The Newmont Ahafo Development Foundation – putting shared value into action

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Abstract

“Shared value” is a commonly used term that is not always accompanied by concrete efforts to sustainably connect community growth with company growth. This paper provides a case study of the Newmont Ahafo Development Foundation (NADeF) as a recognized example of shared value between communities and a large-scale mining operation.

NADeF is a sustainable community development foundation established in May 2008 through an agreement between Newmont Ghana Gold Limited (“Newmont”) and the Ahafo Social Responsibility Forum (represented by ten Ahafo Mine Communities, local government, regional government, and civil society), as a mechanism to share value between the company and its stakeholders. The annual contribution from Newmont comprises US$ 1 per ounce of gold produced and 1% of net pre-tax profit from the Ahafo Mine. Approximately US$ 23 million has been contributed by Newmont to date.

The foundation is a community-managed organization that seeks to develop the communities surrounding the Ahafo Mine, particularly in seven identified areas: human resource development, economic empowerment, infrastructure development, social amenities provision, natural resource protection, cultural heritage, and sports.

This article explores the participatory processes used to establish the foundation, the multi-stakeholder involvement in its management, foundation results, and challenges.

1 Responsibility for the information and views set out in the article/publication lies entirely with the authors. The information and views in the article do not necessarily reflect the official opinion of Newmont USA Limited and its affiliates, including Newmont Ghana Gold Limited.
Introduction and background

With increased globalization, communities have greater developmental expectations from companies (Jenkins, 2005; Garvin et al., 2009; Scherer and Palazzo, 2008). Operating in developing countries like Ghana, within communities affected by poverty, lack of infrastructural amenities and limited institutional capacities poses a number of challenges to mining companies. These conditions also provide an opportunity for companies to translate resource development into a catalyst for local socioeconomic development. In practice, however, creating shared value is easier said than done (Pegg, 2006).

Traditional wisdom suggests that the more valuable natural assets a country possesses, the wealthier it is. However, there is still an ongoing debate questioning the positive relationship between economic development and mineral development. Possible explanations for why mining may hinder economic development include price volatility of primary commodity markets, shrinkage within labor-intensive agriculture and manufacturing sectors, and promotion of rent-seeking at the expense of rent creation – in other words, the “resource curse” (Davis and Tilton, 2002; Mehlum et al., 2006; Ross, 1999).

The World Gold Council sought to address this debate via a report published in 2015, which concludes that 70% of the value created by gold mining to a country’s economy is captured by the government through corporate and income taxes, as well as royalties. Additionally, more than 60% of the top 30 gold producing countries are low or lower-middle income countries facing significant developmental challenges (World Gold Council, 2015).

Specifically in Ghana, Newmont sought to measure the socio-economic impact of its operations and commissioned a study using rigorous methodology to analyze and quantify the impacts the company’s operations. Overall in Ghana in 2009, the mining sector contributed 20% of its total tax collections, about 43% of its exports, and directly employed over 17,000 workers. Newmont specifically contributed 4.5% of Ghana’s total foreign direct investment and accounted for 1.3% of its Gross Domestic Product. Newmont created some 48,000 direct and indirect jobs in Ghana (Kapstein and Kim, 2011).

Methodology

The intent of this article is to provide a case study on how a corporate foundation can foster participatory community development and thus illustrate a successful implementation of the sometimes elusive concept of ‘shared value’ in a mining context. The methodology is first based on background research conducted about Newmont and its socioeconomic contribution to Ghana through its Ahafo mining operation, as well as other research conducted on the socioeconomic contribution to mining in general. Second, two of the authors have been involved with the development of NADeF since the beginning, and offer their reflection on the process. One of the authors conducted formal research in 2010 about the process, which is referenced
in the article. The process itself has been well-documented, and in 2014, a third-party assessment was conducted, which included extensive stakeholder interviews. The article also takes into account the experience of other companies, such as what is expressed in the 2015 International Finance Corporation guide, “Establishing Foundations to Deliver Community Investment.”

**Initial expectations**

Newmont’s Ahafo Gold Mine (hereafter “Ahafo”) is located 42 km south of Sunyani, Brong-Ahafo’s regional capital. Ahafo’s construction began in 2004, while production commenced in 2006. Facilities constructed to support mining activities in the area include a mill, tailings storage facility, and access roads, among others. Ahafo neighbors 10 communities (Kenyasi 1, Kenyasi 2, Ntotroso, Gyedu, Wamahinso, Yamfo, Susuanso, Techire, Afrisipakrom and Adrobaa) that constitute Newmont’s area of influence. Before Newmont’s arrival, residents of these communities mainly depended on agriculture for their livelihood. Mining activities led to significant decline in agriculture due to increased competition for land-use and diversion of labor from farming to mining-related jobs.

A 2010 study conducted around Ahafo established that the project had overwhelming community acceptance at the initial project development phases (Aubynn, 2010). Data collected for this study was from a subset of three communities closest to the mine – Kenyasi 1, Kenyasi 2 and Ntotroso. Ten respondents were interviewed from each of the three communities – three opinion leaders and seven residents. In addition, eight senior Newmont officials, two mine managers and two key district government personnel were interviewed.

Ninety-three percent of the respondents welcomed the development of the mine with high expectations for company-financed community development. Their expectations fell into three main categories: community development, employment and compensation, and responsible corporate behavior. Respondents were hopeful that the company would improve public infrastructure, especially road improvements and maintenance, construction of hospitals and clinics, piped water, electricity provision, renovation and provision of educational facilities and construction of libraries.

Respondents also had a common expectation that the mine would provide universal employment for the available local labor regardless of skill level and training. Community members expected that unskilled job-seekers would be trained to become employable by the mine or self-employed through contracts with the mine. Residents also expected that Newmont would give local labor and businesses preference over non-locals (from elsewhere in Ghana or outside the area of influence).

Residents identified three common reasons for having high expectations of Newmont: 1) the perception that communities bear the negative impacts of the mine; 2) the perception that every organization owes some corporate responsibility to society and; 3) the perception that communities have some level of
ownership of the produced mineral resource and thus ought to share the benefits from their resource development.

Respondents consistently alluded to developmental neglect of their community by the central and district governments. They often expected Newmont to serve as a surrogate government. A Kenyasi 2 resident concisely stated: “the government whose traditional responsibility is to develop rural communities does not provide adequate support. This is why we were happy when we learned that Newmont was coming to develop our mineral resources because we know the company would help develop our community.”

Newmont therefore faced a challenge because social acceptance was contingent on company-fostered community development. While this predicament is not unique to Newmont, managing divergent expectations from the wide range of stakeholders spread across ten communities was a challenge for the company.

Furthermore, in the early 2000s, Newmont’s affiliate faced social challenges at its Yanacocha operation in Peru. Since then, Newmont has made an explicit effort to learn from these challenges, and brought several colleagues from Peru to work in Ghana to help apply lessons they learned into the design and implementation of the social responsibility strategy. Together with its understanding of the context in Ghana, and its lessons learned from Peru, and in order to build a common platform to catalyze long-term socioeconomic development, Newmont facilitated a collaborative alliance together with local government authorities, traditional leaders, community members, civil society, and Newmont representatives to form the Ahafo Social Responsibility Forum (ASRF).

**Example of shared value: The Newmont Ahafo Development Foundation**

Newmont and the ASRF signed a foundation agreement in 2008 that instituted the Newmont Ahafo Development Foundation with the overarching goal of supporting Ahafo’s host communities in achieving greater prosperity and self-reliance. The foundation caters to the area of influence, or about 60,000 people. NADeF’s operation and governance structure is autonomous from Newmont.

Newmont contributes US$ 1 per ounce of gold sold and 1% of net pre-tax profit from the Ahafo mine to NADeF. The foundation receives the US$ 1 per ounce portion on a quarterly basis and the 1% of net pre-tax profit on an annual basis. The link to production volume has been key to mitigate extreme budget fluctuations due to volatile gold prices. Approximately US$ 23 million has been contributed to NADeF as of December 2014. Funds are allocated to communities based on population, land size within mining concession, commitment to peaceful-coexistence and direct impacts of the mining project.

In order to plan for post-mine closure, a percentage of the annual contribution is deposited into an endowment fund to finance social programs after the life of the mine. For the first five years of NADeF, 10% of Newmont’s contributions went into the endowment fund, with 15% since. Interest accrued on
investments made by the fund also go back into the fund. By December 2014, the fund held US$ 4.2 million. The endowment fund is managed by three, third-party fund managers to ensure robustness of investments, transparency and non-interference of stakeholders.

**Structure and governance**

NADeF’s nine-member Board of Trustees consists of six community representatives, two Newmont representatives and a Board Chair (appointed by Newmont and ratified by the Ahafo Social Responsibility Forum). The Board of Trustees has decision-making power for key decisions regarding investments and management of the foundation’s funds. A secretariat, headed by the Executive Secretary runs the day-to-day administration of the foundation, and reports to the Board of Trustees. The secretariat is the main hub around which design, implementation, and monitoring of projects and programs evolve. NADeF’s Finance and Administration Committee handles budgeting, reviews NADeF’s policies and procedures, and carries out general administration of the secretariat. The Communications Committee provides strategic direction on stakeholder dialogues, media relations, project reporting, etc. The Project Committee reviews proposed projects before forwarding to the Board of Trustees for review and approval, while a Tender Board evaluates proposals from contractors in accordance with Ghana’s Procurement Act. The Tender Board comprises of two traditional leaders, two local government representatives, two youth representatives, two Newmont representatives and a chairman appointed by the Board of Trustees.

District jurisdictions in Ghana are governmental second-level subdivisions of regions, serving as a pivot for administrative and developmental decision-making at local levels. Ghana’s District Assemblies were established between 1988 and 1989 to decentralize the government and achieve more equitable allocation of power and resources (Institute of Local Government Studies, 2010). Asutufi North and Tano North are the two District Assemblies in Newmont’s area of influence. With a workforce of approximately 50 employees, the District Assemblies are headed by the District Chief Executive, who is the political head of the district, supported by an administrative head known as the District Coordinating Director. Other executive members of the District Assemblies are the District Development Planning Officer, District Budget Officer, District Finance Officer, and the District Works Engineer. The assembly also has elected and appointed assembly members who are led by the Presiding Member of the Assembly. Below District Assemblies are unit committees, which are partially elected subdivisions of the assemblies.

NADeF strategically partners with the two District Assemblies through a public-private partnership agreement, to align with the District Assemblies’ developmental goals and strategies. Through this strategic partnership, the District Assemblies contribute land (provided by traditional authorities) and human resources towards respective local projects. They also provide expert consultants to certify building plans, draft budgets and assist in implementation and monitoring of projects. Technical supervisions of all projects
are done by the District Assemblies’ engineers. Upon completion, all infrastructure projects are handed over to the District Assemblies and the respective communities. The District Assemblies are charged with the responsibility of maintaining completed projects, for longer-term sustainability of developmental programs.

Each of the ten communities has a seven-member Sustainable Development Committee (SDCs). The structure of the SDCs epitomizes institutionalized community participation in development. The committees serve as the liaison between the community and the foundation, and reports directly to the secretariat on project-matters. The SDCs are comprised of two traditional leaders, a member from the District Assemblies, a youth representative, a representative of women, one unit committee representative and one community member nominated by the traditional leaders. Annual meetings are held between the NADeF Board and the Ahafo Social Responsibility Forum, as well as the SDCs, to engage on the foundation’s major achievements, challenges, and avenues for improvement in the ensuing year. As per NADeF’s arrangement, communities (through their SDCs in collaboration with their District Assemblies) plan projects and submit proposals to NADeF’s secretariat in the first half of the year. In the second half of the year, NADeF reviews the communities’ proposals and seeks approvals from the Board of Trustees during their third and fourth quarter sittings. In some cases, urgent projects do not strictly follow these timelines.

At the community-level, proposals are conditional upon approval by their District Assembly to ensure that projects align with the district’s medium-term developmental plan (National Development Planning Commission, 2006). Proposals approved by the District Assemblies are subsequently sent to NADeF. Upon receipt at the secretariat, the Project Committee reviews proposals and makes recommendations on the projects’ feasibility to the Board of Trustees. Approved projects are referred to the Tender Board, which is in charge of contractual agreements for the projects. Non-infrastructure projects and commitments are implemented directly from the secretariat in collaboration with the community stakeholders. For example, checks are issued to microcredit clients through community-based Microcredit Committees, and to schools (for scholarships). Infrastructure projects are monitored weekly by the District Assemblies’ engineers in partnership with NADeF’s Project Committee and respective SDCs. The secretariat carries out monthly project safety inspections, while periodic evaluation of the foundation is done every fifth year.

**Accomplishments**

The seven main areas of development identified by NADeF are: human resource development, economic empowerment, infrastructure development, social amenities, natural resource protection, cultural heritage and sports. Newmont uses these parameters to assess NADeF’s developmental progresses (all figures in section – NADeF 2014 Annual Report).
Human resource development

Through NADeF’s efforts aimed at local capacity building, over 6,177 students benefit from scholarships to high schools, universities and apprentice training programs. At the primary school level, pupils are funded to attend programs designed to improve their reading, writing and listening skills. NADeF sponsors mock examinations to improve pupils’ performance on the Basic Education Certificate Examination (a requirement for admission into high school in Ghana). In addition, NADeF gives grants to civil society organizations involved in youth empowerment, entrepreneurship and girls’ education. There have been several unintended yet positive impacts as well, such as 80.3% of parents have become more interested in their children’s education (Community Empowerment Associates, 2014). Since the NADeF Scholarship Program supports students at the high schools and university level, the basic education level has not received much support apart from mock examination and infrastructure. Therefore, in 2015, NADeF launched a five-year Quality Improvement in Basic Schools (QUIBS) Project to support quality teaching and learning at the basic school level.

Economic empowerment

The economic empowerment program, which accounts for 17% of NADeF’s annual expenditure, supports over 900 clients yearly through micro-credit loans and start-up capital funds. Micro-credit loans are geared towards locals in the informal sector involved in small-scale trading, farming and artisans, among others. Startup capital loans are provided to graduates of apprenticeship training, to assist them in commencing their self-owned businesses. The program also invests in medium-scale businesses to promote local employment and boost the local economy. The key success in the micro-credit scheme is the repayment rate of loans which stands at 95% with the remaining 5% with delay in repayment but no default – this is based community peer pressure mechanism built into the framework of the scheme. However there is the challenge of expanding the scheme to cover more community members which requires registration with the Bank of Ghana and hiring of additional personnel to manage the scheme which has taken some time to complete.

Infrastructure, social amenities and natural resource protection

NADeF has completed and handed over 75 infrastructure projects to the communities’ District Assemblies. These projects include basic schools, a college of nursing, teachers’ quarters, libraries, nurses’ quarters, social centers, toilet facilities, water provision projects, clinics and electric distribution facilities, among others. The foundation supports communities through protection of their natural environment and resources by committing 4% of NADeF’s total annual spending to natural resource protection. Under this program, NADeF helps communities manage waste, check erosion, and landscape to ensure improved environmental
and ecological management. This thematic area has succeeded in improving the infrastructure-base of the local communities which had big infrastructure deficit.

The third-party evaluation of NADeF conducted in 2014 indicated that; the stakeholders (SDCs, chiefs, DAs) agree in principle to maintain the infrastructure facilities. NADeF, after completion of projects, hands the operation and maintenance to communities and District Assemblies (DAs), which is appropriate because they are the ultimate beneficiaries. Best practices on project maintenance require setting up a fund for maintenance which is not being considered by both NADeF and the DA as part of the handing over arrangements. The evaluators therefore recommended establishing a maintenance fund from NADeF combined with a matching fund from the District Assembly to support the sustainability of projects (Community Empowerment Associates, 2014); NADeF is working with the DA to agree on the way forward.

**Cultural heritage and sports**

The communities under NADeF’s purview are supported to build and maintain culturally important buildings and protect and maintain cultural artifacts. For example, NADeF supports the cultural heritage of the Ashanti Kingdom, as well as cultural festivities. Funding for cultural heritage is aimed at encouraging respect, inclusion and participation. NADeF also helps to enhance appreciation of sports, in the pursuit of a more active, social and healthy lifestyle.

![Figure 1: Percentage distribution of funds among NADeF’s areas of development](image)

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**Figure 1: Percentage distribution of funds among NADeF’s areas of development**

- **Human resource development**: 24%
- **Economic empowerment**: 17%
- **Infrastructural development**: 23%
- **Social amenities**: 16%
- **Cultural heritage**: 12%
- **Natural resource protection**: 4%
- **Sports**: 4%
Challenges

Despite numerous successes, the foundation faces difficulties managing its complex multi-stakeholder structure. By design, NADeF’s decision-making mechanism involves divergent stakeholders with varying interests. While it provides an avenue for effective communication and collaboration, this participatory framework gives rise to some disparity among participants. Detailed below are some of the challenges faced by the foundation in recent years.

The need for capacity

Early on in the process of setting up NADeF, it was identified the need to ensure that each participant in the process had the necessary understanding and skillset to fully engage. Accordingly, Newmont invited numerous international and national partners to work with the Board of Trustees, the SDCs, the secretariat, and other key players to build capacity. Workshops, coaching sessions, and other forms of training were implemented over several years.

Delegation of decision-making powers

NADeF’s governance structure has given rise to growing pains between its Board of Trustees and the Ahafo Social Responsibility Forum. Since NADeF stemmed from the forum, the forum members argue that they should retain the foundation’s decision-making powers, instead of the Board of Trustees. Annual general meetings are held with the forum, where NADeF’s Board of Trustees present their annual report and audited account of the foundation to stakeholders for discussions and endorsement. The Board of Trustees still retains power to make major decisions on behalf of NADeF; but there remain instances of agitation from other stakeholders within the forum when the Board of Trustees makes certain decisions without their consent.

Creating a concerted vision for long-term development

It has been challenging working with the ten communities to collaborate on a single development plan for the overall area. Each community is largely focused on developing small, community-level projects. NADeF is working in a participatory manner to develop a long-term development plan, but implementing the plan will be challenging due to the allocation formula whereby specific percentages of funds are allocated to each community. There have been a few notable exceptions, including supporting the nursing college; but tackling broad economic development, education and other challenges has not been easy.

Role of District Assemblies

The strategic public-private partnership agreement between Newmont and the District Assemblies enshrined in the Foundation Agreement entails that the District Assemblies offer consultancy on projects’
feasibility, assist in implementation and monitoring, and take up ownership and maintenance responsibilities upon completion of projects. In practical terms, the District Assemblies’ functionality has been hampered by capacity constraints. Their inability to provide needed workers at different project stages has slowed the launch and operation of some of the foundation’s projects.

**Managing expectations and dependency**
The foundation’s effort towards development in the Brong-Ahafo region has, to some degree, designated Newmont a patron to the communities. This trend is mainly driven by the communities’ expectations, as well as commitments made by Newmont (both intended and unintended) and expectancy shaped by the media, social movements, and other mining communities’ experiences. The communities’ view of Newmont as a de-facto government poses risks to their long-term local economic stability and sustainability.

**Community participation through Sustainable Development Committees**
The empowerment of Sustainable Development Committees (SDCs) to drive development in their localities, with little or no control from Newmont, also comes with its own challenge. There are instances where SDCs in some communities are not utilizing their share of the funds to provide development projects as fast as other communities, causing residents in non-performing community SDCs to perceive that Newmont has not brought benefits to their communities. This perception adversely influences residents’ acceptance of Newmont in their locality. A study has shown that positive correlation exists between a community’s SDC performance and that community’s residents’ perception of Newmont’s commitment to sustainable development (Aubynn, 2010). A high-performing SDC that utilizes its share of the funds to provide development projects enables residents to perceive the company in a positive light, thereby improving trust and social acceptance.

**Understanding of NADeF administrative procedures**
The independent assessment of NADeF conducted in 2014 found that certain key stakeholders, such as members of the SDCs and traditional leaders, are hesitant to fully understand and accept contract awarding procedures. The concept of impartial tender processes can contradict traditional processes where a chief or highly respected community member is solely empowered to make a decision as to which project to implement and how, or who should be involved in or hold specific roles. Newmont is continuing ongoing engagement on the subject with such stakeholders, and remaining consistent with its contract award procedures to ensure a fair and transparent process. Further training is also in place to ensure that all key
stakeholders fully understand not just the process itself, but the reasons for the process (Community Empowerment Associates, 2014).

**Conclusion – defining success**

Companies are under increasing pressure to meet challenging developmental needs and demands of rural communities where they operate. Newmont’s experience in operating the Ahafo mine in rural Ghana exemplifies the importance of a concerted approach and strategic partnerships in guaranteeing that local investments and developmental funds are effectively utilized. NADeF’s multi-stakeholder approach has gone a long way in managing developmental expectations and delivering shared value to its surrounding communities.

As was observed in this case study, sustaining a community-driven approach to development requires effective management of the stakeholders’ divergent interests. NADeF’s inclusivity has minimized the complexities associated with inter-communal differences by bringing everyone to one table.

The NADeF’s team openness to being studied upon multiple occasions, particularly incorporating detailed stakeholder feedback, demonstrates its commitment to continuous improvement. In spite of its challenges, NADeF has been largely successful. NADeF defines its success by: ability to meet the targets set out for each project, feedback received from stakeholder interviews, alignment to international best practice, alignment with local government’s medium-term plan and external recognition. First, each project is designed with clear metrics, which are measured at completion. The third party assessment conducted in 2014 is in line with NADeF’s internal monitoring to determine that projects have achieved what they set out to achieve (Community Empowerment Associates, 2014).

Second, the assessment also includes feedback from over 465 stakeholder interviews, which led the evaluators to conclude that NADeF ‘is a brilliant approach of delivering corporate social responsibility with appropriate governance structures and community participation’ (Community Empowerment Associates, 2014). Third, the International Finance Corporate released a guide in 2015 on foundations, which not only gives guidance to setting up and implementing a corporate foundation particularly in an area of extractive activity, but also highlights global best practice worthy of emulation. NADeF was prominently featured (IFC, 2015).

Local government is also significantly involved to ensure the sustainability of projects long after Newmont is gone. It is a key technical partner in community project selection, design, costing, execution and monitoring to ensure that community projects approved and executed with NADeF funds are aligned with the District medium-term development plan. Lastly, the European Union African Chamber of Commerce sought to award the best example in Africa of how to deliver positive social impact; NADeF was the 2014 award winner.
References


Community Empowerment Associates. 2014. The evaluation of NADeF operations in its ten host communities, Ghana.


