

BUSINESS LINKAGES
Practice Notes

Creating the Foundations for a Linkage Program in a Rural Setting

LESSONS LEARNED FROM THE EARLY STAGES OF THE
AHAFO LINKAGES PROGRAM IN GHANA



**International
Finance Corporation**
World Bank Group

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Abbreviations

ALBA – Ahafo Local Business Association

ALP – Ahafo Linkages Program

BDS – Business Development Services

EAC – External Affairs Communications Department (NGGL)

ESR – Environment and Social Responsibility

GM – General Manager

ICB – Institutional Capacity Building

IFC – International Finance Corporation

LED – Local Economic Development

LS&CD – Local Suppliers and Contractors Development Unit (NGGL)

LSD – Local Suppliers Development

MSMEs – Micro, Small, and Medium Enterprises

NGGL – Newmont Ghana Gold Limited

SCM – Supply Chain Management Department (NGGL)

PMO – Program Management Office

PPE – Personal Protective Equipment

SOP – Standard Operating Procedures (NGGL)

VP – Vice President (NGGL)

Table of Contents

| | |
|---|-----------|
| Executive Summary..... | 1 |
| Introduction and Background..... | 3 |
| Business Linkages Practice Notes | 3 |
| The Ahafo Linkages Program | 3 |
| Program Context..... | 3 |
| ALP Time Line in the Construction and Operation Phases..... | 4 |
| Part I. Key Areas to Consider for the Scoping, Design, and Early Implementation | |
| Stages of a Linkages Program in a Rural Setting..... | 7 |
| 1. Scoping Phase..... | 9 |
| Undertake a rapid scoping..... | 9 |
| Start as early as possible | 9 |
| 2. Program Design..... | 10 |
| Involve a local expert | 10 |
| Plan for early review of the program design | 10 |
| 3. Management Commitment..... | 10 |
| Find and support program champions at all management levels in the company | 10 |
| 4. Communication and Managing Expectations | 12 |
| Understand that local culture matters | 12 |
| Support the company's communications staff in the important role they play..... | 12 |
| Recognize that confidence from the community comes with time | 12 |
| Develop good communications strategies | 12 |
| 5. Organizational and Support Structures | 13 |
| Establish a Local Suppliers and Contractors Development (LS&CD) Unit..... | 13 |
| Provide systematic support from Community Relations and Communications teams..... | 13 |
| Ensure that IFC is present in the field initially | 14 |
| Establish a Steering Committee | 14 |
| 6. Program Components..... | 14 |
| Establish a clear strategy for access to finance from the beginning..... | 14 |
| Set up a payment mechanism that is favorable to local companies | 15 |
| Pursue a targeted approach to identifying suppliers in specific sectors | 15 |
| Maintain rigorous conditions for entry into the supplier database..... | 16 |
| Plan regular communication of the upcoming pipeline of local procurement opportunities..... | 16 |
| Understand that SMEs in rural settings are willing to pay a nominal fee for training and mentoring only after a demonstration effect has been generated | 16 |

| | |
|---|----|
| 7. Exit Strategy/Sustainability | 16 |
| Exit Strategy: Identify the right entity early on to take over program components | 16 |
| Sustainability: Consider a clear role for local organizations | 17 |

Part 2. Creating a Local Supplier and Contractor Development Unit to

| | |
|-------------------------------------|-----------|
| Optimize Local Content | 19 |
| Background | 21 |
| Purpose | 21 |
| Creation | 21 |
| Activities..... | 21 |
| Organizational Structure | 22 |
| Systems..... | 22 |
| Location | 24 |

Appendixes

| | |
|---|----|
| Appendix A. Organizational Chart for the ALP Program..... | 25 |
| Appendix B. Organizational Chart for the LS&CD Unit | 26 |
| Appendix C. Terms of Reference for the Staff of LS&CD Unit..... | 27 |
| Appendix D. Standard Operating Procedures for the LS&CD Unit..... | 31 |
| Appendix E. Procurement Process | 40 |

| | |
|------------------------|-----------|
| References..... | 41 |
|------------------------|-----------|

Figures

| | |
|---------------------------------------|----|
| Figure 1. ALP Time Line, 2005–8 | 4 |
| Figure 2. Program Champions..... | 11 |

Tables

| | |
|---|-----|
| Table 1. Key Lessons from the Early Stages of the Ahafo Linkages Program | 1–2 |
| Table 2. LSC and LED Priority Sectors | 15 |
| Table 3. Pros and Cons of Locating of the LS&CD Unit Within or Outside the Plant Site | 24 |

Executive Summary

This Practice Note, jointly developed by IFC and Newmont Ghana Gold Limited (NGGL), focuses on the early stages of the Ahafo Linkages Program (ALP) and aims to capture important early lessons that might otherwise have been lost.

The document is divided into two parts. Part 1 provides an introduction and background to the program and summarizes the general lessons learned in some key areas during the scoping, design, and early implementation stages of the program. Part 2 provides broad guidance on how to create and run a unit dedicated to local procurement within a company's supply chain department. The key lessons of the early stages of the Ahafo Linkages Program are summarized in table 1.

Table 1. Key Lessons from the Early Stages of the Ahafo Linkages Program

| Area | Lessons |
|--|---|
| 1. Scoping phase | <i>Undertake a rapid scoping.</i> IFC should quickly analyze whether the prevailing economic, business, and social conditions are conducive for a linkages program. |
| | <i>Start as early as possible</i> (preferably before the construction phase) to design and implement a linkages program. This will help align large contractors with the company's strategy for optimizing local content, as well as mitigate risks posed by high community expectations. |
| 2. Program design | <i>Involve a local expert</i> to ensure that field information is accurately assessed before it is incorporated into the program scoping and design. |
| | <i>Plan for early review of the program design</i> to get constructive feedback from company and program staff. |
| 3. Management commitment | <i>Find and support program champions at all management levels in the company</i> to ensure program buy-in, as well as smooth implementation. |
| 4. Communication and managing expectations | <i>Understand that local culture matters</i> in deciding the program approach to engaging communities and introducing concepts such as competitiveness and competition. |
| | <i>Support the company's communications staff in the important role they play</i> in communicating with the community and managing their expectations. |
| | <i>Recognize that confidence from the community comes with time</i> as program implementation proceeds and results start to emerge. |
| | <i>Develop good communications strategies</i> to account for the fact that there will always be some factions in the community that have unmet or unrealistic expectations. |

| Area | Lessons |
|--|--|
| 5. Organizational and support structures | <p><i>Establish a Local Suppliers and Contractors Development (LS&CD) Unit</i> to focus on and manage the commitment to local procurement.</p> <p><i>Provide systematic support from Community Relations and Communications teams.</i></p> <p><i>Ensure that IFC is present in the field initially.</i> This is important to get the program off the ground while the company is preoccupied with compliance issues.</p> <p><i>Establish a Steering Committee</i> of key decision makers. Such a Committee is key for accountability purposes and to provide strategic guidance to the intervention.</p> |
| 6. Program components | <p><i>Establish clear strategy for access to finance from the beginning</i> to enable local suppliers embarking on medium-term investments to improve their performance and grow.</p> <p><i>Set up a payment mechanism that is favorable to local companies</i> to improve cash flow for local suppliers, as their financial structure does not support payment periods of more than 30 days.</p> <p><i>Pursue a targeted approach to identifying suppliers in specific sectors.</i> This optimizes resources and generates synergies among local companies.</p> <p><i>Maintain rigorous conditions for entry into the supplier database</i> to ensure that only qualified MSMEs are on record.</p> <p><i>Plan regular communication of the upcoming pipeline of local procurement opportunities</i> to give local MSMEs sufficient time to prepare for bid opportunities and to have realistic expectations about the size of contracts available.</p> <p><i>Understand that SMEs in rural settings are willing to pay a nominal fee for training and mentoring</i> only after a demonstration effect has been generated.</p> |
| 7. Exit strategy/sustainability | <p><i>Identify the correct entity early on</i> to take over program components as part of the exit strategy: either within the company or among external stakeholders.</p> <p><i>Consider a clear role for local organizations or foundations</i> during program inception to help ensure the sustainability of the program beyond the program's lifetime.</p> |

Creating a Local Suppliers and Contractors Development Unit

A unique feature of the Ahafo Linkages Program (ALP) was the creation of a group within Newmont's Supply Chain Management Department to focus solely on local suppliers development: the Local Suppliers and Contractors Development (LS&CD) Unit. Some steps that will make such a unit effective are: establishing a dedicated team of three to four people, and developing a set of comprehensive Standard Operating Procedures (SOP), a clear communication plan, and validation requirements.

Introduction and Background

Business Linkages Practice Notes

Linkages are projects developed by large companies to support and develop small and medium enterprises (SMEs) that provide goods and services to their operations. Such support aims at improving the quality, price, and volume of the sales and services provided by the SMEs to the large company, according to standards in the market; and strengthening the local economy and reducing unemployment in the project area. IFC has been developing a series of Business Linkages Practice Notes to help disseminate the lessons and knowledge it has acquired through the linkages projects it has backed.

Historically, Practice Notes have been completed near the end of the project, which has made it difficult to extract lessons from the project's early stages. This Practice Note has been jointly developed by IFC and Newmont Ghana Gold Limited (NGGL) and covers the first phase of the Ahafo Linkages Program in Ghana. By focusing on the early stages of the ALP, this document captures important early lessons that might otherwise be lost. Eventually, this Practice Note will feed into a larger final Practice Note at the end of the program.

This Practice Note offers lessons and recommendations for companies that may be creating a linkage program in a rural setting like Ahafo.

The Ahafo Linkages Program

In February 2007, Newmont Ghana Gold Limited and IFC signed a cooperation agreement to jointly establish and implement the Ahafo Linkages Program. The objectives of the program were to support NGGL's efforts to demonstrate its commitment to implement socially and environmentally responsible business operations in the Ahafo mine; and to improve the economic situation of local communities impacted by the mine operations by increasing income and employment opportunities. The main elements of this program are:

- *Local suppliers development (LSD)*
Building the capacity of selected local micro, small, and medium enterprises (MSMEs) so that they are better positioned to win contracts on a competitive basis with NGGL and with other large regional and national companies.
- *Local economic development (LED)*
Building the capacity of local MSMEs engaged in nonmining-related activities, such as brick production, to help ensure the development of a diversified economy outside the mining sector.
- *Institutional capacity building (ICB)*
Strengthening a local business association and local consulting services to address the lack or very low availability of business support services to the business community in the Ahafo area.

Program Context

Area of operation

The Ahafo gold mine is located about 300 kilometers northwest of the capital city of Accra, in the Brong Ahafo region of Ghana. The Ahafo mining lease area covers both the currently developed Ahafo South area and the yet to be developed Ahafo North area. The total mining lease area contains 10 primary communities with a total of approximately 208,000 inhabitants, most of whom are supported by subsistence farming.

Community challenges

The mine was completed under complex land and compensation conditions. Some 1,700 households (9,500 individuals) were displaced, physically or economically, or both, as the mine was developed. There has been strong demand from the most impacted communities for priority to receive extra benefits associated with the presence of the Ahafo mine.

Since the construction phase of the Ahafo mine, community members have perceived access to contracts with NGGL as an entitlement, regardless of their business abilities and performance. For this reason, one of the aims of the ALP is to promote the use of formal business practices and to foster competition and clear rules when accessing NGGL contracts.

ALP Time Line in the Construction and Operation Phases

A broad time line of ALP from scoping to implementation is presented in figure 1, which concentrates on the construction and operational phases of the Ahafo mine.

Figure 1. ALP Time Line, 2005–8

| Important milestones for ALP | Date | Ahafo mine phase |
|--|--------------------|--------------------------------------|
| Initial client engagement | July 2005 | Construction phase (2004–June 2007) |
| Preliminary scoping | March 2006 | |
| Extended scoping and SME mapping | July–December 2006 | |
| Appointment of NGGL VP for environment and social responsibility as champion for ALP at NGGL's senior management level | July 2006 | |
| IFC program coordinator on the ground | January 2007 | |
| Appointment of NGGL manager for the Local Supplier and Contractor Development Unit | January 2007 | |
| Linkages cooperation agreement signed | February 2007 | |
| Program design phase | January–April 2007 | |
| Selection and hiring of implementing partners | May–August 2007 | Operations phase (July 2007–Present) |
| Official launch of ALP | July 2007 | |
| Implementing partners began field work | September 2007 | |
| First Steering Committee meeting | January 2008 | |

Even though the initial engagement with NGGL began in July 2005, the design phase began 18 months later in January 2007, followed by the start-up of field implementation six months after that. Among the reasons for this two-year time frame were the following :

- IFC could commit to ALP only after the NGGL project was approved by the IFC Board of Directors in January 2006.

- In 2006, NGGL was focused mainly on the construction of the mine and in managing resettlement issues.
- In July 2006, Newmont appointed a regional Vice President for environment and social responsibility (ESR) as a “champion” for the ALP and a counterpart for IFC, who could make decisions on the scope, activities, and funding of the program.
- In January 2007, the IFC coordinator arrived on the ground, once NGGL had completed setting up the LS&CD Unit in its Supply Chain Management Department.

The lesson is an obvious but crucial one: it is important to have the right people in the right place at the right time to get the project off the ground.

Part I.

Key Areas to Consider for the Scoping, Design, and Early Implementation Stages of a Linkages Program in a Rural Setting

This section summarizes the early lessons learned from the linkages experience at the Ahafo mine, stressing the conditions set by its rural environment. The Ahafo Linkages Program was initially designed as a replication of a similar linkages program implemented by IFC and Newmont at the Yanacocha gold mine in Cajamarca, Peru. As such, the ALP design incorporates lessons learned during the implementation of one of the first IFC linkages programs.

The lessons have been organized into seven key areas: the scoping phase, program design, management commitment, communication and managing expectations, organizational and support structures, program components, and exit strategy/sustainability.

1. Scoping Phase

Undertake a rapid scoping

To initiate a linkages program early in the project cycle, IFC needs to undertake a rapid scoping exercise to assess whether current conditions are conducive for a linkages program. The exercise should, at minimum, review relevant data/information to assess:

- The procurement process
- The composition of total procurement for both the construction and operations phases
- The definition of the scope of local businesses to be engaged (mining lease area versus national scope)
- Business practices at the local level against the standards expected by the company
- The initial commercial relationships between the company and the local communities
- The presence of local businesses able to supply goods and services to the large company
- The presence and capabilities of providers of local business development services (BDS) and local business organizations such as chambers of commerce and business associations.

IFC has recently developed a diagnostic tool along the lines of such a rapid assessment as part of its work in standardizing its linkages advisory product for the oil, gas, and mining sector.

Start as early as possible (preferably before construction)

As mining projects generally involve use of local community lands, community members have extremely high expectations of obtaining immediate benefits. Mining companies have an equally strong tendency to use the allocation of contracts as a catalyst to obtain community acceptance. Thus it is critical to manage expectations by using well-designed programs and procedures when engaging with local entrepreneurs, in order to generate reasonable commercial opportunities to promote sustainable business operations at the local level.

This can be done if a well-designed program like ALP is begun early to establish the correct programs and procedures: ones that can yield realistic expectations and create a competitive business environment. For example, had the Local Supplier and Contractor Development Unit (LS&CD) been set up two to three years earlier, before construction began, it could have been used to contract local suppliers and contractors competitively during the construction phase. The change in local contracting rules in 2007 from noncompetitive to competitive contracts created resistance and consumed much of the time and energy of LS&CD and ALP staff in explaining the new rules and pacifying irate entrepreneurs who had grown accustomed to a noncompetitive contracting processes; they expected similar processes to be used during the operational phase of the mine. As one NGGL senior manager said, “We should have started ALP and created LS&CD earlier and all this would have been avoided.”

2. Program Design

Involve a local expert

It is essential to involve a local consultant in program scoping and design, especially when there is absence of reliable data from national or local sources on the business environment in the area where the program will operate. In rural settings like Ahafo, knowledge and understanding of local language, customs, and traditions are extremely important. Hence, teaming the program staff with an experienced national consultant early on to understand important factors such as the national standard of business practices and competency level of enterprises improves the quality of the program design. For example, it was not envisioned that local construction companies that were already active vendors of NGGL and had construction licenses would require the support of a construction expert to develop a sufficient level of technical and commercial experience to work with NGGL in the ALP.

Plan for early review of the program design

The final ALP program design was completed largely by IFC. Input from NGGL was limited to the senior management level. While there were some efforts to explain the program and seek inputs from other key NGGL personnel, many personnel failed to understand the program initially and found it slightly abstract. It would help to organize a workshop and invite end-user departments to attend to provide an early review of the program design (six to twelve months before implementation). Where necessary, the program design can be updated to incorporate relevant comments/inputs from the staff and lessons learned from early stages of the implementation.

3. Management Commitment

Find and support program champions at all management levels in the company

For the linkages program to be implemented successfully, the company’s vision and the goal of the linkages program must be aligned. Moreover, for the LSD and LED components to succeed, it is important to have relevant champions in the business (supply chain) and environment and social responsibility (ESR) functional groups at three levels: senior management, site-level management, and superintendent/program management (see figure 2).

Senior management

A senior management-level champion is the most important and must be known and established during the initial engagement with the client and/or at the start of program scoping. This champion is likely to be the main person on the client side who decides on the scope and activities of the linkages program and agrees on budget and funding. Support is required at such a senior management level to champion the cause for the linkages program at higher levels of the company. The champion should, at minimum, be at the highest senior management level defined in the company's organization chart.

It is helpful for the champion to have had experience with similar programs. For example, the ESR Regional Vice President (VP) has been an effective advocate for ALP at NGGL not only because of his position but more so because of his in-depth knowledge and understanding of the linkages product from the experience in Yanacocha in Peru.

Site-level management

One of the biggest challenges in making a linkages program successful is getting the buy-in of middle management, particularly those at the site level. Often senior management understands the rationale of a linkages program, but not middle management. To bridge this gap, "co-champions" for local suppliers development and local economic development at the site level are necessary. These co-champions provide constant support, advice, and troubleshooting for the program team, and also provide a clear line of reporting between the program team and senior management. A number of synergies can be created for greater impact in the local community with the two champions working together. Typically, however, the role of the LSD manager is more important.

Ideally, the Supply Chain/Procurement Manager would be the LSD champion. The Manager of External Affairs or its equivalent would be the LED champion. For example, in Ahafo there is a clear LSD champion, the Supply Chain Regional Manager, who is strongly supported by the Business VP. While the absence of an LED champion at the site level (possibly explained by frequent changes in the position of General Manager, ESR, despite full support from the ESR VP in Accra) has not affected the activities of the LED component, it has certainly lessened the level of effectiveness of the intervention and made the exit mechanism for the LED unclear.

Superintendent/program level management

Lastly, it is important to have co-champions for both local suppliers development and local economic development at the program management level whose primary function is to promote local procurement and local entrepreneurial development. Absence of either will have a negative impact on the speedy implementation and progress of the components.

For example, NGGL appointed a manager as the program champion for the LSD component; he reports to the Supply Chain Regional Manager. This champion is crucial in making the LSD activities a reality as he performs all the day-to-day coordination activities on NGGL's local procurement and proactively works with his manager to market the program internally to all the end-users.

Figure 2.
Program
Champions



As of the date of this Practice Note, NGGL had yet to appoint a program-level champion for the LED component, despite the availability of a slot for the position in the Community Development unit. As LED activities deal with companies that are not vendors to NGGL, the lack of a champion has impeded steps to market and communicate LED activities within NGGL and to the external stakeholders.

4. Communication and Managing Expectations

Understand that local culture matters

Communities in developing countries where resource development occurs have many unmet needs. That said, the needs, capacities, and form of engagement with communities are different and may be unique. The culture in Ahafo is much more steeped in tradition, and has limited exposure to market practices, different land ownership patterns, and more complex hierarchies than the culture in Cajamarca. As a result, a customized approach in engaging with community members was required.

Support the company's communications staff in the important role they play in communicating with the community and managing their expectations

In mining communities—particularly those in culturally sensitive environments—the failure of project staff to work hand in hand with the client's communication team can impede efforts to improve the community's perceptions of, and expectations about, the benefits of the linkages program. In the case of Ahafo—while NGGL's External Affairs Communications Department (EAC) supported the intervention during its different stages at the operational level—turn-over of the General Manager, Environment and Social Responsibility (GM, ESR) prevented the project from having a clear strategy in the use of communications in marketing the project internally and externally.

Recognize that confidence from the community comes with time

Local stakeholders will naturally be skeptical about programs for local entrepreneurs, such as ALP, which are based on competitive bidding processes and leveling the playing field. However, once program implementation starts, the program staff starts building relations with the local community, and initial bid and capacity building training cycles are completed, the community slowly starts to believe in the transparency of the procurement process and the value of the entrepreneurship training. For example, Ahafo area communities initially were skeptical of ALP, but after the program had been running for more than a year, the local communities and their chiefs had become more familiar with the staff and various aspects of the program, and initial skepticism has been decreasing.

Develop good communications strategies to account for the fact that there will always be some factions in the community that have unmet or unrealistic expectations

Inevitably, some entrepreneurs or community members will not be satisfied with the work done by the program. This is especially the case with the commercial side because for any bidding process, there is one winner and at least two losers. Thus it is necessary to develop and implement strategies for clear and regular communication regarding the status of program activities, the benefits derived from the access to contracts, and the access to entrepreneurial training. In this regard, the ALP's communications plan plays an important dissemination role. The communications plan must be customized to the environment of the intervention. In a rural setting like Ahafo, face-to-face briefings and use of radio have proven to be efficient tools to convey messages to communities.

5. Organizational and Support Structures

The Ahafo experience has demonstrated the important role that organizational structures plays in making the program a reality (see Appendix A for an organization chart).

Establish a Local Suppliers and Contractors Development (LS&CD) Unit

The creation of LS&CD Unit with a team of four individuals managed under a local procurement manager and dedicated to local procurement was instrumental in effectively implementing the company's commitment to creating opportunities for local entrepreneurs via a competitive process.¹ This unit is also responsible for the increase in the number and value of local contracts from 121 contracts worth \$1.7 million in 2006, before the unit was created, to 282 contracts worth \$4.2 million a year later.

The earlier such a unit is established, the better it will be for the success of the program. For example, in Yanacocha there was no similar unit in the mining company's Supply Chain Department. This made it very difficult to customize procedures in existing mainstream procurement systems to meet the characteristics and needs of smaller vendors to Yanacocha.

Provide systematic support from Community Relations and Communications teams

As discussed, communications play an important role in the internal and external marketing of the program, as well as managing the expectations of the local communities. Dedicating staff for this purpose is critical for smooth execution of the program. The earlier this staff is identified, the better it will be for the program.

During the set-up of the LS&CD Unit, the importance of the support required from the Communications team was not fully recognized. Not enough importance was given to communications support in project planning in terms of resources and staff commitment.

As a result, a number of communication and coordination barriers were encountered, especially regarding access to contracts. For instance, local entrepreneurs often assumed that they were automatically entitled to a contract just because they were in the local suppliers' database. Others complained that the competitive bidding process was not transparent. The manager of the LS&CD Unit had to spend considerable amounts of time minimizing misunderstandings related to contracts. This took away precious time and energy away from the LS&CD manager and preventing him from focusing on more strategic issues and efficient management and processing of contracts.

The Communications and Community Relations teams need a clear and measurable role in the implementation of linkages programs. Specifically:

During program scoping and the design phase

At the early stages, the Communications and Community Relations teams can be very useful in setting the context for the linkages program, orienting IFC program staff to the local setting, and identifying the target groups for the program, getting information out to key community leaders, and getting their buy-in.

¹ The size of the team will be defined by the priorities of the lead company, the composition of the local content, and the level of development of the local SMEs. If transparency and training of inexperienced vendors are priorities, at least three team members are needed.

During program implementation

The Community Relations and Communications teams can continue to play an important role in the smooth implementation of the linkages program at various levels such as:

- Marketing the program and its process effectively
- Managing community expectations regarding what the program can and cannot do for them
- Developing new and innovative methods to inform and educate the community
- Ensuring that a single message regarding the program and its activities is given to the community
- Troubleshooting during times of conflict.

Ensure that IFC is present in the field initially

It is very important to have a dedicated and knowledgeable project manager driving the process forward on the ground. In the case of the IFC linkages programs, IFC has built up global institutional experience in the development of these types of projects. The presence of the IFC project manager plays an important role in getting both the commercial side and the capacity building activities off the ground.

In Ghana, the presence of IFC staff on the ground moved the program quickly into implementation. The three-member IFC team, headed by a program coordinator, played an important role in recruiting implementation partners, identifying groups of SMEs as potential beneficiaries, and in the day-to day management of program activities: areas where IFC has proven expertise.

Establish a Steering Committee

A Steering Committee can provide strategic guidance, and improve accountability for both the ALP Program Management Office (PMO) and the LS&CD Unit. A Steering Committee should normally consist of senior staff from the stakeholders that are responsible for the design and implementation of the linkages program.

6. Program Components

A number of key lessons emerged from the early implementation experience of implementing the key program components of the Ahafo Linkages Program (the LSD and LED components).

Establish a clear strategy for access to finance from the beginning

Local companies that have improved their capacities through programs like ALP have an immediate need for capital to execute improvement/expansion plans. However, access to capital has often proven to be the most difficult component of the program. Even though the importance of an access to finance component was recognized after the Cajamarca experience in Peru, neither IFC nor NGGL was ready to set aside funds to fund the MSMEs directly or via a guarantee or revolving fund, nor was ALP able to develop an access to finance strategy using external partners in Ghana. Thus local companies faced the usual market constraints to accessing finance, including a steep collateral requirement, high interest rates, a focus on commercial activities rather than production activities, and an absence of medium-term financial products.

It might help for IFC to develop a mechanism to evaluate the risks and opportunities for access to finance at the start of each project and to identify an implementing partner that can provide access to finance.

Company/client participation

IFC clients such as NGGL are often willing to set aside money to provide finance to local entrepreneurs if:

- IFC has a similar supporting investment.
- An established local financial partner exists, as the client would prefer to reduce the cost of managing the funds by channelling the money to existing institutions rather than establishing new ones.
- There is a reliable and clear mechanism for disbursement and repayment of funds.
- The funds channelled through a financial institution reach the final beneficiaries, instead of covering the financial entities' institutional overhead.

Set up a payment mechanism that is favorable to local companies

One way to bridge the financing gap for local entrepreneurs is by establishing payment terms more favorable to the local contractors. For example, the current thirty-day payment period that NGGL has for its vendors limits the scope of work local companies can engage in due to limited cash flow. A shorter payment period—say, fifteen days—may need to be considered to improve cash flow for smaller enterprises.

Pursue a targeted approach to identifying suppliers in specific sectors

Targeting companies in particular sectors increases the probability of positive impacts from a linkages program and generates internal synergies among the users, whether it be the LED component or the LSD component. For example, the ALP had a more targeted approach to capacity building than Yanacocha, in the sense that in ALP, priority sectors were identified for both LSD and LED (see table 2).

Table 2. LSC and LED Priority Sectors

| Priority sectors | Services |
|------------------------------------|--|
| Local suppliers development | Maintenance services (sewage waste collection, tree felling), construction services (building renovations, basic civil works) and small industry (carpentry works, concrete slabs, uniforms) |
| Local economic development | Brick making, pottery, egg production, hospitality services, and vendors to NGGL's catering provider |

This helped focus program activities and identified areas in which to use technical experts effectively, in contrast to Yanacocha, where entrepreneurs in diverse sectors were trained.

Maintain rigorous conditions for entry into the supplier database

The need to have more rigorous criteria for entry of local companies into the supplier database became clear during the early implementation of the Standard Operating Procedures (SOP) for local content. Initially, any local company that was considered “local” by the community and had the business registration form (issued by the Registrar General Department) was allowed to register on the MSME/supplier database. This resulted in a database that was very long but not very deep.

With almost 200 local companies registered and an average of five contracts to bid per month, shortlisting companies for bidding processes was complex. Many of these companies were start-ups without former experience, and needed to be removed from the database. Much information needed to be checked and cross-checked to ensure that it was correct.

Plan regular communication of the upcoming pipeline of local procurement opportunities

Given that local companies have little experience in submitting bids of international quality to large companies, they require some time to prepare for a bid. They often find the time between the announcement of the bid and submission of their proposal too short.

It would greatly benefit local companies if the lead company regularly communicated the upcoming pipeline of local procurement opportunities via a public forum or community boards. This could be done semiannually, with updates from time to time. This would also help the procurement team in a large company like NGGL be more disciplined in identifying local procurement opportunities through internal discussions with end users, which usually plan their operating expenditures for budget purposes a year in advance. Goods and services with potentially high local content should be identified and their values and quantities should be communicated to the LSD team.

Understand that SMEs in rural settings are willing to pay a nominal fee for training and mentoring only after a demonstration effect has been generated

It is beyond the means of a majority of SMEs to cover the full fees of business advisors/consultants. Moreover, if SMEs have never been exposed to business development services (BDS) and do not know their benefits, they are initially reluctant to pay for the training provided by a program like ALP. However, after completing the first few rounds of training and coaching, the entrepreneurs are willing to pay a nominal fee. This is a sign that they see the value of the training provided and are willing to make a contribution.

7. Exit Strategy/Sustainability

From the beginning, it is important to start thinking of how the linkages program can become sustainable in the long run and how IFC can start exiting from its ground operations.

Exit Strategy: Identify the correct entity early on to take over program components

To have an effective exit policy, there should be a plan to identify early on the entity that would take over the role played by the project. Once identified, that entity should be increasingly involved in program implemen-

tation to start creating a sense of ownership, especially if the client intends to continue the program beyond term of IFC's participation. In ALP, the areas to hand over to this entity are:

- Program coordination: Has NGGL identified a unit to take on this responsibility? Where will the Program Management Office be housed?
- LED: What department in NGGL will take on the facilitation of capacity building programs for local companies that are not vendors to NGGL? Where will it be housed at the end of the program period?
- LSD: This activity is already being streamlined into NGGL's regular procurement processes through the LS&CD Unit.

Sustainability: Consider a clear role for local organizations

Sustainability of a linkages program beyond the life of the program as well as the company operations in the area is a tough issue. One option is for a local business organization like a chamber of commerce or a business association to take over the facilitation of access to business development services for entrepreneurs. At present it is too early to predict the impact of the institutional capacity building efforts in progress with the local business association, Ahafo Local Business Association (ALBA). This must be monitored and changes made if necessary.

Part 2.

Creating a Local Supplier and
Contractor Development Unit to
Optimize Local Content

Background

One of the unique features of the ALP is the creation of a special unit within the lead company to focus on local suppliers development and contracting: the Local Suppliers and Contractors Development (LS&CD) Unit, located within the Supply Chain Management Department (SCM) of Newmont Ghana. This unit was created in December 2006 (see Appendix B for an organizational chart for the LS&CD Unit). It has been instrumental in demonstrating the company's commitment to creating opportunities for local entrepreneurs via competitive bids.

This section of the document focuses on the creation, features, and functioning of such a unit and answers questions such as:

- What is the purpose of creating a unit dedicated to local supplier and contractor development?
- What are the activities of this unit?
- What should the staffing and reporting structure be?

Purpose

The main purpose of creating the LS&CD Unit is to have a team of supply chain staff dedicated to optimizing local content.

Creation

Such a unit needs to be created by the company, but with support from IFC. IFC support is important and necessary, as it provides the needed credibility that promoters of such a unit can use to push it through various corporate decisionmaking structures.

Activities

A LS&CD Unit can perform multiple functions, such as:

- Establish customized procedures for the company to buy locally
- Make it easier to obtain internal “buy-in” from end-users for local content
- Educate local suppliers on the client's standards of doing business
- Actively promote the business opportunities the company can offer local MSMEs, either directly or indirectly
- Foster the competitiveness of local MSMEs
- Help make MSMEs legally compliant suppliers
- Contribute to MSME's market diversification
- Troubleshoot with MSMEs making bids
- Manage MSMEs that fail to get a contract with the company.

These functions are time-consuming and difficult to carry out in the absence of a dedicated team and unit. Above all, the creation of a LS&CD Unit sends a clear signal from the company to the local community that it is committed to the goals of local procurement and is serious about making it a reality.

Organizational Structure

The LS&CD Unit is a sub-unit of the company's Supply Chain Management Department. The manager of the unit reports directly to the Supply Chain Regional Manager. Typically, such a unit needs four to five members (see Appendix C for the Terms of References of the staff in the LS&CD Unit):

- Unit Manager (one)
- Safety and Quality Control Officer (one)
- Senior Purchasing Officer (one)
- Purchasing Officers (one to two)

Lessons Learned

1. Choosing the right person to be manager of the LS&CD Unit is key.

This job is not simply a technical procurement job, but also involves a lot of management of people. Not only must the manager do the tough job of selling the concept of local contracting to company staff, but s/he also must perform the difficult task of managing local companies that fail to get contracts. Performing these tasks requires tenacity, patience, and strength of character.

2. A Senior Purchasing Officer is necessary,

The ALP experience demonstrated the need to have a Senior Purchasing or Contracts Officer (working under the LS&CD Manager) to oversee the day-to-day functions of the Purchasing and Safety & Quality Control Officers. This arrangement leaves more time for the LS&CD Manager to concentrate on strategic functions such as establishing targets for local content, creating internal buy-in, identifying new opportunities for local contracting, and adapting the procurement process to the needs of local suppliers.

Systems

Before the LS&CD Unit can start operating, it is important to put some systems in place to ensure that the unit will run smoothly. These systems are discussed below.

Standard Operating Procedure

The Standard Operating Procedure (SOP) is a key document for the functioning of the LS&CD Unit (see Appendix D for the Standard Operating Procedures document used in ALP). It

- Defines what "local" means in the context of the given program
- Sets the framework for the unit within which members will work
- Clearly lays out the operation strategy for the unit
- Is used as a reference throughout implementation.

Typically, a Standard Operating Procedures document should contain the following components:

- Objective of the unit
- Definition of “local”
- Definition of “MSME”
- Responsibilities of every staff member
- Operating strategy
 1. Sectoral approach
 2. Transparency
 3. Participation of traditional leaders
 4. Construction of MSME database
 5. Provision of technical assistance and one-on-one mentoring (in association with the linkages program staff)
 6. Customized procurement procedures (see Appendix E)
 7. Standard procedures

Communication plan

The importance of the role played by communications in managing expectations of the local community cannot be overstated, especially in a rural community rich with traditions, local chiefs, and complex hierarchies like Ahafo. During the program design and set-up of the ALP LS&CD Unit, the full and strategic dimension of this role was not assessed.

The presence of a big mining company in the area raises the expectations of the local community many times and in many ways. Local companies often start expecting the company to give them contracts. In addition, it is extremely difficult to tackle SMEs that lose bids for contracts with the lead company. For example, the LS&CD Manager had to go to great lengths to soothe the anger of local chiefs when their companies lost in the bidding process.

These issues can be tackled by developing a clear communication plan in association with the Communications and Community Relations teams of the company at both the operational and strategic levels. Such a plan should include tools, resources, and performance indicators for the teams involved at two levels:

External communications

- Managing expectations of local businesses
- Communicating upcoming opportunities
- Announcing results for bids
- Developing a feedback mechanism to deal with losing companies.

Internal communication

- Marketing the unit and its work within the company
- Creating buy-in from every end-user to support local procurement, particularly middle management, which often does not understand the motivation of such programs.

Validation (if required)

Sometimes in rural communities a validation process is required to make sure that MSMEs from outside the area of operation of the large company do not take advantage of local contracting opportunities at the cost of local MSMEs. Such a validation usually involves approval from local heads and representatives of the local community that a given MSME is local and hence can supply to the company.

If such validation is thought to be necessary, a validation form must be created and all MSMEs interested in being suppliers to the company must fill in the form and obtain the necessary approvals. A sample validation form for Ahafo is presented in Appendix D, Annex 3.

Location

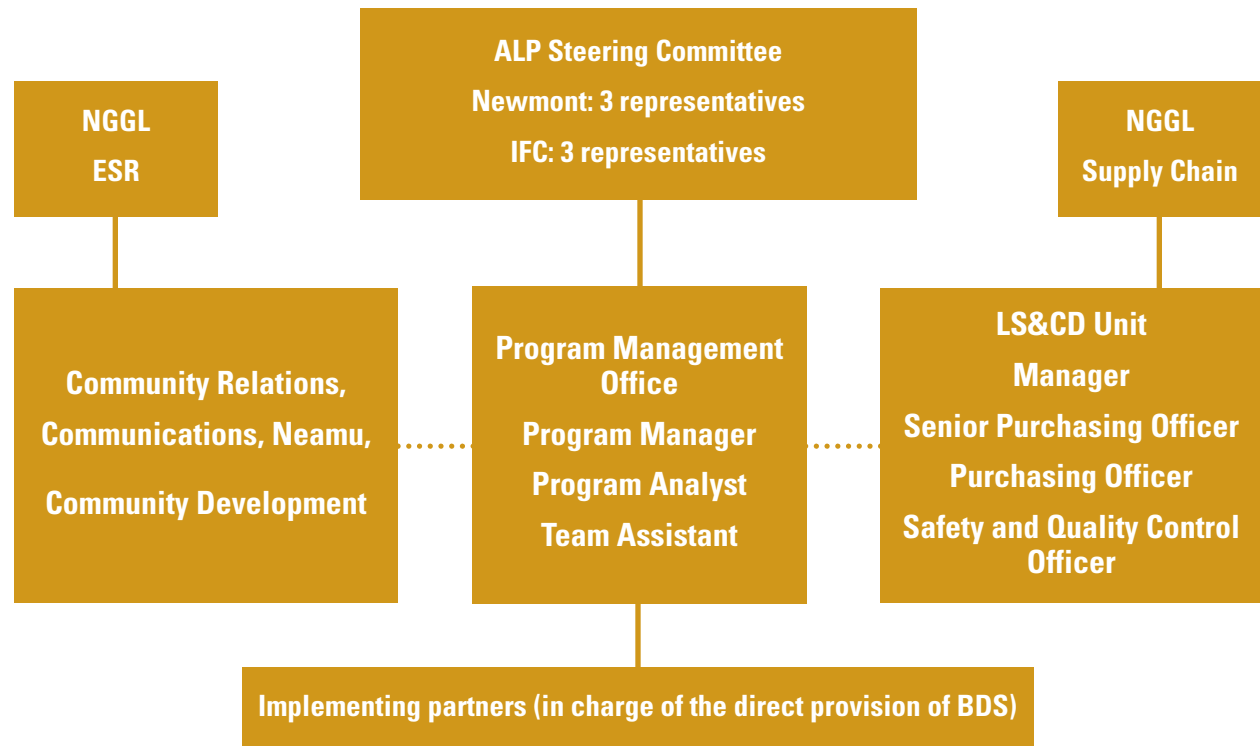
The decision of where to physically locate the LS&CD Unit is an important one. There are two options. Each has its pros and cons, as summarized in table 3.

Table 3. Pros and Cons of Locating of the LS&CD Unit Within or Outside the Plant Site

| Physical location | Pros | Cons |
|--|---|--|
| Within the Supply Chain Management Department in the plant site. | <ul style="list-style-type: none"> • Unit staff can focus on their work and choose when to interact with MSMEs. | <ul style="list-style-type: none"> • MSMEs may feel that the company's systems are opaque and communication channels are not open. |
| External to the plant site (for example, where the external affairs unit is housed). | <ul style="list-style-type: none"> • Accessibility is easier for local MSMEs (they can walk in anytime). • Interaction between client and companies is greater. | <ul style="list-style-type: none"> • Frequent visits by MSMEs for questions regarding the bid and to complain about losing bids can become a burden and divert staff from focusing on their work. |

Appendixes

Appendix A. Organization Chart for the ALP Program



Source: ALP Program Design Document.

Appendix B. Organization Chart for the LS&CD Unit



Source: ALP LS&CD Unit.

Appendix C. Terms of Reference for the Staff of LS&CD Unit

1. LS&CD Manager

Title: Local Supplier and Contractor Development Manager-Ghana

Reports to: Supply Chain Manager-Ghana

Purpose: To develop a long-term sustainable policy for the development of local suppliers and contractors, and to manage its effective implementation. The programme will reflect the commitments which have been made to IFC and other external stakeholders, and will be developed in close liaison with External Affairs personnel at Ahafo and Akyem.

Essential Duties:

- To develop a strategy, together with external consultants where appropriate, for development of local suppliers and contractors, over a one-year and five-year time horizon. This should include a realistic assessment of the products and services which can be effectively sourced locally, now, in 12 months time, and within 5 years.
- To set up a process for registering local suppliers and contractors on a database, and monitoring the business awarded to various individuals and organizations. A full audit trail of the tendering process needs to be available to support the selection of suppliers and contractors for specific projects, and feedback provided to the community
- To educate local Chiefs, Assemblymen and Youth Leaders on how local companies can successfully do business with Newmont.
- Act as a facilitator to identify training and development needs within the local communities, so that that the five-year strategy can effectively implemented.
- Liaise with local and national financial institutions to where appropriate support loan applications from credible local suppliers and contractors.
- To advise Newmont senior management level on all internal and external supply chain issues relating to local supplier and contractor development.
- To develop sustainable working relationships with external stakeholders, most particularly IFC.
- To work with the Chamber of Mines to develop an industry-wide import substitution strategy for products which are currently sourced overseas, but could realistically be produced in Ghana. (Grinding Media, Mill Liners, low technology engineering-conveyor rollers, fabrication work, etc.).

The duties and responsibilities listed above are representative of the nature and level of work assigned and are not necessarily all-inclusive.

Working Conditions/Regulatory Requirements:

No special working or regulatory conditions apply to this position, but personal protective equipment (PPE) must be worn at all construction and operation areas where it is so stated.

Technical Skills, Education/Training and Experience:

- A Masters Degree in a related discipline or Full Membership of the Chartered Institute of Purchasing & Supply, or similar professional body
- At least ten years experience in mining procurement in Ghana at a senior level.
- Extensive negotiation, diplomatic and interpersonal skills.

2. Safety and Quality Control Officer

Title: Buyer II

Reports to: Senior Purchasing Officer/Manager LS&CD

Purpose: To work as part of a small team focused on the development of local suppliers and contractors, in accordance with an agreed program/strategy. The program will reflect the commitments which have been made to IFC and other external stakeholders, and will be developed in close liaison with External Affairs personnel at Ahafo.

Essential Duties:

- Organize and facilitate safety & quality control inductions for local companies before the start of any job.
- Ensure local companies under supervision have a Safety Officer; make sure this Safety Officer meets its responsibilities while work is delivered.
- Conduct field visits to supervise the performance of local companies on the field, under coordination with the End User Departments, LS&CD Unit and the Ahafo Linkages Program, to ensure that safety and quality are delivered by the local companies doing businesses with Newmont.
- Direct liaison with the supervisors/foreman/managing directors for local companies, to ensure that feedback provided is taken into operations by employees of local companies.
- Prepare weekly reports on the status of performance/delivery of local companies under supervision; suggest spaces for business/managerial improvement that the Ahafo Linkages Program can take into its capacity building activities.
- Participate in internal meetings when required by LS&CD Manager.
- Liaise with the supervisors from the End User departments to acquire information about quality standards local companies should meet in each work.
- Liaise with the LS&CD Manager to provide information on the ranking each supervised company gets during performance on work, regarding safety and quality control.

The above duties and responsibilities are representative of the nature and level of work assigned and are not necessarily all-inclusive.

Working Conditions:

No special working or regulatory conditions apply to this position, but personal protective equipment (PPE) must be worn at all construction and operation areas where it is stated.

Training & Experience:

- Minimum of tertiary education from any of the Ghanaian educational institution
- Preferably commercial/technical education
- Have experience on field supervision work; it is a plus if the person has knowledge at construction/services provision level
- Knowledge and experience on safety practices
- Diplomatic and interpersonal skills are essential
- Demonstrate effective verbal and written communication skills
- Ability to communicate in Twi is mandatory
- Must possess and demonstrate high ethical and professional standards in all dealings
- Have a working knowledge of MS office programs.

3. Senior Contracts (Purchasing) Officer

Position: Senior Contracts Officer

Employment Type: Senior Permanent

Location: Ahafo

Department: Supply Chain Management (LS&CD Unit)

Purpose:

To work as part of a small team focused on the development of local suppliers and contractors, in accordance with an agreed program/strategy. The program will reflect the commitments which have been made to IFC and other external stakeholders, and will be developed in close liaison with External Affairs personnel at Ahafo

Essential Duties:

- Assist the Finance and LS &CD Manager in all key administrative aspects of contract and purchasing management (maintaining the MSME database, preparing contract documentation, etc). This will include liaising with Ahafo Operations team members, Contracts Section, and local contractors
- Action the procurement for services as listed in the priority area for local content (current, ongoing and future)
- Perform procurement liaison duties with end-user departments, local contractors and External Affairs. This will include receiving and actioning invoices for payment and solving all mismatching relating to MSME's in the database.
- Directing and supporting the development of all procurement and contract activities
- Performing and training personnel on total material management, contract and purchasing tasks
- Assist the LS&CD Manager in contract negotiations and claim settlements
- Reviewing and scoring proposal with External Affairs and IFC
- Take responsibility for maintaining and administering Ahafo MSME database
- Liaise with local banks to facilitate the processing for loans for MSME's in the database
- Liaising with end users and respective contractor representatives with regard to correspondence relating to contract documents
- Provide staff support to the LS&CD Manager and end users as and when required
- Act for the LS&CD Manager in his absence

- Supervise the work of two purchasing Officers, Safety and Quality Control Officer and other staff working with LS&CD section
- Be able to organize and set priorities, handle multiple projects simultaneously and deal with distractions
- Lead the administration of implementing PACI in respect to Ghana suppliers and contractors, especially local suppliers.

The duties and responsibilities listed above are representative of the nature and level of work assigned and are not necessarily all-inclusive.

Technical Skills, Education/Training and Experience:

- Degree or HND (Building Technology/Civil Engineering)
- Must be computer literate
- At least 6 years' contracts experience.

Appendix D. Standard Operating Procedures for the LS&CD Unit

Contracting procedure and strategy for local micro, small, and medium enterprises in Ahafo

1. PURPOSE

The purpose of this procedure is to:

Actively optimize the business opportunities Newmont Ghana Gold Limited (Newmont Ghana) may offer to local micro, small and medium enterprises (MSMEs), either directly or indirectly: fostering its competitiveness, making them legally compliant suppliers and contractors of Newmont Ghana and contributing to their market diversification.

By doing so, Newmont Ghana shows its Corporate Social Responsibility engagement with the local community.

These procedures are not intended to override existing Company policies. However, where conflict arises, the company policy shall prevail.

2. DEFINITIONS

“Micro, small and medium enterprise (MSME)” – A business entity, properly licensed and registered at the Registrar General’s Department (including for taxation) in Ghana, with total employees of no less than 3 and not more than 99, and with total fixed assets no more than US\$1,000,000.

“Local MSME” – A MSME properly licensed and registered at the Registrar General’s Department (including for taxation) in Ghana, whose principal business address and location of business operations is at the communities located in Newmont’s mining lease, who have been validated by the community representatives’ signatures.^a

“Validated local” – An individual or a business that has a validation form^b signed by the following representatives of local communities: Chief, District Assembly representative and Youth Association representative.

“National MSME” – A micro, small or medium size enterprise properly licensed and registered at the Registrar General’s Department (including for taxation) in Ghana, whose principal business address and location of business operations is outside of the catchment area of Newmont.

“Ahafo Linkages Program” – A business capacity building program funded by Newmont and the International Finance Corporation (IFC) to increase the competitiveness of local micro, small and medium enterprises in Newmont Ghana mining lease area.

^a A list of the communities and community representatives is included in Annex 1.

^b See the validation form in Annex 3.

3. STANDARD

In competitive bids for goods and services with national MSME, priority will be given to local MSMEs that meet the technical, commercial and safety requirements to perform the services required by Newmont, within their local business capabilities.

Offer business opportunities and assist in the development of local MSMEs, maximizing the opportunity to source locally available goods and services.

NGGL is committed to ensure that at least 35% of the national workforces of Ahafo Project (combined NGGL and contractors) are validated locals.

4. RESPONSIBILITIES

Warehouse Manager and Purchasing Officers – For leading the identification of items with local purchase potential. This will be done through a participatory process and will include the feedback of user departments.

Local supplier and contract development (LS&CD Department) – For the maintenance and administration of the Bidders List, the preparation of bid documents, liaison with qualified and listed bidders, evaluation and recommendation of bids submitted and notification to bidders of bid evaluation outcomes.

LS&CD Manager – For ensuring compliance with these procedures and ensuring the legal and commercial compliance of bids with Newmont Ghana and other requirements.

External Affairs Manager & LS&CD Manager – For ensuring the equal and fair consideration of bids and open competition between eligible bidders.

5. STRATEGY

The strategy to implement this policy is based on:

- Sectoral approach, targeting the local supply of products (goods and services) that are highly demanded by Newmont Ghana, and at the same time generate added value and employment, according to Annex 2.
- Transparency towards the business community and the community in general regarding targets, procedures and achievements in the implementation of the policy.
- Active participation of traditional leaders validating the condition of being local MSMEs through specific validation forms (this form is presented in Annex 3).
- Construction of a MSMEs database to include potential suppliers to Newmont Ghana, specifying their condition of being or not a local company. This database will be available for public access and will be the first source to elaborate a bidders list at any bidding process for MSMEs.
- Provision of training, technical assistance and one-on-one mentoring for selected MSMEs to make them competitive: the Ahafo Linkages Program shall prepare, schedule and implement specific train-

ing sessions for the local MSMEs, based on the desired business administration, hiring, accounting, tax, labour and legal practices in order to minimize errors and problems in the provision of future services to Newmont, thereby maximizing the mutual benefit of local MSMEs business success.

- Provision of customized procurement procedures for local MSMEs: the management of Local Supplier and Contract Development will carry out actions aimed at:
 - Monitoring labor, tax and contractual compliance by contracted companies.
 - Contractor control and inspection schedule (payments, insurance, pending debts, etc).
 - The Ahafo Linkages Program will implement capacity building programs for local MSMEs, and coach them during the performance of their contract in accordance with the size of the company.
 - Assure timely payment to local MSMEs according to contractual conditions agreed. Limiting subcontracting levels to one.
- Promotion of alternative income generation and sustainable development programs: Newmont will develop sustainable business opportunities with the communities (Leep, AILAP) and MSMEs (AAGI, Ahafo Linkages Program) in alternative activities that are not directly related to mining.
- Standardized process aimed at handling business opportunities request, compliance and claims.
 - A single communication channel, which is the Supply Chain area for the business request.
 - Reply to contractor's letter within 48 hours.
 - Internal assessment of potential contractors for their eventual inclusion in the approved bidders list.
 - A single communication channel, which is the Local Supplier and Contractor Development Management for complaints and claims on local contracts.
- Strengthening of Ahafo Business Association (ALBA): The Ahafo Linkages Program will provide technical assistance to Ahafo Local Business Association (ALBA). The objective of such technical assistance is to strengthen ALBA as an entity that provides services to local businesses, looks for new market opportunities and disseminates good business practices among the local business community.

Annex1. Location for Local MSMEs

Local communities in the mining lease of Ahafo South:

- Kenyasi 1
- Kenyasi 2
- Ntotroso
- Wamahinso
- Gyedu
- Nkasiem
- Hwidiem

Local communities in the mining lease of Ahafo North:

- Yamfo
- Susuanso
- Afrisipakrom
- Adrobaa
- Terchire

Community representatives:

- Chiefs
- District Assembly members
- Youth association leaders.

Annex 2. Goods and Services to be Prioritized^a

| Priority sectors local content Ahafo | |
|--------------------------------------|--|
| Trade | Tools, paints, soap, building material, quarry dust, stone & sand, farm inputs, items for Christmas hampers, PPE, stationary and office materials, cotton rag |
| Maintenance services | Sewage waste collection, portable water, light vehicle maintenance, house keeping, painting of plant tanks, vehicle electrical work, tree felling, weeding & bush clearing, car wash |
| Rental services | Light vehicle rental, heavy vehicle rental, sound services (microphone & speakers) |
| Construction services | Bore holes, landscaping, stone pitching, building renovations, reshaping of roads, and civil works |
| Small industry | Jute mat, bamboo sticks, sign writing services, carpentry works, curtains & maintenance of curtains, plastic sample bags, concrete slabs, uniforms, metal fabrication |
| Educational/training services | Driving lessons |
| Hospitality services | Local food, accommodation, catering services, coffee breaks & snacks |
| Consultancy | Development projects |
| Advertising services | Video coverage services, announcements, printing services and photography |

^a The list of goods and services is not exhaustive. The sectors and subsectors may be revised according to the evolution of NGGL procurement needs.

Annex 3. Validation Form

| | |
|---|---|
|  | <p>Newmont Ghana Gold Ltd</p> <p>CATCHMENT AREA BUSINESS VALIDATION FORM</p> |
|---|---|

Newmont Ghana Gold Limited is committed to enhance the growth of the Ahafo Businesses in the catchment area of the Ahafo Mine. The information supplied in this form will help Newmont Ghana Gold Limited to record and report on the total numbers of Catchment Area Businesses involved with the Ahafo Project. This form is to be completed by all businesses who claimed to be a Business from a Catchment Area Community. For a business to be considered as a Catchment Area business, he/she must fill this form and obtain confirmation from the community by completing the validation section below.

PERSONAL DETAIL SECTION

Registration No: _____

Full Name: _____

First Name

Middle Name

Last Name

Birth Date: _____ Birth Place: _____

dd/mm/yyyy

(village, district and region)

Company's Name: _____

Postal Address: _____

Home Town: _____ Contact Detail: _____

(Village, district and region)

Current Address: _____

House Number

Village/District

Region

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

Signature: _____ Date: _____

VALIDATION SECTION

Validated Chief _____

By: Assembly Man _____

Youth Leader _____

Name

Signature

Date

Annex 4. Procedures

1.1. Identification of Materials for Local Purchase

- 1.1.1. Purchasing Officers, User Departments, Contract Officers and Warehouse Manager shall review all Purchase or Service Requirements to identify items for potential local purchase and shall refer eligible requisitions via email to the LS&CD Department where appropriate.
- 1.1.2. Stock items will be periodically reviewed by the Warehouse Manager who is to identify items with local purchase potential and refer these to LS&CD Department.

1.2. Pre-qualification for Bidders List

- 1.2.1. The first source of information to elaborate the Bidders List will be the MSME database; those vendors that are included in this database and fulfil the requirements set by the purchase requirement will go to the 1.2.2. stage.
- 1.2.2. Vendors who are interested in doing business with Newmont Ghana must complete a Pre-qualification Application for the Bidders List. The purpose of this application is to assess the applicant's eligibility for classification as a local vendor, the financial condition of the business, experience of product line representation and experience or inexperience in providing a timely service.
- 1.2.3. The Local Supplier and Contract Development Management will provide assistance to the businesses interested in doing business with Newmont to fill the template to pre qualify for the bidders list. This service will be provided through a "local SMEs help desk" with trained personnel available to solve any question or doubt the local business may have.
- 1.2.4. The LS&CD Department reviews all pre-qualification applications against the following criteria:
 - Local business selection criteria defined above in Section 2 of main document (e.g. business registration, bona fide resident, validation form, etc.)
 - Availability of qualified staff, length of time vendor has been in the industry, past record (if any) of performance or non-performance.
 - How long key personnel have been employed (as an indicator of employee knowledge and experience of the industry and product).
 - Capacity to produce or supply materials to quality standards in a timely manner as and when required.
 - Financial condition and situation.

- Any past dealings with Newmont Ghana or any mining company in Ghana.
- Willingness to accept and comply with Newmont Ghana's tender processes.
- Existing Safety Management programmes evidenced by records

All vendors accepted for the Bidders list shall be informed of the Company's procurement policies and procedures.

1.3. Approved Bidders List

- 1.3.1. The Approved Bidders List is a list of potential Newmont Ghana suppliers jointly developed by External Affairs and the LS&CD Department and approved by Newmont Ghana Senior management. The List shall be used as the basis for soliciting qualified Local Bidders for all competitive bidding.
- 1.3.2. In order to ensure that the Approved Bidders List is manageable and avoids wasteful solicitation, it shall be arranged in accordance with the bidder's capabilities, strengths and the commodities, which each Bidder represents.
- 1.3.3. The Approved Bidders List shall be reviewed periodically by External Affairs and the LS&CD Department. It shall be systematically updated to ensure its currency and proper use.
- 1.3.4. The Approved Bidders List shall be used as the primary source for selecting invitations to bid. When soliciting invitations under the formal bidding process, the Buyer shall reference the appropriate Approved Bidders List and send bids to all vendors listed. This same requirement shall also apply to the informal bidding process. Where the contract value is <\$500, the solicitation of three (3) vendors is permitted. Where practical and economical to do so, the selection of bidders shall be on a rotational basis.

1.4. Maintenance of Approved Bidders List

- 1.4.1. Maintenance of the Approved Bidders List is designed to ensure its currency at all times and to check that listed vendors continue to meet the original application standards.
- 1.4.2. Maintenance of the list includes the removal and suspension of bidders. Under certain specified conditions, the LS&CD Department, in consultation with External Affairs, and with management approval, may remove or suspend vendors from the Bidders List for reasons such as:
 - Frequent failure to deliver commodities according to the schedule indicated on the Purchase Order and/or contract.
 - Frequent deliveries that are not specified on the Purchase Order.

- Failure to respond to three consecutive invitations to bid.
 - Substitution of a commodity ordered without approval from the buyer (Newmont Ghana).
 - Failure to comply with bid price.
 - Failure to provide meaningful quotes.
 - Failure to continue to meet the initial pre-qualification criteria.
 - Evidence of unsatisfactory performance as determined by an impartial investigation.
 - Demonstrated bad labour practices with their employees and providers (e.g. nonpayment of salaries)
- 1.4.3. Vendors are suspended from the Approved Bidders List for one year, after which they may be reinstated. Any vendor suspended three times from the Approved Bidders List will not be reinstated unless the vendor submits evidence substantiating that the conditions which initiated suspension from the Approved Bidders List are no longer present nor are they likely to occur in the future.
- 1.4.4. Under this circumstance, reinstatement to the Approved Bidders List may be approved by the LS&CD Department in consultation with External Affairs or his designate.
- 1.4.5. Vendors may be removed from the Approved Bidders List for the following reasons:
- Bankruptcy or insolvency of the vendor.
 - Pending bankruptcy.
 - Collusion with other bidders and Newmont Ghana employees to retain competitive bidding.
 - At the bidder's own request.

Removal from the Approved Bidders List for the above reasons is absolute with no provision for reinstatement.

Bidders who have been suspended or removed from the Approved Bidders List will be notified in writing conveying the reasons for such action.

1.5. The Bid Process

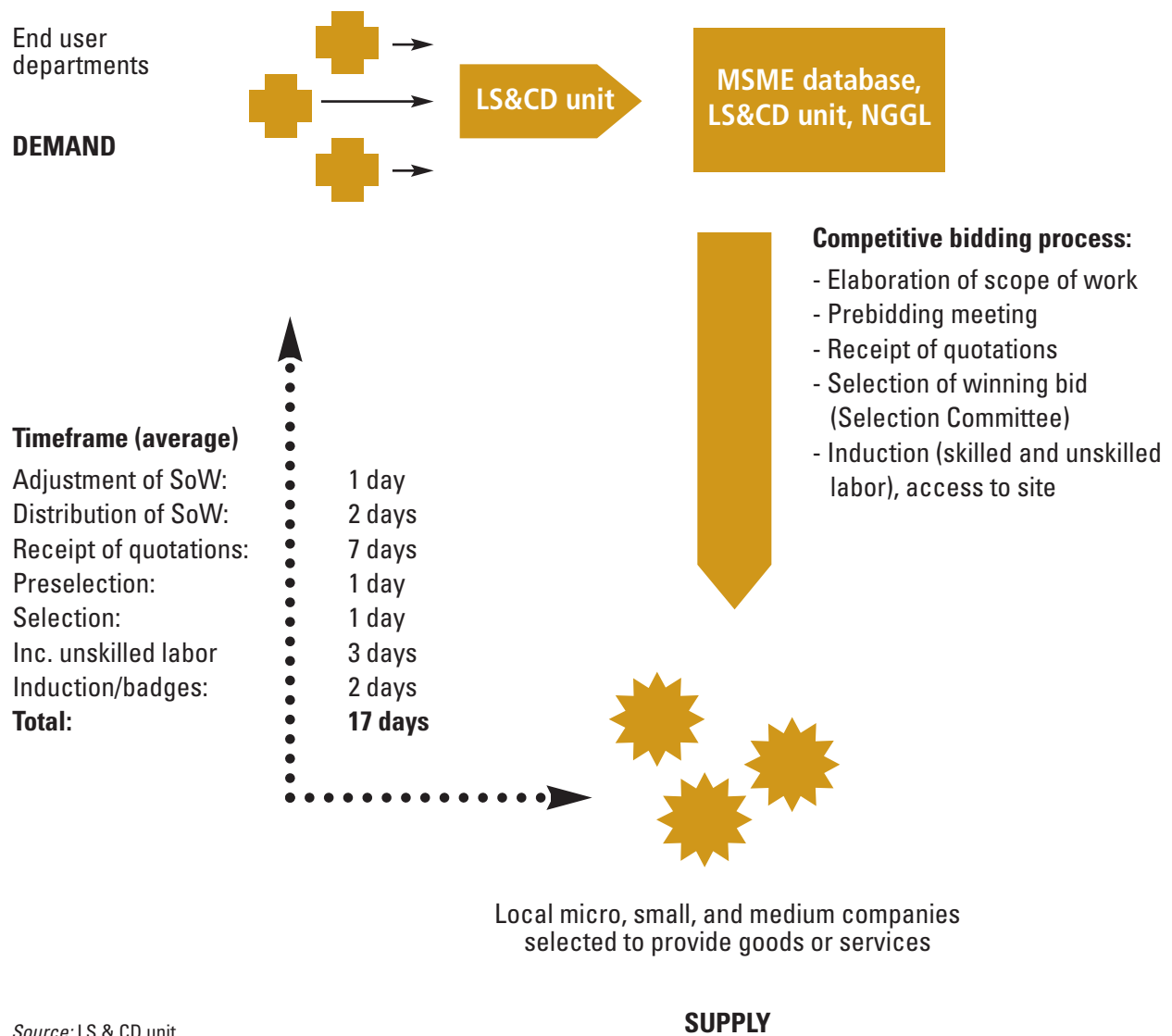
- 1.5.1. The LS&CD Department shall prepare a Bid Document and notify the Company's requirements to at least three (where the contract value is > \$5000) eligible and qualified vendors/suppliers listed on the current Approved Bidders List and seek submission of their bids within a specified time.

- 1.5.2. The Company's materials requirements shall not be advertised or notified generally unless there are insufficient appropriate bidders on the current Bidders List. Where the Company's requirements are generally notified for local supply or purchase, all respondents shall be given an equal opportunity to bid.
- 1.5.3. The LS&CD Department and External Affairs shall carry out an initial evaluation of the bids received. The person evaluating the Requisitions shall prepare a Bid Summary with a commercial recommendation regarding quantity for purchase, supplier and price.
- 1.5.4. Prior to any RFQ being issued, a Bid List Approval Request must be approved by LS&CD Department and External Affairs.

1.6. Evaluation and Approval of Bids

- 1.6.1. The Bid Summary is to be reviewed and signed by the following:
 - Chairman, secretary, (Tender Committee) – to ensure appropriate procedures have been followed.
 - LS&CD Department – to ensure fair and open competition between bidders and ensure that all eligible and qualified bids have been considered.
 - LS&CD Department – to ensure that all commercial and legal considerations have been taken into account.
 - LS&CD Department and External Affairs – for final review and approval.
 - Local SMEs will be preferred during bidding processes, if they are already on the Approved Bidders List. A local SME will be selected even if its economic offer is higher by 5% or less than the best economic offer received from a national or international company.
- 1.6.2. The successful bidder shall be notified in writing in the absence of an Ellipse generated Purchase Order by the LS&CD Department and a Purchase Order will be generated by Ellipse for forwarding to the successful bidder. Where practical, the LS&CD Department shall also notify unsuccessful bidders of the outcome of the bid evaluation process.

Appendix E. Procurement Process



Source: LS & CD unit.
SoW – Scope of work

References

Documents

Ahafo Linkages Program documents, including presentations, proposals, quarterly reports, and Steering Committee presentations.

Interviews

Ahafo Linkages Program

- Cecilia Araujo, Program Coordinator (IFC)
- George Brakoh, Local Supplier & Contractor Development Manager (Newmont)
- George Owusu, Operations Analyst (IFC)
- Augustine Boakye, Team Assistant (IFC)

Newmont Ghana Gold

- Nick Cotts, Regional Vice President ESR
- Simon Blamires, Regional Manager Supply Chain
- Randy Barnes, Manager External Affairs
- Joseph Danso, Community Development Superintendent
- Charles Yeboah, Community Relations Superintendent
- End users
- Community Liaison Officers

Implementation Partners

- Technoserve Inc.
- CDC Consult Ltd.
- Ahafo Local Business Association (ALBA)

SMEs

- Abihab Construction
- Adjanet Construction
- Dedsah
- Francisca Guest House
- Frankpok
- Kas-Mandy Enterprise
- Kweef Horizon
- Multi-wheels
- Obaa Grace Construction
- Opportunity Anointing Ventures
- Swanky's Catering Services

