

A horizontal decorative band with a complex, colorful pattern of geometric and organic shapes, including spirals and zig-zags, runs across the middle of the slide.

ADAPTING NEWMONT GHANA PROCUREMENT  
PROCEDURES AND PRACTICES TO SUPPORT BUSINESS  
WITH LOCAL MSME'S  
Mining, Oil and Gas Local Procurement Forum- Australia  
March 30th, 2010

# Agenda

- **Overview of Newmont Ghana's contracting procedures and practices prior to establishment of the dedicated Local Supplier and Contractor Development (LSCD) unit**
- **How business processes were adapted to support business with Local MSMEs**
- **Initial difficulties and challenges and how they were managed**
- **Evolution of LSCD unit to more effectively meet its longer term objectives**
- **Impact indicators as at end 2009**
- **Lessons learned**
- **Scaling up and anticipated challenges going forward**

# How Newmont was doing business

- **Transactional procurement of goods and services, based strictly on traditional criteria- price, availability, quality and technical and after sales support.**
- **Almost all goods purchased from international vendors.**
- **SCM focus more on operational effectiveness and minimizing risk, with little acknowledgement of social responsibility impact.**
- *“We are here to get gold and our focus should be on providing support to our key operational end users- the Mining and Processing groups”*
- **No time or resources made available to effectively develop local MSMEs, who were unlikely ever to succeed in business without targeted support.**

# The LSCD unit- Purpose and responsibilities

## Purpose of the LS&CD unit:

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

## Responsibilities LS&CD unit:

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

# Less onerous initial requirements for local MSMEs

Requirements	National/ International company	Local company
Registration of business	Yes	Yes
Audited financial statements (3 years)	Yes	No
Safety Management Plan	Yes	No
Environment Management Plan	Yes	No
Insurance value for....	Yes	No
VAT registration	Yes	Not yet
IRS registration	Yes	Yes
SSNIT registration	Yes	Not yet
Labor certificate	Yes	Not yet
Tax clearance certificate	Yes	Not yet
Contractor safety and environmental audit	Yes	Not yet
Full compliance with PACI	Yes	Not fully

# Sectors reserved for local MSMEs.

<b>Trade</b>	<b>Tools, paints, soap and detergent, condoms, tarpulin, waste bins, wall clocks, building material, quarry dust, stone &amp; sand, farm inputs, items for Christmas hampers, PPE, stationery and office materials, cotton rags, MTN cards.</b>
<b>Maintenance Services</b>	<b>Sewage waste collection, potable water, light vehicle maintenance, tree felling, weeding &amp; bush clearing, car wash, cleaning of gutters.</b>
<b>Rental services</b>	<b>Light vehicle rental, heavy vehicle rental, sound services (microphone &amp; speakers)</b>
<b>Construction services</b>	<b>Bore holes, landscaping, stone pitching, building renovations, reshaping of roads, construction of community buildings, concrete slabs and cinder blocks.</b>
<b>Small industry</b>	<b>Jute mats, bamboo sticks, sign writing services, carpentry works, curtains &amp; maintenance of curtains, plastic sample bags, uniforms, metal fabrication, calico bags, wooden chocks.</b>
<b>Educational/training services</b>	<b>Driving lessons</b>
<b>Hospitality services</b>	<b>Accommodation, catering services, coffee breaks &amp; snacks, event organization.</b>
<b>Advertising services</b>	<b>Video coverage services, community announcements (blasted related), printing services and photography.</b>

# Initial difficulties and challenges

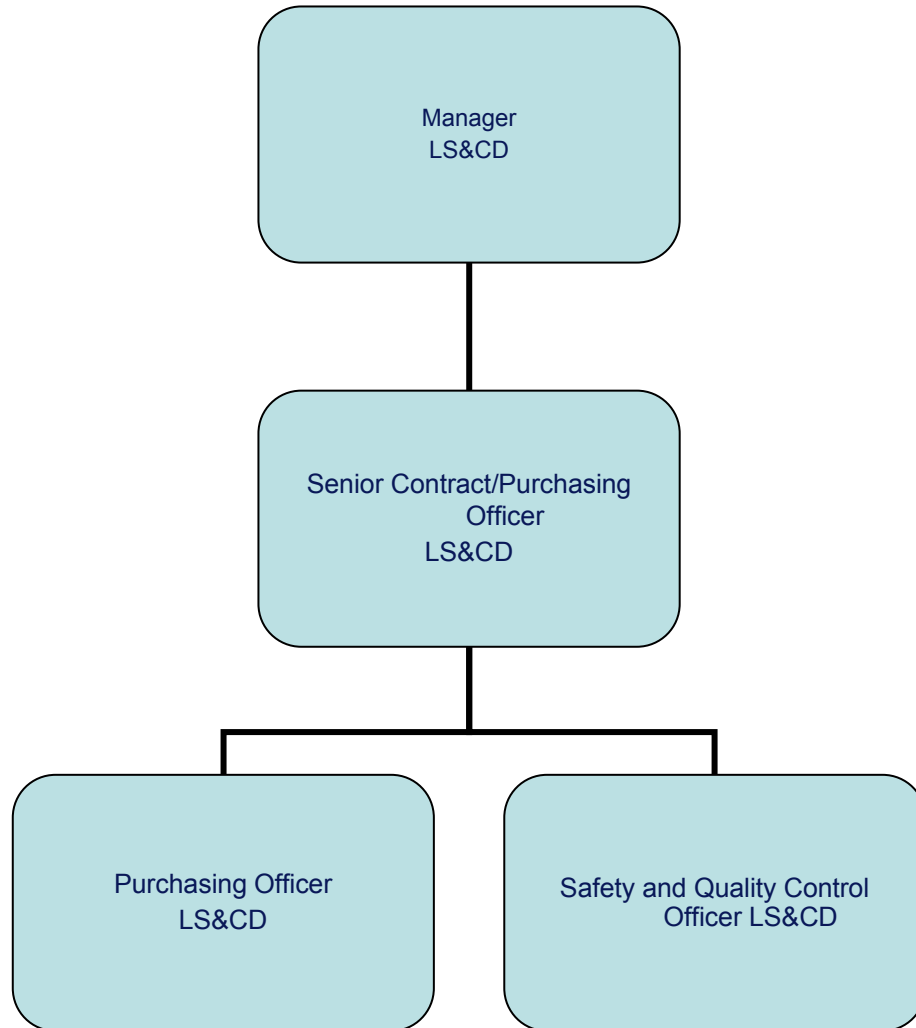
## Internal to NGGL:

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

## External to NGGL:

- Traditional mindset
- Expectations from local entrepreneurs.
- Performance of local entrepreneurs: volume, quality and competitive price.

# Internal changes and current organization chart



- **Only SCM personnel initially**
- **Move closer to SMEs performing in the field**
- **Need to add Safety and quality Control Officer to team (Construction and safety background)**

# Impact Indicators-LSCD unit

	2006 (Baseline)	2007	Jan – Dec 2008 (Target: US\$ 5.57 mill)	Jan-Dec 2009 (Target: US\$ 6.67 Mill)	Jan-Dec 2010 (Target: US\$7.10 Mill)	Jan.09-Dec.09 Total Employment
Amount of contracts awarded	\$1,718,949	\$4,182,654	\$ 4,668,403.91	\$5,717,816.12		Skilled- 330
Number of local MSMEs	25	52	125	99		Unskilled-109
Average annual amount per MSME	US\$ 68,758	US\$ 80,436	US\$ 37,347	\$57,755.72		Total- 439

# Lessons learned

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

## Scaling up

- **Development of Newmont's second mine in Ghana and early involvement by SCM –LS&CD unit**
- **Development of Local Sourcing Policy and Action plan by Newmont Ghana**
- **Similar Challenges as before on a larger scale**