievance procedure that addresses any type of grievance (for example in case a car hits a chicken).
- § All sides perceive the CHRAJ office in particular as fair, thorough, and independent. Both in New Abirim and Kenyase the CHRAJ office state they investigate each complaint and that out of the 50 plus cases each year, between 15-30% are genuine complaints. CHRAJ argues that Newmont respects the outcomes of its investigation and works collaboratively with the organization. In some cases, Newmont bureaucratic procedures delay payment for a complaint, which reflects negatively on the perceived capacity of CHRAJ to "deliver."

Company staff and advocacy groups point out that it is essential to ensure that existing grievance procedures are effective. Experiences from other parts of the country as well as from Yamfo demonstrate that when communication breaks down, groups may take to the street and express their grievances violently. When the company feels it has no option but to call the police, it loses control over the situation and the community, as well as NGOs, will perceive the company to be accountable for police actions.

#### Options/Opportunities

Ideas discussed during the visit, mostly from Newmont employees include:

- § *Increase the listening capacity of the organization.* Many of the resources of the CR team evolve around achieving specific targets or agenda's set by Newmont. There is an opportunity to dedicate more efforts to also achieving objectives put forward by the community. If CR staff would engage with communities when there is nothing at stake (tea-drinking sessions), it would achieve the following:
  - The company would be able to connect with the local farmers, answer their questions, and hear perspectives their representatives may not put forward.

- Newmont could verify to what extent information trickles down to a grass-roots level.
- It would allow the company to detect issues and rumors in an early phase and before they become more difficult to deal with.
- It would build trust and improve communication between the company and local stakeholders.

Obviously, increasing the listening capacity of the company will require resources, for example through expanding the CR team with liaison officers.

- § *Conduct an opportunity assessment* that identifies positive informal leaders, community groups (farmer associations, soccer clubs), existing structures (churches, mosques), or events Newmont can engage with or build upon. This would provide an alternative to engaging with community representatives and aggrieved people only.
- § *Ensure coherence in communication.* Develop a strategy to ensure that the information disseminated through the various consultants and contractors be synchronized, for example through weekly internal communication meetings.
- § *Establish a community monitoring system* that allows communities to verify environmental or other impact. It would also ensure that community groups can speak with authority about corporate impacts to outsiders. Groups such as IUCN or Action Aid (who have an office in Kenyase) could train community members to become environmental monitors.
- § *Communicate via staff.* As in any mining operation “the community” does not start outside the gate. There are opportunities to more actively use local staff as “ambassadors” to inform their peers about corporate plans and gather feedback from community groups.
- § *Establish a promise register.* Representatives repeatedly brought up a suggestion from the Tarkwa community to establish a promise register. This would also clarify what suggestions were put forward by local communities (e.g. a Kenyase hospital) and what promises the company has made.
- § *Establish and disseminate a formal general grievance procedure.* Apart from Accra-based NGOs we did not hear the request for such a procedure since other venues are available and people, ultimately, find options. Still, a one-stop-shop procedure would reduce the frustration and uncertainty of people who are now shopping around and do not know what to expect from the current venues available.
- § *Develop, together with other companies, an approach for engaging the police.* All companies CEP spoke with recognize that the approach of the Ghanaian police may undermine company efforts to establish positive community relations. There is an opportunity as a group of companies to discuss with police the modalities under which companies wish to engage them. A first step would be to include the Voluntary Principles for Security and Human Rights into the discussions.
- § *Ensure that CHRAJ claims be handled immediately* to maintain their effectiveness and credibility.
- § *Information office.* In Akyem, Newmont managers are considering to establish an information office. Some staff suggested to house:
  - Video documentaries about the basics of mining.
  - 3-D computer designs of resettlement houses.
  - Handouts that explain the basics of mining operations in cartoons.
  - Minutes and videos of stakeholder meetings. Some communities expressed interest in watching the videotapes.
- § *Publish monthly EPA reports.* One senior manager in Ahafo suggested that he would be prepared to make public the monthly reports that Newmont forwards to the Environmental Protection Agency.
- § *Publish contractor vacancies* on bulletin boards or contact applicants by phone to provide feedback on job opportunities and to avoid people waiting around the plant site looking for available positions.

- § *Make use of videos* to document:
  - The technical process that creates tailings ponds.
  - Cyanide usage and transportation.
  - The water recycling process (to counter public perception that waste water ends up in streams).
- § *Develop, and make public the principles by which Newmont wants to operate.* This would be a concretization of the values and ethics document.

### 2.3 Community Representation – Working with Traditional Authorities

Chiefs hold custody over their “stool lands” and are an essential stakeholder. Without chiefs’ support, the company would find it very difficult to gain local endorsement. The text below describes how the company engages with the chiefs.

<u>Elements of the Engagement Strategy with Traditional Authorities</u>	
§	The company pays courtesy visits to chiefs’ palaces and provides a one-on-one explanation of its activities. Following cultural norms, Newmont representatives bring alcohol and cash (USD \$5-10) to these meetings. This is the same amount any civilian would bring to a formal representation.
§	Chiefs are part of all relevant committees but seen as one of several stakeholder groups and not independently representing the community.
§	From the earliest start of the project, the exploration teams explained the mine permit process to the public through public meetings. These meetings clarified that chiefs had no authority to give the company permission to mine. This quelled existing rumors that Newmont had bribed the chiefs.
§	Several of the chiefs have visited Newmont’s mines in the USA and other mines in Ghana.

### Stakeholder Feedback/Observations/Issues

- § While some people see the traditional authorities as their representatives, there is also general agreement that some chiefs are self-interested, and that they are the main beneficiaries of the mine through royalties or company contracts. Although nobody was able to provide factual evidence, many people assumed or mentioned “it would not surprise me if the chiefs would receive kick-backs from the company.” In order to avoid the perception that Newmont corrupts or influences chiefs, several staff members point to the importance of maintaining a transparent approach in the company’s engagement with traditional authorities.
- § Especially in Akyem, some chiefs are allegedly under pressure from their youth to support demands for high crop compensation. One of the rumors behind the de-stooling of a local chief is that his subordinates saw him as “too close” to the company.
- § Some of the chiefs expressed frustration with Newmont because they felt the company had not sufficiently responded to their requests for higher compensation and more community projects.
- § In response to questions about who represents their interests, people mention a mix of union committee members, district assemblymen and the chief (in that order), implying that no one individual or institution represents the entire community.
- § The CEP team asked people explicitly whom they would trust the most. Many hesitated to mention anybody at all. At Ahafo, the chiefs, assemblymen, and OICI were mentioned, whereas in Akyem, the

Kumasi National University of Science and Technology (KNUST) instructors for the negotiation training were seen as trustworthy.

- § According to staff it is still unclear how traditional leaders will use future royalties. During the CEP visit, chiefs were quite clear that it is at their sole discretion how they would use the money (e.g., “for the upkeep of the palace”). The company is exploring possibilities to work with international or local NGOs to start a government accountability program. In addition, some Newmont managers observed that it is a company practice in Indonesia and other places to make public the royalties generated by the mine.

#### Options/Opportunities

- § *Develop a “chief protocol.”* One chief complained about the lack of respect he received from one main Newmont contractor while he praised the approach taken by another contractor. A protocol for dealing with the traditional authorities would be a valuable tool to ensure a culturally respectful approach for all concerned.
- § *Provide mandatory cultural awareness training* to all staff and contractors. Newmont could request traditional leaders to help develop this training.
- § *Update the stakeholder mapping* and verify if all stakeholder groups (youth, women, high school students) feel sufficiently represented in discussions with Newmont. In addition, also mapping the different power relations between stakeholders may explain why certain groups, such as the chiefs, behave in certain ways. Making power relations between stakeholders explicit also allows for identifying entry points for maintaining constructive relations with traditional authorities.
- § *Work with chiefs on royalty management.* Several chiefs mentioned that they would be interested in training by a management institute (such as the Ghana Institute of Management and Public Administration) on good governance. Another politician suggested working with chiefs prior to the start of the royalty flow and for the company to explain to the chiefs it will make public the amount of royalties it helps generate.

### **SECTION III: OPERATIONAL POLICIES**

This section discusses some of the operational policies frequently mentioned during the visit that directly affect external stakeholders.

#### *3.1 Employment-Training*

Newmont Ghana has well-developed employment and training opportunities for local communities. Because Newmont’s approach could serve as a model for other companies, we will elaborate on some specific elements.

## The Labor Pool Concept

### *Employment*

- § Contractors are obliged to hire 100% of their non-skilled laborers through the labor pool.
- § The labor pool is for non-skilled positions and for local people only. The number of people in the labor pool correlates with the number of people required for the project (650 non-skilled laborers on roughly 3,500 positions during construction).
- § Newmont takes an inclusive approach. Street theater groups disseminated the labor pool concept to all communities in the mine concession area and invited community members to provide the company with resumes. Over 13,000 did. Applicants need vetting by the Chief to prove they are “local.”
- § A quota for each community was negotiated based on 1) population size 2) size of the stool land, and 3) proximity to the site.
- § Selection of individuals for the pool occurs through a village-based, public lottery.
- § 10% of the labor pool jobs are ‘protocol jobs’ and at the discretion of the chiefs, thus easing some of their pressure to “deliver” jobs to constituents and to avoid corruption.
- § After receiving the number of non-skilled labor staff required from the contractor, the Human Resources Department (HR) allocates staff to the contractor and aims to stick to agreed quotas per village per job.
- § Employees terminated after completing short-term contracts can re-enter the labor pool.
- § Contractors can only bring in their own ‘core’ staff for skilled positions.
- § Busing arrangements ensure that employees come from the entire concession area instead of favoring only those who live close to site.

### *Training*

- § Newmont ensured it hired a training coordinator on site before the start of construction.
- § The preparation course and vocational training is through an existing vocational training center, rather than duplicating efforts.
- § Each person selected to enter the labor pool receives a two-week preparation course on how to work in an industrial setting: arriving on time, safety training, etc. The course also serves to manage expectations, e.g. by explaining the temporary nature of most jobs.
- § Each class included representatives from all communities to ensure an inter-ethnic mix during the training and to create a shared company identity.
- § Newmont developed approximately 800 training modules for the course, which are made available free of charge to all national vocational training institutes in Ghana.
- § The training center provides the CR department with community feedback from trainees during informational sessions. As one teacher noted, “Each of the info sessions virtually turns into a community meeting!”
- § Contractors are required to provide further on-the-job training. Large contractors have a full-time trainer on staff.
- § Employees excelling at their jobs will receive training as semi-skilled laborers to become trade-helpers.
- § The best 24 of these semi-skilled staff members will receive apprenticeships and will be (permanently) employed as operators, warehouse staff, etc.
- § Apprenticeship training will be delivered by a recognized institute so that graduates receive an internationally recognize accreditation.

## Stakeholder Feedback/Observations/Issues

- § There is a widespread acknowledgement that Newmont’s employment policy is satisfactory. Youth in the villages not selected for the labor pool considered the process “fair.” They say they would have liked to be hired, but say the transparent process has avoided jealousy among the youth.

- § There are some accusations that people from outside the mine concession area have taken non-skilled positions. Some villagers point at specific positions and accuse some Newmont staff of nepotism. There are reports from Newmont staff that the company has not always been consistent in enforcing contractors to dismiss non-local staff working in non-skilled positions.
- § Few women are employed by contractors.
- § Local onsite laborers state that they are happy with their jobs but that certain aspects are “not what they told us during the class of how it would be.”
- § In hindsight, some Newmont staff suggest that people in the MTA (those that are being resettled or relocated) should receive a relatively larger share in the distribution formula for labor pool positions.
- § Workers are unionized through the Commercial Workers Union (TUC).
- § Newmont contracts specify that 100% of non-skilled and 50% of semi-skilled labor consist of “local” people. The company encourages contractors to hire local skilled labor but does not set targets. Many people that are semi-skilled in reality are ending up in non-skilled positions through the labor pool. Newmont’s main building contractor, Lycopodium, plans to increase the number of locally hired semi-skilled workers by asking communities to provide the names of people that have specific expertise. Lycopodium will test such people and create a labor pool for semi-skilled labor.

#### Options/Opportunities

- § *Include guest speakers in training.* To manage expectations, consider bringing one or two local employees to speak in the preparation course to explain the “reality” of working on-site.
- § *Make employee records public upon request.* Lycopodium mentioned that it forwards an overview to Newmont on a monthly basis specifying 1) name of the employee, 2) skill level, and 3) origin of village. Lycopodium suggested that, upon specific request of villagers, Newmont could make these records public. This would allow stakeholders to verify if their concerns about “outsiders” getting jobs for non-skilled labor positions are true.
- § *Set future employment targets.* Newmont’s HR department acknowledges there are opportunities to set future local employment targets for junior and senior staff and to develop a strategy (supporting existing education, scholarships, etc.) to reach these targets.
- § *Encourage contractors to select female workers.* In other contexts the CEP has seen that unequal employment opportunities impact the status between (young) men and women in society, which can lead to friction. Where possible, Newmont should consider setting a target of women it wants to attract to the organization.
- § *Establish a mechanism to verify if contractors hire skilled locally available laborers.*
- § *For Akyem, consider giving higher priority to settlers from the mine take area, especially those that will lose all their land.*

#### *3.2 Local Contracting – Business Development*

#### Stakeholder Feedback/Observations/Issues

- § Both in Ahafo and Akyem, local contractors feel they have not had a fair chance to obtain access to contracts for the construction of the mine sites. They complain that contracts were not open to them and once they became aware of the possible opportunities, the tendering process closed.

- § At the same time, Newmont has not yet sufficiently explained to some local contractors what it takes to build a mine and why it has chosen a foreign contractor (Lycopodium). For example, one important chief in the Akyem area still believes that he could have built the entire plant. This is part of the reason why he is not yet fully supporting Newmont's activities, "Newmont says it gives preferential treatment to local contractors, but the approach shows the opposite." At Ahafo, a local chief bid on a contract for a price five times lower than projected by Newmont. Knowing he would not be able to do the work for his price (which would create problems), Newmont awarded the contract to an outside contractor, not the chief, leaving the company vulnerable to protests from local communities.
- § There is no company-wide strategy in place to help local contractors obtain access to the business opportunities. Some company staff acknowledges that this is a missed opportunity to optimize benefits to local people. At present, local contracting opportunities are largely limited to the construction of the resettlement sites where PA works with local contractors, which obviously requires more supervision and administrative involvement compared to dealing with one large contractor. Due to the tight time schedule at Ahafo, PA generally only worked with contractors already meeting the Newmont standards rather than be in the position to help local contractors meet these standards. However, PA went to considerable lengths to build up the capacity of local contractors for example by explaining local contractors how to bid and by connecting them to technical experts.
- § Assisting local entrepreneurs in capitalizing on local contracting opportunities is sometimes driven by individual efforts rather than based on a company policy or strategy. For example, a successful vegetable farm, supplying the Ahafo base camp canteen, started only after a manager organized a fundraiser to start the group with a water pump. In Akyem, the only local supplier of sample bags got the Newmont contract after personal guidance from a Newmont manager.
- § At the same time, there are company efforts to make it easier for local companies to do business:
  - The Ahafo project has taken over a liability responsibility of local contractors. A high liability insurance previously was a main administrative obstacle in doing business with Newmont.
  - At Ahafo, PA supplied both cement and blocks to building contractors.
  - In Akyem, Newmont plans to lower the credit burden on contractors by buying bulk items such as roof sheets, cement, timber, and blocks directly from suppliers rather than through contractors.
  - In Akyem, Newmont encouraged PA to proactively work with existing block makers in helping them reach required company standards to ensure local block supplies.
- § Newmont's contracting department says it is open to giving preference to local suppliers (even if their prices are slightly higher) if they approach the company.

#### Options/Opportunities

- § *Develop a systematic local contracting policy.* One of the biggest and most urgent opportunities for Newmont both in Ahafo and Akyem is to establish a comprehensive local contracting/business development strategy. In the long-term, benefits from local contracting and economic spin-off will positively affect more people than those benefiting from employment opportunities. Also, as construction and the employment opportunities that come with it, end in Ahafo, contracting and economic spin-off opportunities will be the largest source of corporate benefits available to people.

Although Newmont hopes to benefit from an IFC small and medium enterprise (SME) project, it seems prudent for the company to take a much more proactive approach itself. Elements of this approach would include:

- A central database that lists local contractors who have gone through the qualification process, which PA started at Akyem.
- Support contractors to build on their existing technical skills much like the block making example.
- Help contractors increase their administrative skills (business plan development, creating a scope of work, obtaining government registration, complying with safety regulations, etc.).
- Provide information and support about the procedure to become a Newmont qualified contractor.
- Ensure a system by which contractors and suppliers know about opportunities/needs.

NOTE: One Newmont manager urged that the local contracting policy should only focus on existing contractors that already meet certain minimum Newmont requirements. He stated that based on previous experience, helping mining-related companies start from ground zero risks raising unattainable expectations. By the time contractors are able to meet Newmont standards, most opportunities (largely in the construction phase) are gone, which creates frustration among local communities.

- § *Encourage Lycopodium to hire a local content officer.* In CEP's past experience with other companies, a local content officer would review each contract before it became a public tender and determine which part of the contract local contractors could do. The person would also split up larger contracts into smaller ones so that local contractors would have a chance to get the contract (this is similar to the approach taken by PA when constructing the resettlement sites).
- § *Manage expectations.* Akyem management suggested organizing a trip to Ahafo for local contractors and chiefs to explain the complexity of constructing a plant.
- § *Support non mine-related business development.* Several people suggested that Newmont closely work with existing business development centers in Ahafo and help establish such a facility in Akyem. Such centers could provide administrative training and support, access to internet resources (not available in the areas where Newmont operates), be linked to a micro-credit scheme, and provide an attractive option for local youth to benefit from the economic spin-off opportunities generated by the mine.

#### Pro-active Support for Local Block Making (Akyem)

- § In anticipation of construction, Newmont identified four existing block makers in the MTA.
- § Sample blocks were tested. Two makers failed to meet minimum standards and two passed. The company then contracted the latter and tested continuously for quality.
- § Two more local block makers were then brought in to meet demand.
- § In order to test consistency and production capacity of the block makers, Newmont has given the makers an order that matches the output per month required during the construction phase.
- § In order to better ensure quality (and avoid mixing quality blocks with the standard blocks), Newmont has prepared a production site where three of the producers will operate. The company provides water and electricity to the site, which the producers will reimburse.
- § Newmont encourages some of the producers to pool resources.

Newmont has requested the contractor overseeing resettlement and relocation to also look into a similar approach working with local carpenters and sawmill owners.

### *3.3 Compensation Process*

Both at Ahafo and at Akyem, crop compensation is an emotional issue that to a degree determines public perceptions about the company.

### Aspects of the Compensation Policy

- § Both Ahafo and Akyem have organized trips for community representatives to other mining sites in Ghana (Obuasi, Tarkwa) and their resettlement areas in order to help people make informed decisions.
- § The Kwame Nkrumah University of Science and Technology (KNUST) trained all RNC members (Ahafo) for crop compensation and CCC members in Akyem in principles of negotiations in order to facilitate the negotiation process.
- § The establishment of 52-person RNC to determine the modalities of the compensation and resettlement/relocation process.
  - At the time of the visit, the RNC held their 37<sup>th</sup> meeting.
  - The RNC consist of chiefs, union committee members of each community, local NGOs, company representatives, and elected community representatives. Newmont staff monitored the election process to ensure public support for candidates.
  - Both Newmont and community representatives take minutes separately and merge these into one version of public minutes.
  - Specific meetings are video and audio taped to ensure transparency.
  - RNC representatives are supposed to call for a public meeting after each RNC session to disseminate outcomes.
- § As specified by Ghanaian law, the company only compensates for crops and structures on the land, not for the land itself.
- § In order to counter speculative activities, the company established a moratorium date after which newly planted crops or newly built structures would not receive compensation.
- § The land user (not necessarily the landowner) received compensation. In case of share cropping, owners and sharecroppers generally share the compensation according to their arrangement.
- § Different stakeholder groups receive different amounts and types of compensation. By law, only crops and buildings are eligible for compensation, not land. As a consequence:
  - Caretakers or wage laborers that work for and live in the landowner's home receive no compensation for crops or buildings.
  - If the caretaker has his own dwelling on the landlord's property, the caretaker will be compensated a building at the resettlement site.
  - Sharecroppers will receive full crop compensation (which they typically divide with the landowner according to their respective share, usually 50%-50%) in addition to a building. Sharecroppers receive full building compensation if they built their own house, and if the landowner played no role in the construction of that building.
  - A settler farmer who lives in the MTA will receive full compensation plus a building.
  - Landlords who live in towns outside the MTA (as they typically do) receive only crop compensation (or a share if sharecroppers work their land) and do not receive a building.

### Stakeholder Feedback/Issues/Observations

- § Repeatedly and consistently, local stakeholders say they feel represented by the RNC and by the person for whom they voted. By all accounts the RNC represents "the community."
- § There are a number of grievances in Ahafo with regard to the compensation process that came up repeatedly and that offer lessons for the Akyem project.
  - Demarcation of the actual MTA was not clear. A side effect of this approach was that some farmers planted crops just inside the MTA after the moratorium date. Newmont did not compensate these crops, which led to protest.
  - By Ghanaian law, fallow land was not eligible for compensation, which many farmers see as "cheating."
  - Although farmers understand Newmont's arguments against speculative farming, the "sudden" introduction of the moratorium date was felt by people as "cheating" since farmers did not receive

compensation for young crops. Other people say they did not understand the concept of a moratorium or that their leaders did not inform them about the moratorium date.

- Similar to complaints in Akyem, several farmers complained that they received less compensation than expected. They stated that company staff had told them that “the computer” had calculated the final amount which left farmers with a sense of powerlessness and frustration.

§ Chiefs in the Ahafo area were complaining that they should have been consulted first before compensation was paid to settler farmers. These settler farmers have been paying yearly dues to the chiefs (landlords) so the Chiefs expected that they would receive a portion of the compensation paid to the settler farmers.

#### Options/Opportunities

§ *Ensure that Consultative Committee (CC) composition remains close to RNC composition.* At Ahafo, Newmont plans to transform part of the RNC into a permanent CC after completion of the resettlement. Local people agree that wide community representation was one of the key success factors of the RNC, which indicates that CC composition should ideally be close to the current makeup of the RNC.

§ *Visually disseminate moratorium enforcement.* Some farmers suggested that Newmont could place “no more farming” notices to make people aware of the moratorium date.

#### *3.4 The Crop Compensation Issue in Akyem*

At the time of the visit, negotiations over crop compensation for permanently acquired land was at the forefront of everybody’s mind and made it difficult for many farmers to think about other, and more long-term, aspects of the Akyem project. The stalemate in the negotiation is largely about the price per acre of oil palm, which is the main crop in the Akyem area.

#### Stakeholder Feedback/Observations/Issues

§ Although demands for higher compensation initially were likely driven by a few large oil palm growers, they are now widespread. Many of the farmers that CEP spoke with are convinced that Newmont offers “too little” for their trees.

§ Although several farmers have come forward to Newmont to accept the current offer, the company says it wants to seek a durable solution based on a transparent and constructive negotiation process with all the farmers rather than to take a potentially divisive approach, which may backfire in the long-term. For the same reason, Newmont tries to avoid a “solution” through government arbitration. Although this would likely be a cheaper option for the company in the short term, company staff say that government arbitration would likely lead to lower levels of compensation, and would reflect a process and outcome which are against the spirit of earning and maintaining a social license to operate.

§ Positions on both sides seemed fairly entrenched during the CEP visit. However, all the farmers the CEP team spoke with said that once their representatives would negotiate a price with Newmont, they would accept this price.

§ Community representatives who are a part of the Crop Compensation Committee explain they are under pressure from their constituencies to deliver high crop compensation. Some representatives privately acknowledge that the current Newmont offer already exceeds government rates, the rates provided by other mining companies, and the nearby palm oil plantation. They explained that when they try to urge their constituency to lower their expectations, they are seen as “too close” to the company. Rumors that a local chief had been de-stooled for the same reason have made these concerns even more pronounced.

- § Local stakeholders state they delink the crop compensation issue from their otherwise positive perception about the manner in which the company operates.
- § The reasons for the relatively high demands for compensation include:
- Oil palm provides local farmers with a good and relatively stable annual income. One elder in a hamlet explained a general sentiment that, “In the market, the seller dictates the price. In this case the buyer is imposing a price that is not correct. If you do not like my (selling) price, then leave my wares to me.”
  - An Akyem youth delegation visited the Ahafo project (as well as the Tarkwa project) and allegedly, reported back that:
    - § People mourn the loss of their farms.
    - § The compensation money was too little given the high cost of living in the resettlement villages.
    - § Many people had misused their compensation money.
    - § Some leaders faced accusations of helping the company.
    - § Farmers have very few permanent job opportunities with Newmont as they lack qualifications. This feedback strengthens the commonly held belief that people in Akyem need to receive a better deal than those around the Ahafo project.
  - There is an acute awareness in the Akyem communities that the negotiations are an once-in-a-lifetime opportunity. One Newmont staff observed, “In Ahafo, people still thought that we would take a piecemeal approach and that they could still continue to farm. In Akyem, people realize their land will be gone forever.”
  - Many among the youth fear that compensation on a family property may not trickle down to them as the family head, who is usually the custodian of the property, could decide to use it alone and leave the youth destitute. They say that if it had not been for the project, the property could pass down to them in future. Hence, they want an intervention that will ensure some fairness in the distribution of the compensation in such situations.
  - The figures regarding a net annual profit per acre of palm oil from a nearby plantation (which also buys from local farmers) are five times lower than the figures given by farmers to the CEP team. One explanation for this difference may be that the farmers base their demands on gross income (without considering their expenses) whereas Newmont bases its calculations on net annual profit.
  - Members of the Crop Compensation Committee say they base their calculations on a crude validation formula from their negotiation training at KNUST.
- § A main impression of the CEP team after speaking with over 70 people in the Akyem area is that the compensation *is as much about a fear for the future as it is about financial compensation*. For example, some youth leaders estimate that over 70% of their peers have no plans or ideas what to do once their farms are gone. However, current discussions in the crop compensation committee focus only on the financial aspect.
- § In addition, farmers repeatedly brought two issues to the attention of the CEP team relating to compensation of crops damaged by current activities.
- Various problems with regard to line cutting activities. Farmer say they were not informed about these activities, received no detailed account of compensation on the spot, felt they had to pressure Newmont to pay compensation and experienced delays in payment. Most of these complaints appeared dated, but many people are still expecting an answer from Newmont. The company has developed a new standard operating procedure in response to this, which they say is functioning well. At the time of the CEP visit, according to the company, there were only two outstanding complaints. According to the company they reviewed and closed all old cases. A

main issue is that the company did not communicate back to those that brought the complaint of the otherwise rigorous investigation. While many people still believe their case is pending Newmont has actually closed them.

- Second, among farmers there appears to be widespread unfamiliarity with the calculation of compensation for damaged crops. Farmers sign off on a paper that only specifies the number of crops destroyed but are often unable (or unfamiliar) to calculate their compensation based on a price per tree negotiated by the Crop Compensation Committee. This leads to perceptions that “it is only at the bank that you know what you get” or “Newmont dictates what price they are giving, there is nothing you can do if you do not agree,” which creates resentment.

### Options/Opportunities

- § *Aggressively pursue land for land compensation options.* Some people suggested that Newmont look into the option of resettling people outside the current stool land, such as the Afran Plains. Others suggested that Newmont enlarge the current MTA with 1,000-1,500 acres and distribute this land among the affected farmers. Each farmer would inevitably have less land available but with the help of technical expertise could switch towards high intensity farming methods. The Akyem project is in the process of hiring a land acquisition officer whose task it is to look at options available.
- § *Review options to work with KNUST.* KNUST is one of the few institutions that farmers trust as independent. Newmont could consider asking it to explain their validation method to both the company and the farmers in more detail and see if this opens the negotiations.
- § *Acknowledge concerns and focus on providing information and education to the youth.*
  - Several people suggested that Newmont ensure that a youth member of each village is on the Crop Compensation Committee as well as a union committee member.
  - Others suggested that the NCCE could play an important role in working with the youth clarifying their ambitions in a mining context. The NCCE is generally seen as a neutral institution that is effective and well-known on a grass-roots level.
- § *Present the compensation package rather than the financial aspects only.* Acknowledge the serious concerns farmers have about their future. A first step would be to verify the degree to which concern influences current high compensation demands. For example, when we asked some farmers if they would reconsider their financial expectations if they would also know about other aspects of the compensation, nearly half of them said this would change their position. This package includes:
  - Explaining that the home comes with a deed that could serve as collateral to access loans.
  - The house could serve as an income generating rental property.
  - Access to power/water/roads.
  - Access to alternative livelihood programs.
- § *Focus on alternative livelihood options while farmers still have their farms.* Providing alternatives to farmers would be one option to demonstrate to others they have options to make a living beyond compensation, rather than waiting until farmers lose their livelihood. For example, one businessman from a village in the Akyem area (but operating in Accra) suggested that the company focus on helping villagers establish a small food processing plant to produce canned palm oil soup, fou-fou powder, or processed fruits and vegetables. OICI could conduct an aspiration survey and design an alternative livelihoods program accordingly.
- § *Explain the current Standard Operating Procedure for Crop Compensation Payments and disseminate widely across all hamlets and villages.*
- § *Ensure a feedback mechanism to those that lodge complaints to ensure all stakeholders understand when a case is closed.* Newmont could consider developing a procedure to deal with the cases that, in the perception of local people, are still “unresolved.”

- § Consider the pros and cons of helping farmers *calculate the amount of compensation money on the spot* in the field or in company offices (where farmers receive their chits).

## CONCLUSION

At the time of the CEP visit, both the Ahafo, as well as the Akyem projects, had managed to establish positive relations with local stakeholders based on a basis on mutual respect, transparency, and an inclusive approach. At the same time, local stakeholders expressed a desire to see some of their future concerns addressed.

The following two observations indicate that Newmont is in position to address current and future challenges and to maintain a social license to operate.

1. Individual behavior and good intentions drive many best practices, rather than solely on strategy. There is an opportunity to take a more systematic approach in embracing these efforts in a way that creates synergy in engaging effectively with local stakeholders. During the visit, the CEP team encountered committed staff that sometimes admitted finding it difficult to translate good intentions into effective implementation, but who did not have to be convinced about the value of good stakeholder relations.
2. Newmont distinguishes itself in *how* it achieves results, often through innovative approaches, rather than *what* it does. Staff from different departments, rather than from the community department only, often takes these approaches and mindsets for granted, “It’s the way we do our business, it’s the right thing to do.” Although the outcome of activities likely are the same (building a school, establishing a micro-credit program, crop compensation negotiations, building a resettlement village), the process by which these activities are implemented demonstrates commitment to a sustainable and respectful relationship with stakeholders.

In the experience of the Corporate Engagement Project, commitment at a project’s senior management level to gain and maintain constructive stakeholder relations, broad ownership for the non-technical issues within the organization, and a focus on the process of engagement rather than on output only, are some of the essential elements for building a durable relation with external stakeholders. The Newmont Ghana organization has these elements. This does not imply that the relationship will not, at times, be tested. It does mean that the company is ready to develop strategies and approaches that local stakeholders support and that will, hopefully, meet the long-term expectations they have of Newmont’s presence.