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TOPIC GUIDE

Measurement and Reporting of Performance of Social Investment in Oil, Gas and Mining Companies

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It is aimed at providing general guidance on extractive companies' social investments for donors, companies and civil society. References are provided for further reading on the measuring and reporting of social investments covered by this guide.

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Abbreviations

ALP	Ahafo Linkage Programme
ASRF	Ahafo Social Responsibility Forum
CSR	Corporate Social Responsibility
DA	District Assembly
ESIA	Environmental and Social Impact Assessment
SIA	Social Impact Assessment
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GRI	Global Report Initiative
ICMM	International Council on Mining and Metal
IFC	International Finance Organisation
IPEICA	The global oil and gas industry association for environmental and social issues
M&E	Monitoring and Evaluation
MMSD	Mining, Minerals and Sustainable Development (MMSD) project
MSME	Micro, Small and Medium Enterprises
NADeF	Newmont Ahafo Development Foundation
NGGL	Newmont Ghana Gold Limited
NGO	Non-governmental Organisation
OECD	Organisation for Economic Cooperation and Development
OPM	Oxford Policy Management
SDC	Sustainable Development Committee
SI	Social Investment
SP	Social Performance
SLO	Social License to Operate
TA	Traditional Authority
TVET	Technical and Vocational Education and Training
UNDP	United Nations Development Programme

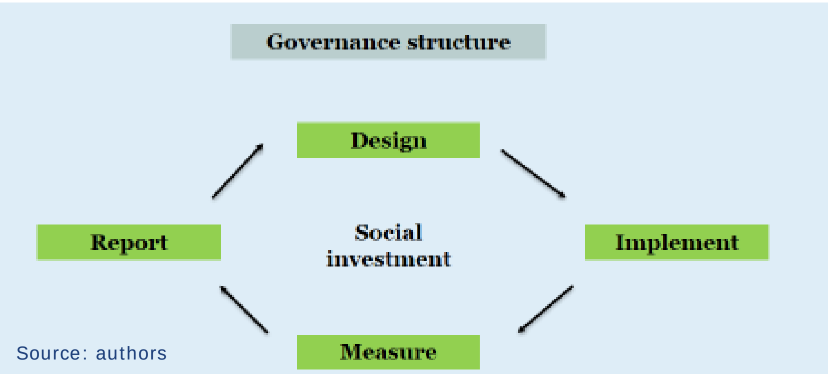
1 Introduction

The Topic Guide reviews approaches taken by mining, oil and gas companies in the measurement and reporting of their social investments. While the intended focus of the guide is to explore the measurement and reporting processes of one particular case study – the Newmont Ahafo Development Foundation (NADeF) – the guide expands beyond this to place the topic within a broader context in order to draw out lessons that are applicable to social investments more generally.

Firstly, the case study needs to be understood within the context of current trends and thinking around social investment within the extractives industries. The guide therefore defines key concepts, such as social performance, social investment and the social licence to operate, and outlines how the concepts relate to each other. It also explores how these concepts came about, as well as how they have evolved over time and where the trends seem to indicate they are heading towards. This provides the backdrop for understanding why companies carry out social investments and the implications this has for measurement and reporting.

Secondly, the case study does not focus exclusively on measurement and reporting of social investment. Lessons for measurement and reporting can only be drawn out, if the overarching governance structure and approach – i.e. the full cycle of a social investment activity, including design and implementation (see Figure 1) - is understood.

Figure 1: Social investment governance



Source: authors

The case study outlined in the guide provides useful insights into the implications for measurement and reporting that arise from the underlying objective of social investment, the governance structures put in place, and the approach taken to design and implementation. Broader conclusions are then drawn out based on the implications that the developments in social performance, social investment and social licence to operate have for measurement and reporting of social investments.

The remainder of the report is structured as follows:

Section 2 gives the background to understanding social performance and social investment, as well as setting out why companies dedicate funds and human resources toward social investment.

Section 3 provides a brief review of the key industry standards and guidelines that have been created for social performance and social investment.

Section 4 outlines a case study of the Newmont Ahafo Development Foundation (NADeF) – the main vehicle through which Newmont Ghana Gold Limited (NGGL) manages its social investments.

Section 5 offers reflections on the case study and its measuring and reporting, set in the broader context of the on-going developments in corporate social performance, social investment and the social licence to operate concept.

2 Understanding social investment in the context of broader social performance[1]

Corporate social investment (SI) is not a stand-alone activity. It is typically embedded within companies' social performance (SP), or corporate social responsibility (CSR) function.[2] This is a corporate function, governed by internal corporate policies and standards. It is not an add-on activity that companies pursue alongside and independent of their business activities. Prompted by companies' need to contribute more broadly to the developmental aspirations of the countries and communities in which they work, there is a trend towards corporate social investment reaching beyond what has commonly become known as the social performance remit. This section gives the background to understanding social performance and social investment, as well as setting out why companies dedicate funds and human resources toward social investment.

2.1 Social performance

There is no standardised definition for corporate social performance. However, this work area is integrally linked to corporate **sustainability** and seeks to ensure that a company's performance in the social sphere does not undermine its business objectives.

In the extractive industries, social performance has developed as a corporate profession alongside the sector's need to improve its environmental performance. Initially, this development was prompted by the environmental movement of the 1960s and 1970s pressuring governments to consider the environmental and social impacts of their decisions on investing directly or allowing investments in large-scale industrial activities. The increasing scale of extractive resources projects, funded by foreign investment and developed in lower income countries from the late 1980s and early 1990s, prompted an influential NGO campaign that built on the achievements of the earlier environmental movement. Gaining momentum around its 50th anniversary in 1994, this campaign successfully criticised the involvement of the World Bank Group in co-financing large-scale extractive projects in such countries. It prompted the development of the Equator Principles[3] and other global reporting initiatives, which set their attention on how companies ought to behave in relation to the communities they impact and how they should report on their behaviour.

As a consequence of this campaign and these initiatives, the World Bank Group revisited its earlier safeguarding policies throughout the late 1990s and early 2000s, developing its so-called *'Do No Harm'* practices. In 2006, the Group's International Finance Corporation (IFC) introduced its more comprehensive Environmental and Social Performance Standards (referred to as the **IFC Performance Standards**). Many international extractive industry companies have since adopted these standards as the benchmark for their own internal environmental and social performance standards (Kunanayagam and Dietsche, 2014).

Neither the IFC Performance Standards nor the various corporate standards referencing them are static documents. Following an 18-month consultation process, the IFC's most recent update was introduced in January 2012, placing the standards within an

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[1] In order to place the social performance trends into a broader context of the macro-level negative impacts associated large extractives companies, see Dietsche (2014) and Kemp and Owen (2013).

[2] The trend has been to phase out 'corporate social responsibility' and to replace this somewhat dated term with the two concepts 'social performance' and 'social license to operate'.

[3] The 'Equator Principles' were developed as a framework used by financial institutions for assessing and managing environmental and social risk in projects that they consider providing finance for. Since 2006, the Equator Principles essentially require corporate compliance with the IFC Performance Standards, thus incentivising corporates to adhere to these standards as a requirement for accessing finance.

overarching strategic **IFC Sustainability Framework**.[4] A key aspect of this revision was updating the earlier standards with the implications of the conclusions reached by the UN Special Representative on Human Rights, Professor John Ruggie, on the corporate obligation to respect Human Rights in the countries and localities where they work, including ensuring that its supply chain also respects Human Rights (UN 2012).

Box 1 shows the eight areas currently covered by the IFC Performance Standards. These provide a high-level reference point for what is required to identify the environmental and social risks and impacts of individual projects, as well as providing some guidance on how to avoid, mitigate and manage these for socially and environmentally sustainable operations. The breadth of the eight standards indicates the specific areas where companies and their investment projects interact with and impact upon their surrounding environments, both social and natural. Notably, the first standard is overarching, outlining how to assess and manage risks and impacts, with the remaining seven standards focusing on particular areas of impact that require specialist attention. These cover both environmental sustainability (e.g. pollution prevention; and biodiversity conservation) and social sustainability (e.g. ensuring good labour practices and working conditions; community health, safety and security; involuntary resettlement; indigenous peoples; and cultural heritage).

Box 1: The eight IFC Performance Standards

1. Assessment and Management of Environmental and Social Risks and Impacts
2. Labour and Working Conditions
3. Resource Efficiency and Pollution Prevention
4. Community Health, Safety and Security
5. Land Acquisition and Involuntary Resettlement
6. Biodiversity Conservation and Sustainable Management of Living Natural Resources
7. Indigenous Peoples
8. Cultural Heritage

Source: IFC Performance Standards (2012)

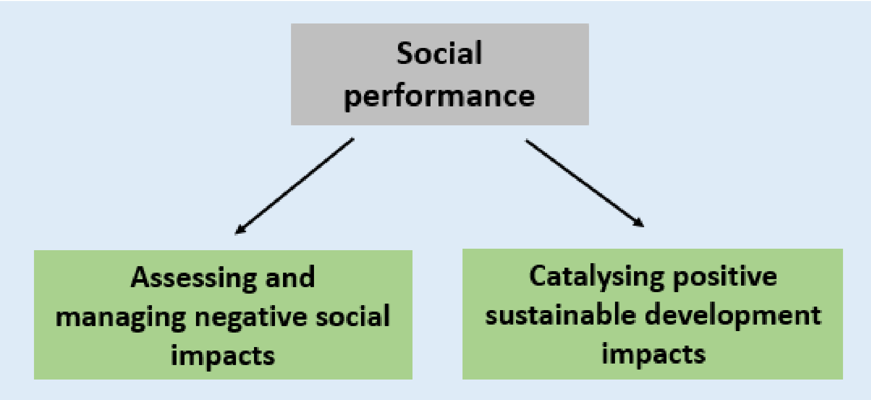
The IFC Performance Standards provide not only a critical reference point, but also the foundation for corporate environmental and social performance. However, their emphasis on assessing, mitigating and managing negative impacts on the environment and on local communities provides too narrow a remit for ensuring corporate sustainability. Thus, corporate social performance typically includes another key element:

- **Catalysing positive sustainable development impacts**, including in the form of strategic social investment or by catalysing broader socio-economic developments that enable communities and host countries to better seize the opportunities and mitigate the macro-level negative impacts that can be associated with large-scale extractive projects.

Figure 2 shows the two key components of corporate social performance.

[4] The Equator Principles have again aligned with the revised IFC Standards, thus continuing to require companies that seek project financing from an Equator bank to comply with these.

Figure 2: Key components of corporate social performance



Source: authors

Companies vary significantly in their organisational set-ups and cultures. Thus, every company has its own policies, standards and guidelines that set out what they respectively consider as the remit of corporate social performance. Corporate culture and organisational set-up also determine where and how other corporate functions and areas of responsibilities complement the remit of social performance, for example environment, safety, human resources or procurement. In addition, the social performance remit may vary depending on the specific country and community context within which specific extractive projects are developed. For example, developing an operation in a remote area in a low-income country with unclear property rights and a weak regulatory environment but high national and local level expectations about immediate positive benefits creates considerable and crosscutting sustainability challenges. In turn, expanding an operation in an existing extractive resources region in a comprehensively and consistently regulated industrialised country would be expected to pose fewer sustainability and social performance challenges.

Companies report on their social performance as part of their sustainability (or CSR) reporting. Third parties may provide assurance on the validity of such reporting. Corporate reporting is benchmarked against various international reporting standards, including the ICMM's Sustainable Development Principles and the GRI (see Section 3.1).

Key tools for delivering on corporate social performance standards include conducting social baseline and social impact assessments.

- **Social baseline assessments** are typically conducted to provide a snapshot in time on the conditions that prevailed in an area before any project activities are undertaken. Box 2 explains this tool in greater detail.

- **Social impact assessments** (SIAs) build on social baselines and involve the systematic examination of the likely impacts of any planned exploration, project development or resource production activities on the surrounding communities. Box 3 provides references for further information on such assessments.

SIAs would typically form the basis for putting in place a comprehensive and forward rolling **Social Performance Management Plan** that seeks to mitigate and manage the identified impacts over the project lifecycle. Depending on the complexity of a project and the country and community context within which it is located, such a plan is likely to involve various sub-management plans, which could include a social investment management plan. Again, every company has its own internal governance framework to ensure these plans are being implemented effectively and are kept current as a project evolves. This includes tracking and periodically updating social baseline information

Box 2: Social baselines

According to Macdonald and Schloeffel (2011), social baselines are intended to provide a snapshot of a project's setting at an early stage of its development, so that future changes may be measured against this earlier situation. Good practice warrants that certain indicators are selected from baseline assessments to track and monitor changes to these at regular intervals. Typically, such indicators will include data on population, health, education, income and employment. Additional indicators may also be chosen, depending on the particular feature of the location and the surrounding area where a project is situated. Social baseline data may also be used to assess the effectiveness of the company's impact mitigation and compensation activities and its social investment activities.

In broad terms, a social baseline assessment may cover the following topics (based on ICMM (2012) Tool:

- **Demographic factors** - Numbers of people, their location, population density, gender, age, ethnicity etc.
- **Socio-economic determinants** - Factors affecting incomes and productivity for both women and men, land tenure, access to productive inputs and markets, family composition, kinship reciprocity, and access to wage opportunities and labour migration.
- **Social organization** - Organisation and capacity at the household and community levels affecting participation in local-level institutions as well as local decision-making processes and access to services and information for both women and men.
- **Economic organization** – Local and regional businesses and commercial structures, infrastructure supporting economic activity, government and other economic/industrial development plans for the area.
- **Socio-political context** - Stakeholder organisations' development goals, priorities, commitment to development objectives, control over resources, experience, and relationship with other stakeholder groups, including women, youth, minorities, elderly and disabled people.
- **Historical context** – Historical issues and events e.g. migration, relocation etc.
- **Needs and values** - Stakeholder attitudes and values determining whether development interventions are needed and wanted, appropriate incentives for change, and capacity of stakeholders to manage the process of change.
- **Human rights context** – Prevailing human rights issues, status of women, minorities, vulnerable groups and political risks etc.
- **Institutions** - Role, governance, resources and capacities of local institutions as well as the regulatory framework.
- **Cultural background** – Cultural norms and practices (intangible cultural heritage) and places and objects of high cultural value (tangible cultural heritage).

The information gathered for baseline assessments typically includes both quantitative and qualitative data, collected by means of interviews and focus group discussions. As much as possible, data collected is disaggregated by gender and also according to other local characteristics, such as ethnicity or faith, if it is culturally appropriate to ask such questions. Vulnerable social groups, including the elderly, disabled or other socio-economically disadvantaged groups, are also considered. Highly specialised studies like health and cultural heritage baselines may be done separately. However, comprehensive assessments that combine and integrate various detailed topics are not unusual.

Source: Summarised from Macdonald and Schloeffel (2011), pp. 51-2

SIAs are conducted before any resource exploration and production activities are carries out. They serve the purpose of providing a documented understanding of the potential impacts of corporate activities. Reflecting the IFC Performance Standards, they typically include an assessment of the potential adverse impacts of these activities on community health, safety and security and of the potential for involuntary physical and economic resettlement as well as potential impacts on Indigenous Peoples and cultural heritage. Such assessments also determine whether specialist studies need to be conducted to understand specific risks and they capture the potential for cumulative impacts, or for impacts resulting from the construction or operation of associated facilities. Social impact assessments should also identify mitigation measures for the negative impacts as well as for creating or enhancing the socio-economic and broader sustainable development opportunities that could from positive impacts. A recent development is the integration of Human Rights aspects into impact assessments (see Kemp and Vanclay, 2013).

Ideally, the documented understanding of potential impacts and risks contained in SIAs should inform considerations in the selection of site as well as the technical and managerial approach taken to developing and operating production and processing facilities and related infrastructure. This requires (often difficult) decisions on trade-offs that are being made outside the corporate social performance or corporate social responsibility functions that conduct the assessment.[5]

Box 3: Resources on Social Impact Assessments

- A range of resources is available on the website of The International Association of Impact Assessment (IAIA): http://www.iaia.org/default.aspx.
- The IAIA also publishes the relevant, peer-reviewed journal Impact Assessment and Project Appraisal. Another relevant, peer-reviewed journal is *The Extractive Industries and Society,* published by Elsevier.
- The SIA Hub provides a comprehensive list of references for various aspects of social impact assessment: http://www.socialimpactassessment.com/resources-references.asp
- An edited volume by Vanclay and Esteves (2011) has brought together a diverse set of contributions from SP professionals and academics.
- Selected industry guidance documents includes:
  - ICMM. (2012). Community Development Toolkit.
  - ICMM. (2010). Good Practice Guidance on Health Impact Assessment.
  - ICMM. (2010). Good Practice Guide: Indigenous Peoples and Mining.
  - IFC. (2009). Projects and People: a Handbook for Addressing Project-Induced Migration, Washington, DC.
  - IFC. (2010). Guide to Human Rights Impact Assessment and Management, Washington, DC.
  - IPIECA. (2004). An IPIECA Guide to Social Impact Assessment in the Oil and Gas Industry.

Source: authors

Social impact assessments are often carried out as part of an integrated **Environmental and Social Impact Assessment** (ESIA), Integrated ESIAs have increasingly been made a regulatory requirement for the granting of licences and permits. Regulation may also prescribe the geographical scope for such assessments. For example, with respect to the Brazilian oil and gas sector, this scope covers the potential oil spill area. In such cases, companies have to consider whether this scope is appropriate for the type of impacts their planned project may have, and whether they would want to expand upon this scope. For example, potential inward migratory movements may not align with the oil spill area.

Some industry observers have raised the concern that the regulatory requirement for ESIAs has led to a deterioration in their quality and how they are conducted. They have become to be seen as a regulatory tick-boxing exercise, rather than a risk assessment and management tool on the basis of which companies can meaningfully communicate and engage with impacted stakeholders (Vanclay and Esteves, 2011). Recent research has proposed that the regulatory development has led to compliance driven reporting and audit culture that is perceived as an exercise to produce performance data to measure risks (Kemp et al, 2012; Rees et al, 2012), at the expense of such assessments being used to work through collaborative processes, where companies, governments, civil

[5] For a discussion on these internal challenges Kemp and Owen (2013) and Davis and Franks (2014).

society organisations and local communities jointly create public value (Owen and Kemp, 2013). In practice, companies may conduct ESIAs to serve the purposes of applying for licences and permits, but alongside they may have their internal social impact assessments, guiding the management of the identified social performance risks and informing their annual social performance management plans as well as the documentation of progress achieved against these.

An observation, based on insights gained from the ICMM's application of the Mining: Partnerships for Development toolkit (ICMM, 2011) is that companies have typically not linked local social baseline and impact assessments with the national-level macro-economic and political-economic aspects of extractive industry development. Thus, they have poorly predicated how local-level project impacts may impact regional and national level development and policy dynamics. An observation arising from this work is that social baselines and impact assessments have been weak on capturing the fuller macro-economic and institutional governance structures of the country within which projects and the communities surrounding a project are embedded. This is an area under development for a new generation of innovative social baseline and impact assessments that seeks to integrate the micro-level assessment of project impacts with a more macro-level focused socio-economic impact assessment.

2.2 Social investment

Corporate social investment typically refers to additional investments that companies make to **catalyse positive sustainable development impacts.** They often involve community investments or other forms of CSR spending. Again, there is no unified definition. Box 4 provides examples of some of the definitions used by different companies and organisations.

Box 4: Examples of corporate definitions for social investment

Anglo American: Social investments are contributions (monetary, staff time or gifts in kind) that bring benefits to communities over and above an operation's core activities.

BG Group: Social investment refers to contributions made by BG Group businesses to impacted and neighbouring communities and/or disadvantaged groups in wider society. Social investment shall be conducted in a way that it: (i) creates benefits for these groups over and above the benefits available through standard project and operational expenditure; (ii) assists target beneficiaries to meet their development priorities; and (iii) contributes to the ability of the Group or Asset to meet its business objectives.

IPIECA: Social investment programmes are voluntary contributions companies make to the communities and broader societies where they operate, with the objective of mutually benefiting external stakeholders, typically through the transfer of skills or resources, and the company.

IFC: Strategic community investment is defined as voluntary contributions or actions by companies to help communities in their areas of operation address their development priorities, and take advantage of opportunities created by private investment—in ways that are sustainable and support business objectives.

Source: Organisational websites

For the purpose of this Topic Guide, **social investment** is defined as any *additional voluntary investments that companies make to generate broader benefits in their host communities and/or their host countries.* This has two implications. First, in relation to Figure 2 above, social investment is part of the second key component of social performance, i.e. catalysing positive sustainable development impacts. Second, any investments seeking to mitigate the negative impacts arising from a project are not considered social investments, nor are investments that are undertaken as a result of a mandatory requirement.

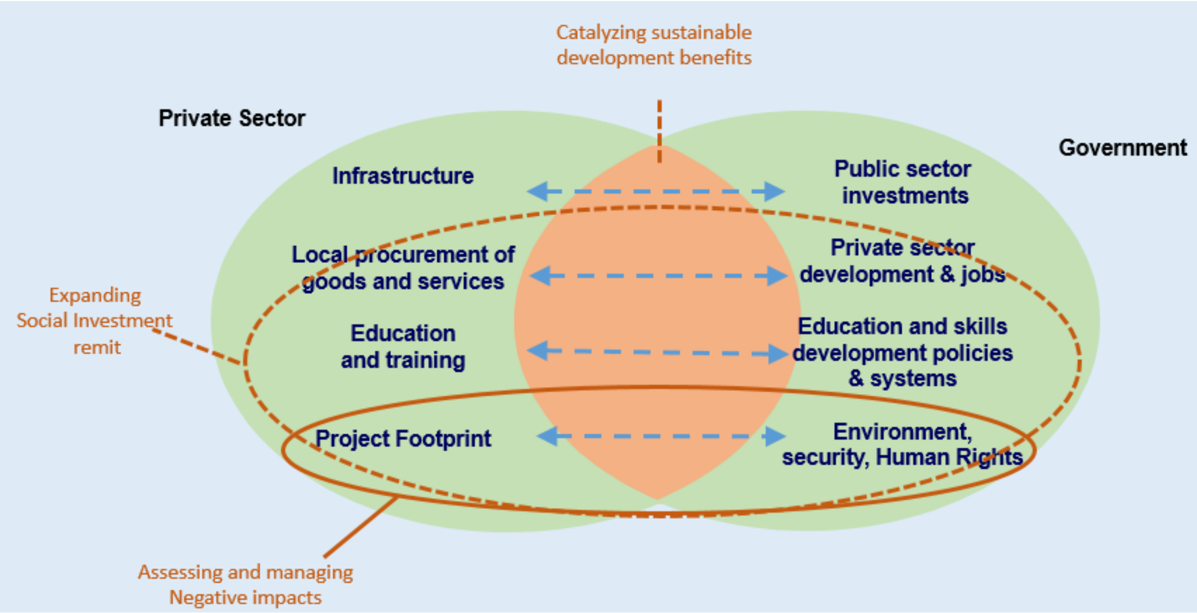
This distinction is important, because it focuses attention on the beneficiaries of the social investment spending, as opposed to focusing on the type of activities undertaken or the form in which the spending is delivered. For example, a livelihoods project that benefits and compensates individuals who have experienced a direct negative shock as a result of a particular project (e.g. those who have lost farm land to a mining concession area) would not be considered social investment because it is a social performance impact mitigation activity. However, a similar livelihoods project would be considered social investment if it focuses on a neighbouring community as a whole, or perhaps a subset of beneficiaries from that community, such as youth, women, or other more vulnerable socio-economic groups not directly impacted by the extractive activity.

Two trends have been observed in recent years:

- More countries have been *mandating* social investment as a form of quasi-taxation. In these cases, companies have limited influence over how or on what such investments should be expended. McNab et al (2012) have documented this trend and have identified 12 jurisdictions where some form of mandatory requirement for social investment has already been introduced, or will be introduced in the near future. These cases vary with respect to the extent to which companies retain some level of influence over how their financial contributions are utilized. Since these payments are mandatory they are not classed as social investments according to this report's definition.
- Social investment is becoming more strategic and, depending on one's viewpoint, is moving beyond or expanding the remit of social performance as defined by the benchmarked IFC Performance Standards.

Building on a graph illustrating the space where government policies overlap with private sector contributions, Figure 3 indicates how strategic social investment is moving beyond or expanding the conventional remit of social performance.

Figure 3: Social investment remit



Source: OPM and authors

This development has triggered a lively debate amongst the sector's professionals about how strategic social investment should be taken forward, in particular whether they should embrace the development approach and 'reach out' even more to their host nations and communities beyond the remit of their core business, or whether they should be 'reaching in', helping to create shared value by better connecting their business objectives with the development aspirations of host countries and communities (see Section 2.3).

Box 5 summarises the evolution of corporate social investment and identifies the direction in which this debate appears to be heading.

Box 5: Evolution of Social Investment

Corporate social investment has undergone several phases, starting back in the 1970s when the industry responded to external pressure with voluntary and self-regulated CSR. The initial phase saw a **paternalistic** response. Companies resumed a quasi-governmental role in providing comprehensive packages of (public) goods and services to their workers and surrounding communities and enclave mining towns became islands of relative prosperity in the midst of poverty. The problem with this approach was that it is unsustainable beyond the life of the project and is vulnerable to the cyclical nature of the sector: during periods of downturn, these public goods and services become vulnerable to cost cuts.

The second phase has embraced **philanthropy**, where social investment has been framed around the notion of 'giving something back to society' in return for the economic opportunities companies are able to capture. Corporate philanthropy in the extractive sector has seen the provision of donations and sponsorships to a range of small-scale, feel-good projects that are also used to support public relations. The challenge of small-scale philanthropy is its short-term approach to managing social risks, which does not generate sustainable benefits to its beneficiaries. Although the philanthropic approach still prevails among some companies, it is incomparable with the large-scale strategic grant making of philanthropic organisations that really can make a visible mark in the space of global research and public policies. For example, these organisations include the Ford Foundation, the Gates Foundation, the Vale Foundation, the Aga Khan Foundation and the Open Society Institute. It is beyond the scope of this study to explore the role of corporate foundations, but these have played a significant part in determining the evolution of social investment.

A third approach has evolved against the background of the awareness raised since the late 1990s, that large-scale extractives projects are not necessarily benefiting host countries and communities. Pressure exerted at the international, the host country and the local level to do more to deliver positive sustainable development impacts has supported a **developmental approach**, whereby companies seek to support economic and social development by stepping in for governments and their public agencies to provide public goods and services to local communities and beyond. This has typically led to social investments in areas such as implementing malaria or HIV initiatives, livelihoods programmes, construction of schools or health clinics, or investments in local government capacity building. This approach has seen companies resuming the role of quasi-development agencies, getting involved in a wide range of issues while not directly controlling these, as was the case under the earlier, paternalistic response. The challenges for this approach are, not only the cyclical nature of the sector and the unsustainability of this approach beyond the project lifecycle, but also that companies ultimately cannot act as a substitute where public policies and public agencies are failing. In addition, companies stepping into the role of governments and public agencies also allow the latter to abdicate their responsibility for the delivery of public goods and services, thus it undermines the accountability of governments to their citizens.[6] (See also section 2.3).

The most recent approach to social investment tries to be more strategic and aimed at **creating shared value,** linking the social with the economic, and local constituencies with business. The creating shared value approach aims to create greater alignment between business and host country and communities' development objectives through the development of operating practices that simultaneously enhance profitability while improving economic and social conditions for communities. An often-quoted proposition is that of Porter and Kramer (2013)[7], outlining three 'opportunity categories' for creating shared value: reconceiving products and markets; redefining productivity in the value chain; and enabling local cluster development. The latter two categories offer possibilities for the extractive industries through the creation of local skills and enterprises and the creation of well-functioning local economies and infrastructure. The strategic social investment undertaken in a shared value framework have a more direct link back to core business performance and focus on areas that are likely to improve productivity, decrease operational costs or stabilise the business environment. These include investments in areas such as supplier development or skills development initiatives. Due to the nature of these investments, there are wider benefits generated for host countries and communities through the positive externalities that enhanced skills, additional employment and enhanced local supplier capacity generate (See also Figure 3).

Source: Kunanayagam and Dietsche (2014), authors

[6] See, for example, findings of the ICMM's case study on Zambia (ICMM, 2014). For a broader argument see Karnani (2010).

[7] For a critique of Porter and Kramer's unwarranted claim to have introduced radically new thinking see Beschorner (2013).

Despite the lessons learned at the global corporate level, at the operational level all four approaches to social investment described in Box 4 can be found, varying not only between companies but also between different assets or projects of the same company. As with social performance more generally, differences in corporate culture and organisational set-ups determine whether strategic decisions on social investment are primarily driven from corporate centres, or whether these decisions are primarily left to country operations. Usually, the headquarter-level social performance or equivalent function would at least set some guidance. However, even where overarching social investment decisions are centralised, companies experience variations in the quality of social investment that can be delivered at the project operational level.

Several positive developments have been observed regarding social investment focused on local communities. First, there has been a shift away from investment in 'hard' infrastructure towards 'soft' investments, for example in support of livelihoods programmes, skills development or capacity building. Second, social investment decisions have become less top-down, now involving more bottom-up processes where communities are engaged in the decision-making. Third, moving away from directly delivering social investment, companies are partnering with international and local delivery partners. Fourth, companies no longer seek to avoid local government authorities but they are working harder to actively invest in capacity building for local government (IPIECA, 2008). Finally, the past decade has seen the professionalization of social investment as well as a considerable increase in corporate reporting on social investment, even though there is no standard template for such reporting.[8]

Trends can also be seen in the development of strategic global themes for shared value. Companies in both the mining and the oil and gas industries are increasingly reorienting their social investments to focus on a few priority areas that capitalise on their core skills and that jointly generate benefits directly for business as well as for host communities and nations. These include investments in areas such as enterprise development or skills investments to support increased local content in supply chains and increase the qualified local labour pool. Strategic social investments in these areas drive down costs while also contributing to socio-economic development in host communities.

In summary, social investment is an important aspect of corporate social performance but is only one component of it. Therefore, it forms but one part of corporate social performance reporting. However, there is a trend towards strategic social investment that seeks to create shared value where the needs of host countries and communities overlap with corporate business interests. Corporate professionals see such social investment not as a substitute for solid social performance, but a new development that reaches over and above solid social performance. Such social investment contributes to corporate sustainability and thus to company's social licence to operate – a concept that is explained in the next sub-section.

2.3 Social licence to operate

Another important concept is that of the 'social licence to operate' (SLO). The term was first coined by Jim Cooney[9] in 1997 in the context of assessing corporate political risks and has become embedded in industry vernacular over the last decade. The term was used to refer the quality of the relationship between a mining project and its host community. Much like social performance and social investment, there is no single definition for a social licence to operate. The term tends to refer to the levels of acceptance that host communities (and host countries) show towards any particular project or

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[8] Note that some companies report social investment as part of their reporting on payments to governments. The underlying definitions vary respective what is included in such input reporting, for example whether or not mandatory social investment is included.

[9] At the time, senior executive with Placer Dome, a Canadian mining company that was bought by Barrick Gold in 2006.

operation. A company is deemed to have a social licence to operate if it has gained and maintained broad-based approval from local and/or national stakeholders (communities, government, traditional leadership, NGOs) for their operations.

Social licence to operate is a much broader concept than social performance, because it is intrinsically tied to the broader governance systems of, and challenges faced by, host countries. Although a company may have been granted a formal legal licence to explore, develop or produce resources in a particular geographical area, this does not necessarily mean that this legal right is viewed as legitimate by stakeholders more broadly, or by some specific but (for various reasons) critical stakeholder groups. In many countries formal legal rights granted by governments cannot be assumed to also include a social licence. This is fundamentally a problem reflecting the broader legitimacy (or absence thereof) of the policy decision-making environment of national government and its relevant sector ministry, and the inclusiveness or comprehensiveness of its decisions[10]. For example, the licencing decisions made by the sector ministry and endorsed by the national government may counter the interests of communities who are dependent on other forms of economic activities (e.g. agriculture), but have not been (or insufficiently) involved in the licencing decisions that bear consequences for them. A social licence is not fixed, as public consent can fluctuate depending on circumstances, including the psychological dimension coming into force that immediate losses are valued more than potential future gains. Establishing a social licence to operate therefore involves an ongoing process of negotiation, where building relationships and trust are critical.

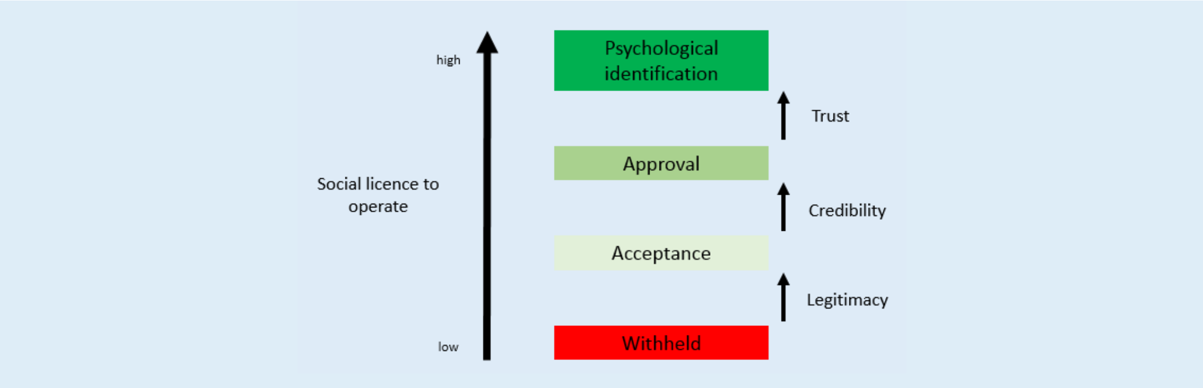
Challenges concerning the SLO are characteristic for country contexts, where it cannot be assumed that national government decisions – often driven by the need to attract foreign investment – are back by a political-administrative system that ensures that the socio-economic and environmental concerns, aspirations and needs of local communities are looked after and respective trade-offs decisions have already been factored into the national government decision making. However, serious SLO challenges can also feature in OECD countries and in emerging market economies, in particular where extractive activities affect disadvantaged social groups. An interesting approach that Australia and Canada have adopted is to put in place national-level legislation that tasks companies with the responsibility to gain a social licence from Indigenous Peoples. Hence, it is understood that licences and permissions granted by these countries' respective public authorities do not necessarily include consent by affected Indigenous Peoples and that therefore companies have to build relationships and negotiate separately with these parties.

The strength of the SLO may exist on a spectrum and ranges, from feelings of passive acceptance to a perception of genuinely shared value. Figure 4 shows a model proposed by Boutilier and Thomson (2011), which distinguishes between four levels of social licence. At the bottom of the scale, a social licence can be withheld, if operations are not seen as legitimate). At the next level, it can be accepted, if operations are seen as legitimate. Third, a social licence can be given approval, if a company's credibility is established. And finally, it can increase to the level of 'psychological identification', if sufficiently high levels of trust are reached.

These authors also outline what they believe to be the four key areas of the social licence: (1) *economic legitimacy*, when communities feel they gain from the presence of a project; (2) socio-political legitimacy, when communities feel that a project improves well-being, respects their way of life, meets expectations and acts fairly; (3) interactional trust, when communities feel that management listens, engages in dialogue and keeps promises; and (4) institutionalised trust, a trust established over the longer term through multiple interactions. Their research has found that the most culturally embedded of these concepts, i.e. socio-political legitimacy, is the most difficult of the dimensions to attain. This highlights the importance of understanding not only the cultural, but also the socio-political and political-administrative context of an operation.

[10] See Morrison (2014) for a full and empirically researched discussion, contrasting social licence to CSR.

Figure 4: Boutilier and Thomson's model of degrees of social licence



Source: Boutilier and Thomson (2011)

Gaining this more informal 'licence' is just as important as securing the legal rights to operate in a region. Aside from showing respect for the rights of those who are to be impacted by the existence of the project, a lack of acceptance by affected communities and stakeholders generates risks in both the short and long term for companies. The lack of a social licence can lead to demonstrations, vandalism, disputes, strikes and other forms of social conflict. All of these are costly and can have a negative impact on future operations – such as causing delays or even temporary closures for existing operations and damaging reputations. More importantly though, the lack of a social licence is merely a symptom of a more important underlying problem – a lack of trust among host affected communities and stakeholders that can lead to far greater operational risks over the long term (including potential changes in mineral legislation that may revoke the formal legal rights originally obtained).

A social licence is only gained through developing trust and maintaining good relationships with local stakeholders and understanding the local environment. It requires that companies are sensitive to and respect local cultural norms, understand the socio-political and political-administrative context, communicate with local communities, set realistic expectations, ensure that negative impacts are minimised, put effective grievance mechanisms in place and, importantly, ensure that local communities and stakeholders can see benefits generated by an operation. Thus, while good social performance is key to gaining a SLO, it is not sufficient. Several other corporate functions also have a critical role to play. For example, a negative environmental impact (such as a spill that affects drinking water in a local community) will quickly change a community's perceptions and acceptance of a project. As can be seen from Figure 3 , for the delivery of benefits to local communities and stakeholders, the more technical functions of companies are also called for and this is where there is overlap with the social performance remit that focuses on catalysing sustainable development benefits and where social investment has a role to play. It is to no surprise therefore, that the debate on how best to achieve a social licence to operate has developed alongside the debates on the appropriate approach to social investment.

There is little disagreement over some of the fundamental principles, e.g. that building a social licence is an exercise in building relationships and generating trust through a highly context-specific and on-going process, where generic templates and toolkits are of some but limited use.[11] There is, however, disagreement over the *means* through which the social licence is best secured. Some advocate more 'outreach' through the *developmental approach* to the delivery of social investment[12],i.e. seeking to enhance socio-economic and human development in surrounding regions regardless of whether these relate to core business activities (see Box 4). Others advocate for a more of an 'in-reach'-based approach, whereby companies prioritise core business-linked activities that simultaneously

[11] See for example Prno (2013), Harvey (2013) and Owen and Kemp (2012) and Porter (2013).

[12] See for example Owen and Kemp (2012) and ICMM (2013).

generate positive business and societal outcomes, while also generating positive behavioural change across the whole of the corporate organisation. The arguments for more 'in-reach' focus on *shared value creation* and *strategic social investment*.[13] Its proponents critique the developmental approach for blurring the boundaries between companies, governments and their public authorities and communities, which also blurs the accountability relationships and allows governments to abdicate their responsibility to continuously improve their governance systems. There is the concern that 'out-reach' generates unsustainable dependency and indebtedness, and that it expects extractives companies to emulate the role of development agencies - a role they cannot play well and therefore are frequently unsuccessful in delivering (Harvey, 2013). In contrast, a shared value approach emphasises that business-driven contributions to local development aligns the interests of the company, local communities and other host country constituencies (e.g. the host country's private sector) in a way that not only generates higher levels of interaction and trust, but also catalyses broader positive externalities that support sustainable development impacts and improves host-countries' socio-economic performance.

Underlying both arguments are common elements at the core of successfully gaining SLO: that companies have to learn about and listen to the societies and communities in which they work and understand their development aspirations and their socio-cultural values, and engage with stakeholders, learn about societies and communities development aspirations, and they have to see them as partners to collaborate with, and not as passive recipients of sponsorships and donations. In this context, social investment is about catalysing positive sustainable development impacts.

[13] See for example Harvey and Bice (2014).

3 Existing guidelines and standards

This section provides a brief review of the key international industry standards and guidelines that have been created for social performance and social investment:

- Standards state what is required of companies to claim compliance, with compliance required if companies want to remain members of industry bodies and if they want to secure project finance from banks adopting the Equator Principles. Some types of shareholders also expect compliance.
- Guidelines are voluntary and have been developed to offer practical guidance for developing and implementing internal policies, standards and practices.

Industry standards have been developed for the management of social performance (both the approach to and reporting of). There are no standards for social investment, but a variety of industry guidelines have been produced to provide practical guidance on how to approach social investment design, implementation, measurement and reporting. Guidelines have also been produced highlighting best practice and providing practical guidance on how to approach social performance generally.

3.1 Social performance

The most important industry standards for social performance are the **IFC performance standards**. These have been adopted by most extractives companies as an operating framework for social performance management (see Section 2 for more details). The fact that compliance with the IFC performance standards has become a requirement for securing project finance and is called for by some types of shareholders provides strong incentives for adherence.

The last two decades have also seen the development of a variety of reporting initiatives in the area of social performance and sustainability. Notably, member companies of the International Council for Mining and Metals (ICMM) are required to report against the **ICMM's 10 Sustainable Development Principles**[14], which this industry body developed early in 2003. Members' adherence to these principles is third party assured; thus it is a mandatory requirement for companies' ICMM membership.

One of the most influential reporting initiatives for the extractives sectors has been the **Global Reporting Initiative** (GRI). GRI guidelines are a set of standards for sustainability reporting with sector-specific ('G4') guidelines for different sectors. The G4 mining and metals sector guidelines have been officially adopted by member companies of the ICMM. All member mining companies are required to report sustainability issues in line with these guidelines. By contrast, in the oil and gas sector there is no equivalent collective discipline. Instead, reporting is done on a voluntary basis. IPIECA has provided some guidance in this area (see 'Oil and gas industry guidance on voluntary sustainability reporting' produced in 2010), and the GRI has developed sector-specific guidelines for sustainability reporting for the oil and gas sector. Based on the industry interviews that have informed this document, the guidelines available to industry provide sufficient guidance to companies to enable them to develop their own tailored reporting models that outline key information on social performance annually at a group level. Uptake in the mining industry of the GRI is higher than the oil and gas sector as a result of the formal ICMM member commitment to this reporting initiative.

[14] These principles resulted from the Mining, Minerals and Sustainable Development (MMSD) project, conducted between 2000 and 2002, to inform the mining industry how the mining and minerals sector could contribute to the global transition to sustainable development.

3.2 Social investment

No standards exist for social investment, but a number of guidelines have been created. These guidelines cover all aspects of social investment – from overarching principles for good social investment practice to decision making, design, implementation, measurement and reporting. Some of the most important industry guidelines include:

- **IPIECA Guide to successful, sustainable social investment**. The first version of the guide was developed in 2008. IPIECA is currently consulting with industry to update the guide. It provides guidance on all aspects of social investment: key issues to consider before starting a social investment programme, programmatic decisions, implementation strategies, incorporating sustainability into programmes, and how to develop Key Performance Indicators to measure success.
- **ICMM Community Development Toolkit**. The toolkit was first developed in 2005 and updated in 2012. The toolkit outlines 20 tools for understanding communities, planning and managing community development activities, building constructive relationships, and monitoring and evaluating development programmes.
- **ICMM Mining: Partnerships for Development Toolkit**. This toolkit was issued in 2011 and built on several country case studies that connected the negative and positive experiences of individual mines to local, regional and national-level development outcomes. Although this toolkit has been set out to focus on undertaking an ex-post evaluation of the positive and negative effects at all of these three levels, some of its modules can be tailored to undertake ex-ante macro-level impact assessments to identify opportunities for strategic social investment.
- **IFC Strategic Community Investment – A good practice handbook for companies doing business in emerging markets.** The guide was published in 2010. Two versions are currently available – a full version with comprehensive guidance and a 'quick guide' summary version. The handbook provides companies with advice on how to think strategically about how they can support community investment programs that are successful, sustainable, and consistent with business objectives. Much of the guide focuses on the key elements of setting up successful social investments. The two final chapters focus on implementation, and measurement and communication for social investments.
- **Country level guidelines -** In addition to the above international industry guidelines there are country-level industry body guidelines, for example those issued by the Minerals Council of Australia (2014).

Unlike the IFC Performance Standards or the GRI's minerals and metals guidelines endorsed by the ICMM, the above guidance on the development, implementation, measurement, and reporting of social investments is entirely voluntary. This not least, because social investment falls within the second key component of social performance, i.e. catalysing positive sustainable development impacts, as shown in Figure 2. The guidelines are set up as a reference point for companies when they are thinking about how to approach social investment programmes and initiatives.

The uptake of these guidelines has varied. Where they are used, they are more likely to be used by social performance teams at headquarters as a point of reference for developing internal policies, standards and guidelines that set out the approach individual country and project teams can take. In other words, although there are no external standards on social investment, companies have internal standards that individual country and project teams have to apply. Thus, at the operational level, the main reference point for teams working on social investments are the internal policies, standards and guidelines. The key informant interviews conducted with industry representatives for this topic key identified the key challenge that companies face internally: they variety of socio-economic contexts within which individual projects are set requires a degree of flexibility in how the development and implementation of social investment is approached. These variations in contexts include not only the nature of project locality and the host communities, but also the relative importance of an individual project in relation to the host country context and the national and local expectations associated with that project. This challenge affects the type of measurement that is feasible and the form of reporting that is most appropriate and useful.

In conclusion, industry representatives do not see a substantial gap in existing social investments standards or guidelines (of which there are several comprehensive versions available). Their operational awareness suggests that the challenges presented by different socio-economic contexts that are found on the ground cannot be addressed with generic guidelines. The case study of NADeF, presented in Section 4, illustrates the importance of projects' socio-economic contexts for the approaches that companies take towards social investment as a means to catalyse positive sustainable development impacts.

4 Case study: Newmont Ahafo Development Foundation (NADeF)[15]

This section outlines a case study of the Newmont Ahafo Development Foundation (NADeF) – a Foundation established at the Ahafo mine as the main vehicle through which Newmont Ghana Gold Limited (NGGL) manages its social investments. The Foundation provides a useful case study of a successful community-based approach to social investment.

The section that follows will begin by providing an overview and background of NGGL and NADeF, then NADeF's approach to social investment is outlined and discussed through an analysis of its governance structure (its key stakeholders, decision making process, channels of influence and M&E). Lastly, it outlines the lessons in measuring and reporting on social investment performance that can be learnt from NADeF.

4.1 Overview of NGGL and NADeF

The Ahafo mine and surrounding areas

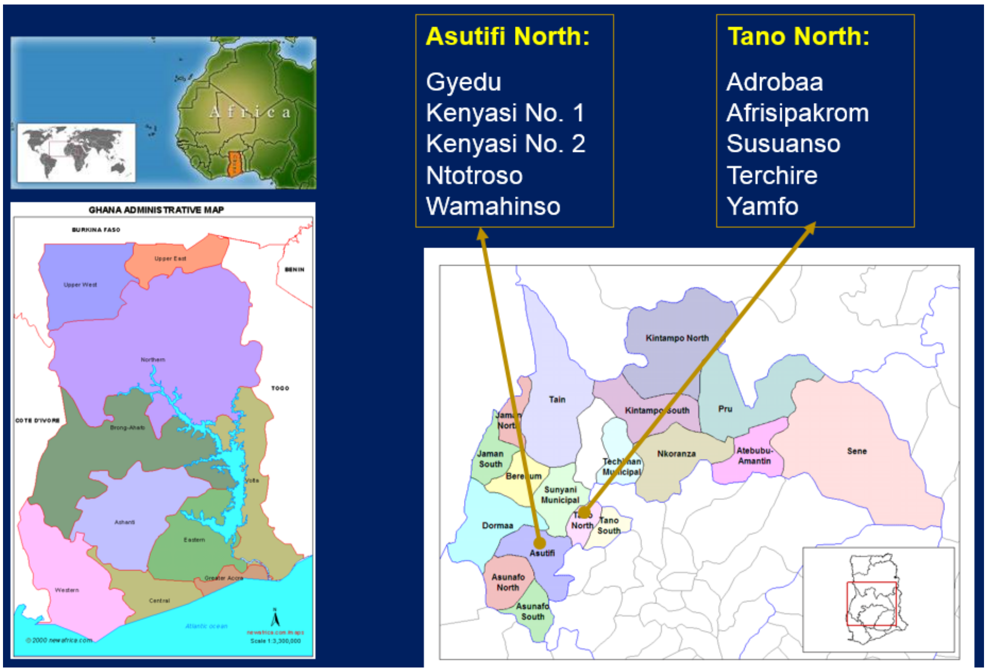
Newmont's Ahafo operation where NADeF has been established is located in west-central Ghana in the Brong-Ahafo region. Ahafo is operated by Newmont Ghana Gold Limited (NGGL) with IFC as a lending partner. Ahafo is located in a relatively new mining area, about 70km north of the traditional gold mining areas (see Figure 5). The mine has been operational since 2006 and currently consists of several open pits and a processing facility. It is a relatively new mine in a country with a long history of gold mining.

The Ahafo mine is fairly remote. Located 40 km to the south of the region's capital (Sunyani), the surrounding areas consist of a few small towns and villages. The communities in surrounding areas are largely dependent on agriculture and informal sector employment. NGGL is the only large formal private sector employer in the region. Infrastructure in the region is relatively underdeveloped, and literacy rates are lower than the national average.

Several communities (referred to as 'host communities') are located near the area currently being mined. These include five communities in Asutifi North district (Kenyasi No.1, Kenyasi No.2, Gyedu, Ntotroso, and Wamahinso). NGGL also hold the rights to develop additional reserves north of their current operations (in Tano North district) although mining has not yet started in this area. When these deposits are developed, a further five communities will be located within close proximity to the new mining operations (Adrobaa, Afrisipakrom, Susuanso, Terchire, and Yamfo).These communities in Tano North district are, however, already receiving attention from both NGGL and NADeF.

[15] The case study is based on key informant interviews that were undertaken during a one week visit to NADeF (see Annex B for details of key informants interviewed) and on documents provided by NADeF and NGGL.

Figure 5: Location of Ahafo mine's operations and surrounding communities



Source: NADeF

The establishment of the Ahafo Social Responsibility Forum (ASRF) and NADeF

In 2006 – before production began at Ahafo – the Ahafo Social Responsibility Forum (ASRF or the Forum) was established. Jointly initiated by the traditional authorities (TAs)[16] and NGGL, the Forum was established as the main body through which the interests of the surrounding communities were to be represented and overall social performance was to be managed. The 55 members who serve on the Forum represent a variety of stakeholder groups within the host communities (see Box 6). Only two representatives of the Ahafo Mine serve among the 55 Forum members.

Extensive consultations with the ASRF over a two year period led in 2008 to the formulation and signing of three agreements between the ASRF and NGGL. Together the three agreements make up the 'Ahafo Social Responsibility Agreement'. The first governs the overall relationship between NGGL and the community (the Relationship Agreement), the second outlines guidelines for the hiring of unskilled labour in the local area (the Employment Agreement), and the third led to the establishment of NADeF (the Foundation Agreement). These agreements are reviewed and renewed every 5 years, with the most recent revisions signed in 2014.

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[16] Traditional authorities are powerful - they have customary rights to the land in the region and can determine whether or not access to land is granted. Creating and sustaining a positive relationship with local chiefs is a prerequisite for successful operation in the region.

Box 6: Stakeholders represented on the Ahafo Social Responsibility Forum (ASRF)

The Forum consists of 55 members drawn from a number of stakeholder groups. Some members form part of the ASRF by virtue of the office they hold while others are elected as representatives of particular stakeholder groups or communities. Membership includes a mix of representatives from:

- **Government** (the Regional Minister for Brong-Ahafo, two district MPs, two District Chief Executives and two preceding District Assembly members),
- **Traditional authorities** (the Chief from each of the 10 surrounding community towns, one subject nominated by Chiefs from each of the 10 community towns, and four Queen mothers[17]),
- **Elected community representatives** (six representatives from women's groups, 10 youth representatives, two NGO representatives and two farmer's representatives), and
- **Ahafo Mine** (the Senior Manager of Sustainability and Social Relations, the External Affairs Manager, and the Human Resource Manager).

In addition to this, the Forum appoints an external Moderator and Co-Moderator to act as independent referees in case of disputes. Forum members hold office for a maximum of ten years – they are appointed initially for a period of five years and are eligible for re-appointment for an additional 5 years thereafter. The ASRF meets once every quarter.

Source: Foundation Agreement between Newmont Ahafo Development Foundation and Newmont Ghana Gold Limited (2014)

Through the Foundation Agreement, NADeF was officially established in May 2008 as the main social investment vehicle through which Newmont's sustainable community development commitment is managed. Although NGGL are represented on the Board of Trustees at NADeF (two of the nine Board members are from NGGL) and supply the Foundation (NADeF) with an Executive Secretary[18], NADeF has been established to operate as an autonomous body with an independent governance structure (see more details in the next section) and with its own vision and mission (see Box 6). Foundations vary in terms of their governance structure (ranging from being mine-owned and controlled to ones with multi-stakeholder structures) and programming approach (from grant-making to operational approaches)[19]. NADeF is an unusual Foundation – it has a highly participatory governance structure with independent community-based decision-making and implementation. NGGL itself has no say over how funds are spent. Instead the communities, local government and traditional authorities all have a say in determining how money is spent (see Section 4.2 for details on NADeF's governance structure).

The process of getting NADeF running was not entirely straightforward though. Extensive negotiations and discussions had to be undertaken for two full years before an agreement could be reached on how the structure would work and who would be involved in decision making, implementation and monitoring. A key component was the intention to appoint a local community member to be the Executive Secretary of the Foundation. The first Executive Secretary was not judged to have performed well and was removed from post, this caused tensions with the community from which he had come and, according to our interviews, NADeF almost collapsed. An agreement was eventually reached whereby an

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[17] Queen mothers form part of the traditional governance system in Ghana. They are considered to be the custodians of the 'throne' (or 'stool' as it is referred to in Ghana) and have the authority to select (or remove) chiefs and act as advisors to them. They are related to chiefs (sometimes they are literally their mothers but this is not always the case).

[18] This was not the original intention – when NADeF was first established the Executive Secretary was a nominated member of the community but due to non-performance, was removed from this position. The current executive secretary was a community member working in NGGL's social performance team at the time. He had good working relations with most of the important stakeholders and the ASRF was happy for him to take up the position temporarily. This set up worked so well though that when the Foundation Agreement was reviewed after 5 years, it was decided that the existing arrangement would remain in place and that NGGL would supply and pay for the person in the Executive Secretary position.

[19] For more information on Foundations, see Wall and Pelon (2011).

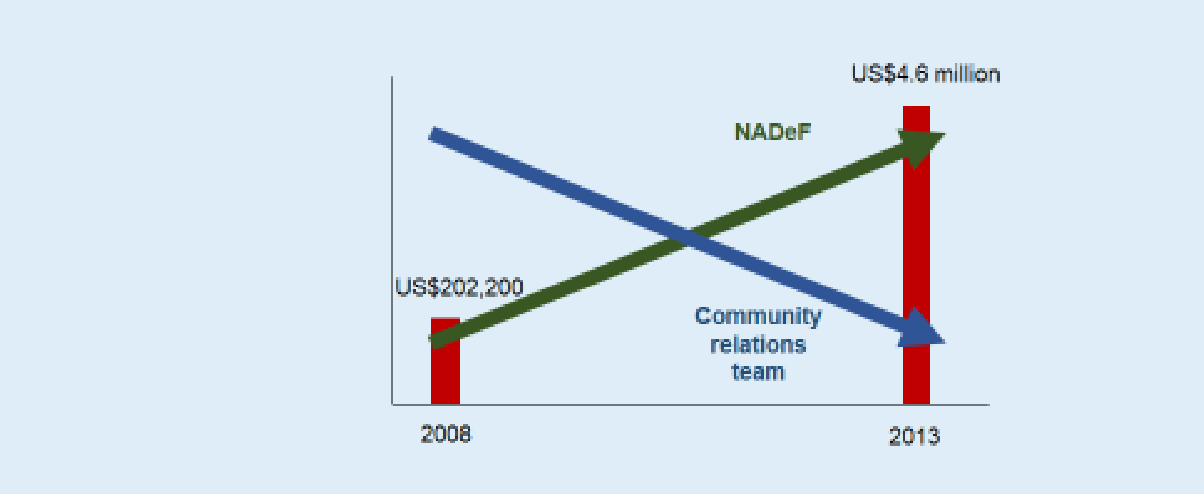
employee from NGGL's community relations team (who importantly was from one of the host communities and had established high levels of trust and good working relationships with all key stakeholders) was put in place as an acting executive secretary. Although this showed how fragile the early establishment of NADeF was, this eventually added to the strength of the organisation. Through the acting executive secretary, NGGL was able to work closely with NADeF in building the capacity of the organisation slowly over time at a pace appropriate for a community-based organisation.

NGGL's approach to social investment

NGGL's approach to social investment at Ahafo has evolved over time. The rules around the budget for social investment have, however, remained the same. In 2005 before production began, Newmont committed to a clear rule on the contributions that the company would make to social investment in surrounding areas: 1 per cent of net profits (paid annually) and $1 per ounce of gold produced (paid quarterly) are committed to sustainable community development.

Before NADeF was established, the budget for community development and all social investment activities were carried out in-house by the community development team in NGGL. This team took a 'developmental approach' (see Section 2.2) to social investment and carried out a number of community development initiatives such as the building and upgrading of schools and health clinics, provision of water and sanitation facilities and the implementation of HIV/AIDs programmes. Once NADeF became operational, the rule-based social investment contribution was paid into NADeF instead. Over time many of the original social investments undertaken by the community development team in NGGL have been transitioned into NADeF. Figure 6 shows a simplified picture of how the overall budget allocation for the community development team and NADeF have changed over time at Ahafo. The budget for NADeF has grown as the mine's production and profit have increased. At the same time, the community development team in NGGL has seen a decrease in its available budget as programmes have been taken over by NADeF.

Figure 6: Total annual budget over time: NADeF vs. NGGL community development team[20]



Source: Beyond the Mine, NGGL

Although the budget for the community development team in NGGL has been reduced over time, the team continues to play an important role in identifying and managing social investments at Ahafo. There are two important reasons why the structure of NADeF makes some intervention from NGGL necessary.[21] Firstly, the community-based structure of

[20] Note the exact budget for the community development team is not known to the authors.

[21] The governance structure of NADeF (and the implications of this structure) is outlined in more detail in Section 4.2

NADeF results in projects that tend to focus primarily on individual communities and on immediate needs. NGGL does not have the ability to directly influence projects in NADeF but they can have an indirect influence through the demonstration effect of projects carried out by their in-house team. The community development team therefore identify and implement social investments that are more likely to have a positive longer term impact that benefits all communities in the hope that NADeF communities will see the benefits of these projects and either take these projects over or implement similar programmes. Secondly, the bureaucratic structure of NADeF does not make it possible to respond quickly to emerging short term needs in communities. The community development team within NGGL is able to respond with more speed and flexibility than the NADeF structure allows if a changing context requires this.

In addition to this, NGGL also carry out additional social investments along the lines of a 'shared value' or 'strategic social investment' approach. There are two components to this. Firstly, a Local Suppliers & Contractors Development Unit (with participation from the procurement and community development teams and support from the IFC) was set up in 2007 to run the **Ahafo Linkage Programme (ALP).** The programme aims to support local economic development through the development of businesses in surrounding communities. The programme has several components to it: support for local MSMEs with the potential to participate in NGGL's supply chain; support for non-mining related MSMEs to promote diversification of the local economy; and institutional capacity building for the local business association. Both non-mining and mining-related MSMEs receive training in business management (entrepreneurship, business planning, recordkeeping, marketing, human resource management, budgeting and financial planning) and are provided with support in developing business improvement plans. The local Business Association is given support in developing its business plan and officers from the Association are provided with training to support their own ability to deliver business training in the future.

The second component of strategic social investment involves NGGL's participation in efforts coordinated by the Ghana Chamber of Mines to develop suppliers at the national level. NGGL do not consider this to be part of their social investment activities. However, participation in a coordinated national effort by the Chamber would be considered as a 'social investment' according to the definition used in this Topic Guide (see Section 2.2). This falls into the newer forms of strategic social investments that seem to be emerging as part of the expanding social investment remit (see Figure 2) that address regional and national level social licence to operate challenges.

NGGL's social investment activities can therefore be categorised into four main areas of social investment activities carried out by different groups:

- **NADeF** – an independent community-owned **social investment vehicle** carrying out the majority of the locally-focused community development initiatives (using a 'developmental approach' but with high levels of local participation and integration into local government systems);
- **NGGL community development team** – carrying out a small number of locally-focused **community development activities** (also using a 'developmental approach' but using an in-house approach to decision-making and implementation);
- **NGGL Local Suppliers & Contractors Development Unit** – a mixed team of procurement and community development staff implementing the **Ahafo Linkages Programme**, a supplier development programme (using a locally-focused 'shared value approach' to social investment); and
- **NGGL** – in collaboration with other mining companies in Ghana, NGGL are contributing towards efforts coordinated by the Ghana Chamber of Mines to support increased **national procurement** (using a nationally-focused 'shared value approach')

While much of the rest of Section 4 will outline the workings of NADeF as the main social investment vehicle, reference is made to the other categories of social investment where relevant.

Objectives of NGGL and NADeF

As separate bodies with different organisational structures and functions, NGGL and NADeF also have different objectives when carrying out their social investment activities. Both NGGL and NADeF staff spoke of the 'legacy effect' they hope NADeF will create – that NADeF's activities should leave communities better off after the lifetime of the mine than before mining began. However, when staff from NGGL were asked what the main objective behind NADeF and other social investment activities is, they all mention obtaining a social licence to operate as a primary objective. NADeF is seen as an important means through which benefits are shared and good relations with communities are maintained. NADeF staff by contrast never mention the social licence to operate. Instead, they are focused on working towards the vision and mission of NADeF (see Box 7). They see the primary objective of NADeF as a means to help communities achieve prosperity and self-reliance.

Box 7: NADeF vision and mission

Vision: Our communities achieve prosperity and self-reliance.

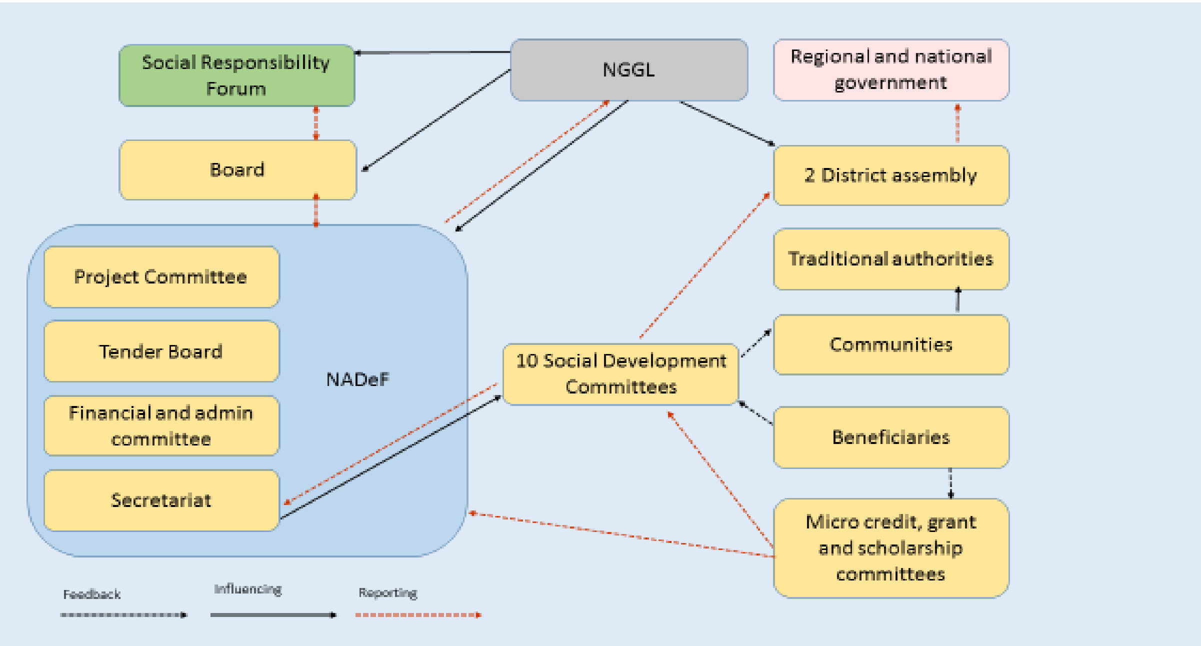
Mission: To empower communities through grants, knowledge-sharing, partnership and capacity building to achieve sustainable development.

Source: NADeF

4.2 NADeF's governance structure

NADeF's governance structure is unusual for foundations created by mining companies. NADeF has a highly participatory community-driven structure. This structure has implications for the types of projects that are chosen, the way in which they implemented and way in which measurement and reporting takes place. This Section provides an overview of this governance structure. Figure 7 provides a graphical representation of the governance structure of NADeF. It shows the different groups that are involved and how they relate to each other in terms of the channels of influence, feedback and reporting lines.

Figure 7: NADeF Governance Structure and its Processes



Source: authors

A community-based governance structure

With a large number of community stakeholders involved, NADeF's governance structure has a high level of ownership and participation by communities – it is a truly community-driven process. All groups and the majority of stakeholders involved with NADeF have some relationship with the communities in the catchment areas. Below we provide a brief description of the key groups' composition and responsibility:

- **Ahafo Social Responsibility Forum (ASRF).** This committee is NGGL's point of contact when dealing with communities, and district and regional authorities. Oversight of NADeF is part of the mandate of ASRF (see full details in section 4.1.2 above).
- **The Board of Trustees.** The Board functions as a liaison between the NADeF Secretariat and the ASRF. It manages and controls the funds of the Foundation (NADeF) and is bestowed with the power to hire and fire employees of the Secretariat.[22] The Board is made up of nine members, each of whom may serve a maximum of two four-year terms. The majority of the Board members (six) are nominated by the communities, and their efforts are voluntary. The remaining minority include two NGGL representatives and one independent Chair appointed by NGGL.[23]
- **Sustainable Development Committees (SDCs).** Members of the SDCs liaise between communities and the NADeF Secretariat. SDCs are the core component of the Foundation's community-based model – they assess community needs, write proposals, and present project proposals to the District Assembly (DA) and traditional authorities (TA). There are ten SDCs, one for each community in the NGGL catchment area. An SDC is comprised of seven members: two Traditional Council members, one opinion leader (any other person nominated by the TA who is not a member of the traditional authority itself), one women's representative, one DA representative, one youth representative and one unit committee member representative[24]. Apart from TA nominated members, each member represents the interests of the nominating group. A committee member is nominated for a four year period and can be re-nominated only once.
- **The Secretariat.** The Secretariat assists with the day-to-day management of NADeF. It is led by an Executive Secretary, who is supported by a project co-ordinator, a financial controller, a communication advisor, a finance and administrative officer, and two project officers.
- **The Tender Board.** The Tender Board approves and awards projects in accordance with NADeF's procurement policy. The Tender Board has eleven members[25].
- **The District Assembly in the Asutifi North and Tano North.** The District Assemblies (DAs) are the local government partners for NGGL as well as for NADeF. The DAs are involved in NADeF's projects to ensure alignment with the District Medium Term Development Plan – and to ensure overall sustainability of the foundation's investments. Representatives of the DAs also sit in various committees linked to NADeF, including the ASRF, the Project Committee, and the Tender Board.

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[22] Full functions of the Board are specified in the Foundation Agreement.

[23] The six members nominated by the communities are made up of three from each district, at least one shall be female and at least two shall not be members of the forum.

[24] Unit Committee is the lowest level in the local government structure in Ghana.

[25] Tender Board members: two members representing the TAs, two district coordinating directors (one from each DA), two members representing NGGL, two members representing the youth (one from each DA), the executive secretary to the Board of Trustees, one Project Committee Chair and one member appointed by the Board of Trustees.

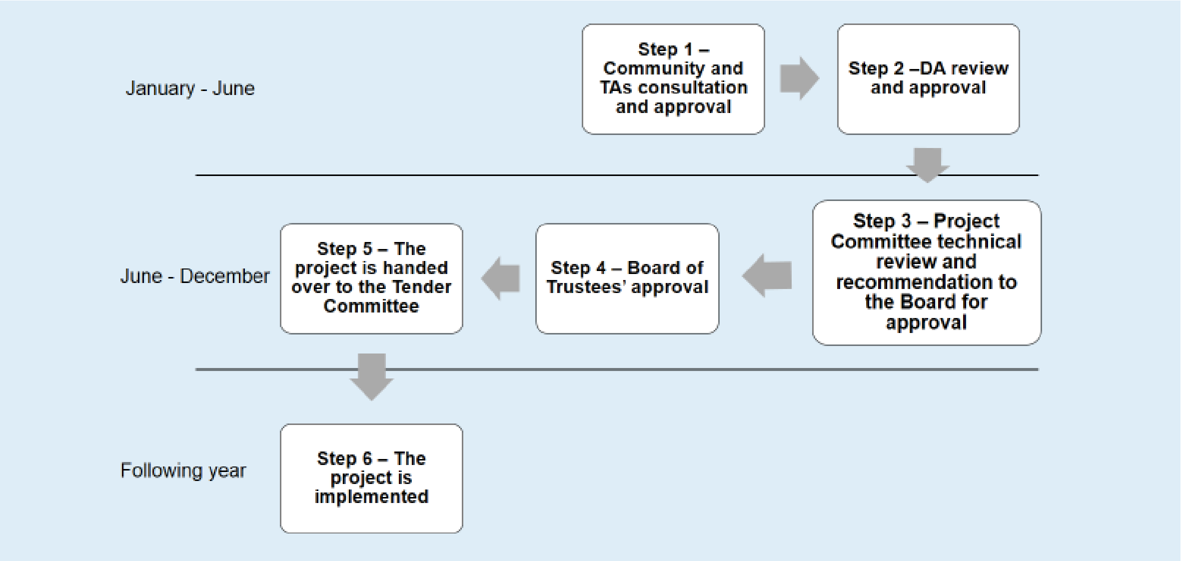
- **The Traditional Authorities.** The TA levels engaged with NADeF are the Paramount Chiefs as well as lower levels of TAs. Like the DAs, the TAs are involved in most aspects of NADeF's governance structure, with their local knowledge and ownership of the land (customary land), they are natural partners of any engagement with local communities – no NADeF project is implemented without their approval.

The decision-making process for individual projects

The decision-making processes to initiate a project within NADeF is clear and bureaucratic. Based on key informant interviews, we find it is this strong bureaucratic structure that makes it a success: the many approval stages and the central role of the TAs and SDCs result in communities feeling a high degree of ownership for each project – the projects reflect genuine community needs – and the structure makes it is very difficult for any group to capture projects for personal gain.

At the beginning of each year the NADeF Secretariat together with the SDCs assess the budget available for projects. Based on project proposals from the previous year and the current budget available for each community (see description of allocation rule in Section 4.1.1), an annual work plan is developed and presented to the Board for approval, stating the Foundation's projects for the year. For each project, there are five main steps in the decision making process before the project is tendered and implemented (see Figure 8 below). At each stage the stakeholders involved have the power to reject the project proposal.

Figure 8: The decision making process, tendering and implementation



Source: authors

Step 1 – Community and TA consultation and approval. This first step is an important feature of NADeF's set up. Before projects are taken forward the community voice is heard at regular meetings between community members and their SDC. The idea for projects originate from individual community members or SDC members' subjective observations of what is needed in the community. The Foundation Agreement states that the SDC has to conduct a scoping study in consultation with the community stakeholders to assess the community's needs, and based on the needs assessment select and prioritise projects – at present with no obvious link to any longer term goals of the Foundation. The Paramount Chief (TA) plays a large part in this step through the two council members that represents him on the SDC. The SDC also officially shares their proposal with the TA for his approval before taking the project forward. For each project a proposal form provided by the Secretariat has to be submitted. This step ensures that the project fits the financing frame described above, and reflects the needs of the majority of the community.

Step 2 – DA review and approval. This step depends on the type of project proposed, but overall, support from the DA early in the decision process ensures that NADeF projects become sustainable. For infrastructure projects the DA is obliged to assist the SDC with a plan, design and costs which the SDC then approves. Through this process projects are aligned with the DA's Medium Term Development Plan (i.e. government planned projects in the district) and the needed support from the DA is secured e.g. to provide teaching staff when an SDC propose to build a school.[26] Non-infrastructure projects do not require the approval of the DA unless they are a partner to the project.

Project proposals have to reach the NADeF Secretariat before the end of June each year. Between June and December, the Secretariat presents the proposed projects to the Board of Trustees for their approval, and by December the Secretariat notifies the SDCs about the approved projects for the following year.

Step 3 – Project Committee technical review. Preceding the approval of the Board, the Project Committee reviews all project proposals from a technical perspective, acting as the custodians of NADeF.[27]

Step 4 – Board of Trustees' approval. Based on the recommendations of the project committee, the Board of Trustees decide which projects receive a final approval.

Step 5 – The project is handed over to the Tender Committee. This committee leads the tender phase and hires contractors and organisations to carry out the work. Similar to other committees it is formed by selected group of community members.[28]

Step 6 – The project is implemented. Non-infrastructure projects are run either independently by NADeF's Secretariat together with the SDC, or sometimes in partnership with the DA, with less defined end dates. For infrastructure projects, NADeF's Secretariat and the SDCs are involved in the implementation with support from the DA e.g. through provision of engineering capacity, but the actual construction work is carried out by an external contractor.

Channels of influence

NGGL is not part of the official decision making process and has no direct power to accept or reject a project to be funded by the Foundation. Despite this, the company continues to play an important role in shaping decisions within NADeF. The Foundation's strategic direction is to a large extent shaped by NGGL, and more innovative projects often start with a pilot phase funded by NGGL. The motivation for NGGL to push the strategic thinking in NADeF is linked to the company's core objective of social investments "to obtain social acceptance by the local communities", while it also overlaps with assisting NADeF in achieving its long term vision. For example, a lack of development or economic empowerment within the 'host communities' could increase the risks posed to NGGL's operations in Ahafo if existing investments do not realise longer-term returns. NGGL talk of longer-term economic empowerment and cross-community development projects as representing the key to sustainable development in host communities.

It was instructive to note that even though most decision makers are influenced by NGGL's strategic thinking, all groups involved in the NADeF decision making process express that they have come up with project ideas themselves – the only group that appears to be almost independent in its thinking is the TAs:

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[26] Sometimes NADeF and the DA split the task of building the hard infrastructure (e.g. the school is built by NADeF and teachers' quarters by the DA).

[27] This committee is made up of selected Board members and a couple of engineers from the two DAs.

[28] This committee is made up of two representatives of the TA, two District Coordinating Directors, two members representing Newmont, two members representing the youth, the executive secretary to the Board of Trustees, the Chairmen of the project committee of the Board, and one member appointed by the Board of Trustees who is not the Chair of the Tender Board.

- SDCs are influenced through training and workshops where incubator projects (run by NGGL) are presented and discussed (see examples in Box 8);
- DAs are influenced through their regular contact with NGGL, e.g. development of the Medium Term Development Plan;
- NGGL has the power to nominate members to the Board of Trustees and to the Project Development Committee; and
- The Executive Director of NADeF is an NGGL employee in regular contact with the NGGL community development team, who has the power to influence SDCs' members.

Furthermore, NGGL's social investment activities set up 'incubator projects' that focus on generating longer term benefits for all communities. If communities see benefits from these projects, they are more likely to encourage NADeF to adopt and scale these projects. It is unlikely that without the demonstration effect or without NGGL funding the initial start-up that such projects –with longer-term development objectives – will be adopted (see Box 8 for examples).

Box 8: Examples of incubator projects

A project in transition:

- The **Spelling Bee** is a project focused on increasing the quality of education and motivating students to improve their performance. The project was funded by NGGL for three years. It is now being 'transferred' to NADeF. The transition process was approved by communities after the SDCs presented the idea to their community. Prior to the community consultation, NGGL had consulted the SDCs and proposed NADeF to take over the funding of this project. However, not all communities decided to take on the programme (4 out of 10 communities rejected their SDC's proposal).

Current incubator projects:

- **The Ahafo Agri-business Growth Initiative** is currently run by NGGL, with support from GIZ. This programme is indirectly creating employment opportunities in the mine area through improved farming capacity and knowledge, leading to improved access to new markets among other benefits. The hope is that this will ultimately be taken over by NADeF.

Source: NADeF. ICMM (2010)

The direction and influence provided by NGGL could be essential for the future success of NADeF. Increased collaboration amongst communities and a focus on areas such as economic empowerment could lead to more sustainable impacts and socio-economic transformation of the Foundation. There might, however, always be a need for the NGGL team to carry out social investment activities, as some of the strengths of the NADeF structure also pose challenges. The community driven decision process means social and economic risks cannot readily be responded to by the Foundation.

1.1.1 Allocation rules for NADeF funds and projects implemented to date

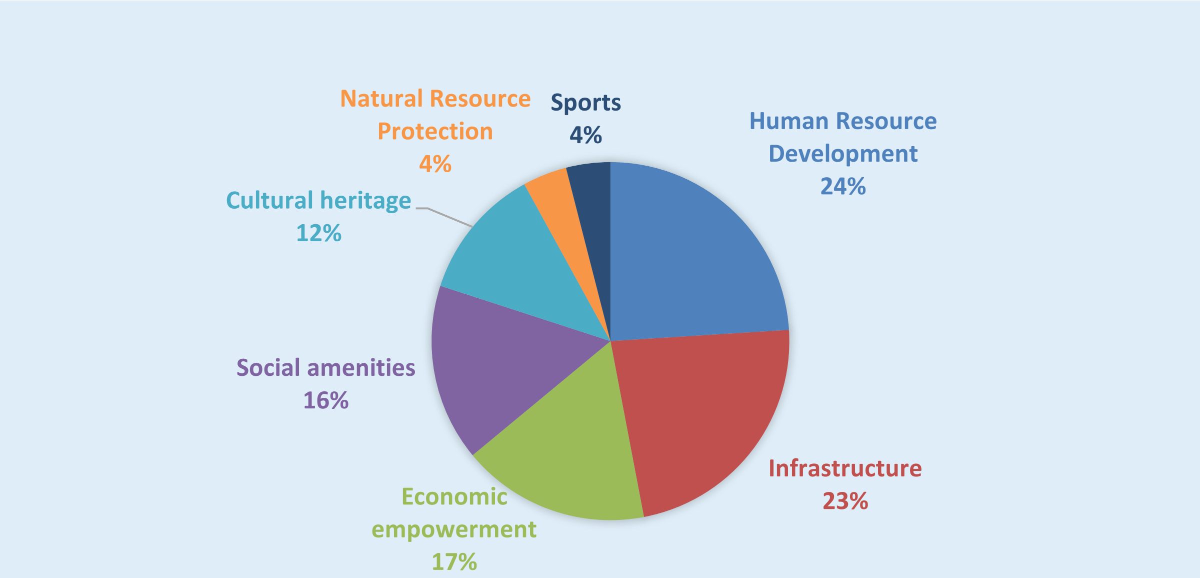
Within the funds allocated from NGGL to NADeF each year a share of the allocation is set aside to sustain NADeF beyond the life of the mine – a NADeF endowment fund.[29] A further portion is allocated up front to cover the operational costs of the Foundation[30]. For each community, allocation of the remainder of the fund is determined by a combination of (1) the share of the seven thematic areas originally decided by the ASRF (see Figure 8), and

[29] The funds set aside for the endowment fund are 10 per cent of total funds from NGGL for first five years of the Foundation; 15 per cent from year six to ten; 20 per cent from year 11 to 15; and 25 per cent from 16 to 20.

[30] During the first three years after NADeF was established, NGGL covered all operational costs. In 2013/2014 the operation costs of NADeF are approximately 10% of total funds.

(2) the community characteristics such as size of the land in the community affected by the mine operations, the size of its population, its commitment to NADeF (as defined by ASRF), and the degree to which people in the community are affected by the mining activities.[31] Projects undertaken by NADeF are grouped according to 7 thematic areas (see Figure 9) which were defined by the ASRF and an agreed proportion of the funds are allocated to spending in each of these areas.

Figure 9: Allocation rule: thematic division of NADeF funds



Source: NADeF

The main objective of NADeF is to create socio-economic transformation of the local area, and after the mine has closed to be a vehicle to sustain the community. However, the projects funded by NADeF show that the foundation is still in its early stages of achieving this objective. Projects proposed by SDCs reflect to a large extent the immediate needs of the communities. To date the focus has been on creating visible infrastructural improvements whereas softer projects have received less priority and funding (see Box 9 for project details). Other challenges that the Foundation faces in creating developmental impact is the continued separation between communities in their approach to projects, which limits both the scale and the type of projects proposed.

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[31] In the 2014 revised agreement, the communities in Asutifi District have collectively decided that funds allocated to their communities on the basis of the allocation rule will be pooled and split almost equally between them.

Box 9: Outcome of the decision making process for individual projects

The large majority of funding to date has been allocated to infrastructure and scholarship projects, with little priority given to the objective of creating socio-economic transformation. Examples include:

- **Infrastructure** such as social centres, nursing colleges, Paramount chiefs' palace, school buildings, ICT equipment at schools etc. and;
- **Scholarships** to secondary and tertiary students. The scholarship definition has been relatively fluid, operating as a subsidy to pay school fees rather than a traditional scholarship. This has allowed communities to fund a large number of people in order to benefit as many people as possible. The size of the scholarship depends on the level of education and ranges from 800 to 3,000 Ghana Cedis per academic year.

Projects with larger potential for socio-economic change include some of the projects under economic empowerment:

- The NADeF apprenticeship programme, and;
- The **micro credit** scheme for women, which provides small loans between 200 and 1,500 Ghana Cedis.

Source: NADeF

Maintenance – the sustainability of infrastructure projects

After completion, infrastructure projects are owned jointly by the community and the DA through a Memorandum of Understanding, which also includes a management and maintenance plan agreed at the proposal stage. This agreement varies across projects. It might specify, for example, that a small fee is to be charged for using NADeF-funded public toilets and that the DA will hire a person to collect the fee; or that traders must pay a fee to use the market stores. For some projects additional top-up funding is needed and agreed with the DAs to ensure the maintenance of the infrastructure.

4.3 M&E systems in NADeF and NGGL

Both NGGL and NADeF have put monitoring and evaluation (M&E) systems in place to track and assess the activities they carry out (see Box 10 for a definition of M&E). However, the systems differ across the two organisations in important ways. M&E systems in NGGL are more formal and professionalised than those currently in place in NADeF.

Box 10: A definition of M&E

Monitoring is a systematic and routine collection of information from a project, beginning in the planning stage of a project. Monitoring allows results, processes and experiences to be documented and used as a basis to steer decision-making and learning processes. Monitoring is checking progress against plans. The data acquired through monitoring is used for evaluation.

Evaluation is an assessment, as systematic and objective as possible, of a completed project (or a phase of an ongoing project that has been completed). Evaluations appraise data and information that inform strategic decisions, thus improving the project or programme in the future.

Source: UNDP (2002)

NGGL M&E systems[32]

In compliance with the IFC Performance Standards, NGGL have set up rigorous M&E systems to assess and manage potential negative social impacts of Ahafo's operations. These form part of NGGL's social performance management activities (for example the monitoring of resettlement activities that were undertaken) and are managed by a unit dedicated to M&E activities in NGGL. While these systems are designed primarily to monitor and evaluate the management of potential negative impacts, they also collect some information relevant to social investment activities undertaken by NGGL.

One relevant area of measurement is that of **community perception surveys** undertaken periodically by consultants hired by NGGL. The most recent survey was carried out in 2013 as a follow up to a 2009 survey. These surveys use a mixed-methods approach, collecting both qualitative data (through Key Informant Interviews and Focus Group Discussions) and quantitative data (through household surveys) to gauge community perceptions of the mine and its operations. The survey results provide a useful indication of NGGL's social licence to operate. While changes in the survey are a result of far more than social investment activities undertaken by NGGL or NADeF, they nevertheless provide useful information on whether or not social investment activities are contributing to the social licence. The 2013 survey found an increase in favourability ratings in comparison to the 2009 survey. The most frequently cited response to why perceptions were favourable was the perceived positive impact of NADeF's social investment activities (in particular the provision of scholarships and basic infrastructure). In terms of maintaining the social licence and in creating positive perceptions, NADeF's activities have been successful in recent years.

Another relevant area was the initial use of the World Business Council for Sustainable Development's (WBCSD) **Measuring Impact Framework** to measure the impact of the Ahafo Linkages Programme (ALP) during the first few years of its implementation. The framework was adopted and integrated with other M&E activities being undertaken at NGGL but was designed to focus specifically on the impacts of the ALP on income generation and MSME development. Interviews were carried out with 21 MSMEs to verify direct and indirect impacts from the programme (e.g. adoption of new business practices, success in obtaining bank credit, ability to meet tax obligations, hiring of new staff etc.). The exercise generated useful lessons that led to adjustments in the programme. However, the validity of the data is questionable as statements from MSMEs were difficult to verify and were taken at face value.

NADeF M&E systems

When NADeF was founded in 2008, the establishment of an M&E system was not a priority. Setting up a protocol for decision making and a Secretariat that had the support of the communities and TAs were the principal objectives. Systematic data collection to check progress against planned goals or evaluating projects is therefore still in its nascent stage at NADeF. The M&E currently taking place in NADeF is currently a mix of formal and informal activities. They are largely carried out on a voluntary basis[33] by SDCs. The system relies to a large extent on a high level of engagement, commitment and dedication by SDC members who collect most of the information used for M&E purposes.

The form that project monitoring takes, who is responsible for it and the frequency of monitoring depends on the type of project being implemented:

- **Infrastructure projects.** Monitoring of progress on infrastructure projects is carried out by a project monitoring team. This team includes DA Engineers, the NADeF Project Coordinator and one Project Officer, and SDC members. The

[32] As the Topic Guide was originally intended to focus on NADeF specifically, limited information was collected on NGGL M&E. This section outlines information that was obtained during the field trip to NGGL but does not represent a complete picture of NGGL's M&E systems.
[33] No remuneration for monitoring activities is provided.

team monitors project implementation on a weekly or bi-weekly basis, discuss issues that need attention and report to the appropriate body if action needs to be taken. The teams have monitoring forms that they complete to document their activities. However, there are no guidelines against which they measure progress and quality of the build apart from their own perception of good quality. If SDCs are not satisfied with the work, the Board of Trustees can step in and withhold payment to the contractor.

- **Non-infrastructure projects.** For non-infrastructure projects, SDCs and NADeF staff monitor whether projects progress as planned. For example in the scholarship programme, SDCs conduct interviews with scholarship beneficiaries. Scholarship students also have to provide exam results and produce a year-end report for SDCs. Together with the Secretariat SDCs follow up with school headmasters if scholarship students are underperforming.[34]
- **Specialised projects.** For a number of specific projects (e.g. micro-credit, and the grant-making programme) NADeF has establish designated committees to monitor the day-to-day implementation of the project. The committees report to the Secretariat on a monthly basis.

Annex C provides an examples of the information collected for monitoring purposes for different types of projects. Most data collected for monitoring is associated with the operational aspects of the Foundation's activities. The data focuses on things such as progress on the completion of infrastructure projects and on inputs (e.g. spending) and outputs (e.g. number of scholarship students). Little or no information is collected to monitor or evaluate the outcomes or impacts of NADeF's work. Data associated with the more strategic and long term benefits of projects is sparse. Data collected is also largely informal or perception-based but community members do not see a need for a more systematic collection of objective data. In all parts of NADeF's governance structure stakeholders almost unanimously stated: "I can assess the impact of NADeF, I am part of the community. It is clear to me when NADeF projects are of good quality or have a positive impact". Adjustments and changes to programmes and projects are therefore not based on any systematic and objective understanding of their developmental impact. Unlike the ALP, M&E data currently generated for NADeF projects do not generate useful lessons learnt to improve the technical design of projects.

Recently, there have been efforts by NADeF and NGGL to improve the measurement of the Foundation's (and individual projects') performance. A logframe was developed in 2012 and finalised in 2013 (see Box 11 for details). The logframe was developed by the Secretariat together with selected SDCs, with support from NGGL. The logframe, however, continues to be a working document that is still not integrated into the thinking or monitoring activities of the Foundation's key stakeholder groups. At present the logframe is not very user-friendly. It lacks a practical structure and is difficult for communities and the Secretariat to implement.

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[34] The Secretariat carries out check on scholarship students. All students have to produce a year-end report, and if students fail 1 or 2 subjects NADeF will call on the parents for a conversation.

Box 11: NADeF's logframe: a work in progress

The logframe sets out the six key goals of the foundation:

- Goal 1: Improve human resource base of the Ahafo mine communities.
- Goal 2: Improve social amenities and Infrastructure base of the Ahafo mine communities.
- Goal 3: Promote opportunities that maximizes Local Economic Development.
- Goal 4: Promote environmental sustainability in communities
- Goal 5: Promote cultural heritage of the communities
- Goal 6: Promote youth development through sports

Each goal, or outcome, has a strategic objective, an overall impact measure, as well as specific outputs and activities attached to it. To measure and track progress, the logframe specifies for each outcome: (1) objective verifiable indicators, (2) means of verification / measurement of indicators, and (3) important assumptions.

Source: NADeF logframe

4.4 Internal and external reporting

A large amount of internal and external reporting on social investment currently takes place in NADeF and NGGL. As the NADeF structure has high levels of participation by numerous stakeholders, all reporting to these stakeholders and to NGGL are viewed as 'internal reporting' below. 'External reporting' refers to reporting to the group level in Newmont or publically available reports.

Internal reporting

Formal reporting procedures for operational monitoring have been developed as part of the NADeF structure. These reporting lines include:

1. Project Committees (e.g. micro credit or grant making) report to the SDCs;
2. SDCs report to DAs and to the Secretariat;
3. The Secretariat reports to the Board of Trustees and to NGGL;
4. NGGL reports to the Group level in Newmont.

The flow of information is systematic in structure and responsive to challenges of project implementation. There is a strong emphasis on reporting on expenditure - on a quarterly basis the SDCs report on the spending in their community to the Secretariat, and on an annual basis the Executive Director of NADeF reports to the Board on the size of spending and type of projects. To ensure accountability for money spent, all funds spent have to be signed for by a Board member. Reporting of monitoring data to the Secretariat also takes place. Individual project committees report to the Secretariat on a monthly basis through monthly status reports, project monitoring teams report on progress of infrastructure projects on a weekly or bi-weekly basis and SDCs report on non-infrastructure projects on an annual basis.

Reporting for monitoring purposes focuses on implementation (e.g. is the project running? Is it functional?). More fundamental questions related to achievement of objectives (which may have been set out clearly in original project proposals) are not answered. Box 12 shows some examples from monitoring reports.

Box 12: Examples of reporting for monitoring purposes

Infrastructure project monitoring

State of completion recorded for finished Construction and Completion of 1 No. 20-Seater Water Closet Toilet at Apantuase: *the project has been completed and handed over to NADeF. The community is utilizing the project.*

State of completion recorded for on-going Construction of a Clinic Facility: Roofing is complete. Contractor is beginning finishes.

Grant making for project to develop 'Entrepreneurial skills for 40 youth'

Some of the observations recorded by the monitoring team on achievements of the project:

- *Participants were very happy and enthusiastic with the projects and the lessons learned from the project.*
- *Participants were told to network themselves very well with each other and the other professionals.*

And most of the challenges relates to disbursements of fund, need for more funds – not developmental outcomes.

Non-infrastructure project to support 'pre-job training'

Some of the observations recorded by the monitoring team

- Objectives of the visit: *to monitor progress of the beneficiaries*.
- Findings/observations: *most of the beneficiaries where at their post with the exception of a few who were absent with permission from their trainer. Most of the absentees were nursing mothers, or married woman who where solving one family issue or another*.

Source: NADeF

External reporting

NGGL report externally on their social investments in a variety of ways. Each year Newmont produce a **Sustainability Report** called 'Beyond the Mine'. In these reports, all important aspects of social and environment performance of Newmont's global operations are outlined. The report includes 'case studies' of success related to social investments. In the 2013 report, this includes progress on some of the social investments undertaken by the community development team in NGGL (e.g. reduced malaria incidence near Ahafo as a result of malaria initiatives). NADeF is also mentioned in the 2013 report although this is only the second year in which NADeF features at all in the report. In the 2013 report, the Foundation and its structure are outlined and the monetary contributions made to NADeF are included. The only reporting on the performance of NADeF is that of a case study on the scholarship and apprenticeship programmes outlining the total number of people who have graduated from the programme. No mention of outcomes or impact is made.

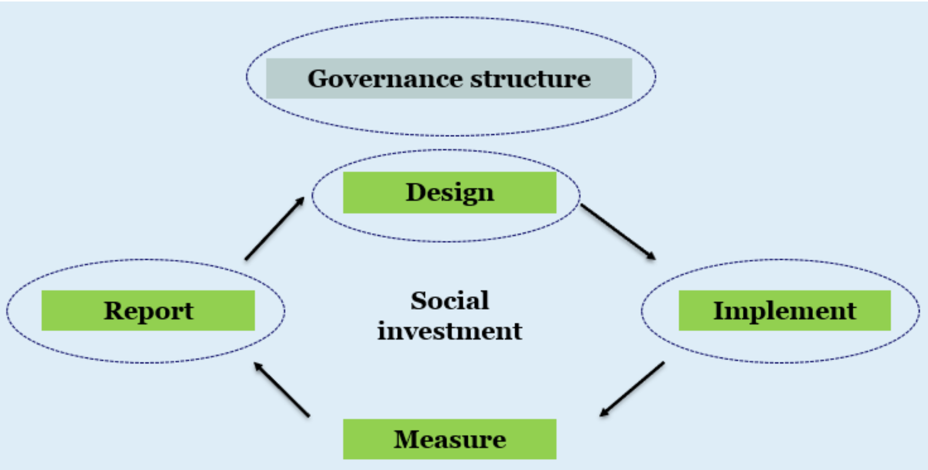
What does seem to be a fairly common form of external reporting is that of **individual case studies** on NADeF and non-NADeF investments (such as the Ahafo Linkages Programme) that are carried out by a variety of organisations and made publically available. These include case study reports by the IFC, the WBCSD and academic institutions. In addition to these, NADeF maintain a website and employ a communications officer who focusses on the publication of stories in the local press. Newsletters are produced on an annual basis. The newsletters showing case studies of individuals who have benefited from NADeF projects.

4.5 Lessons learnt

Strengths and weaknesses of NADeF

NADeF is a locally-relevant social investment vehicle that has many lessons to offer on structuring effective community-based social investment. The Foundation's greatest strengths lies in its governance structure and the approach taken to design, implementation and reporting of social investment projects (see Figure 10).

Figure 10: Key success areas



Source: authors

The key components of success result from the following aspects of the organisation:

- **Community-driven.** NADeF is highly participatory and is genuinely community-driven. A wide variety of stakeholders are embedded within the governance structure and representation is given to all the key stakeholder groups including TAs, local government, and all ten host communities. Through SDCs, communities are involved at all stages from design through to implementation, measurement and reporting on social investments. All groups feel a high level of ownership over projects as they all have a say in defining their needs and in prioritising projects. The structure ensures that communities have ultimate control over the resources they receive from the mine and that projects implemented address community needs. Although NGGL do enter the formal decision-making process, this only happens right at the end of the process when projects are sent to the Board for approval or rejection (i.e. they have no influence on the design).
- **Operates within existing local structures.** Rather than duplicating or creating a parallel system, the Foundation has been designed to function within existing government systems and TA power structures. The governance structure of the Foundation is based on an excellent understanding of the local political and cultural context (gained through an extended period of consultation with the ASRF) and builds on the strengths of these systems. Local government authorities are involved in decision-making to ensure that NADEF projects are aligned with the local government's development plan. This helps support local government capacity instead of undermining it.
- **Bureaucratic decision-making structure.** Decision-making has to follow a strict set of processes and project proposals go through several layers of approval with involvement from different groups at different points in the decision-making process. The process is transparent and the structure makes it very difficult for any particular group to disproportionately influence how money is spent or capture the decision-making process. This protects stakeholders and balances the power of various groups involved.
- **Sustainability built into projects.** All infrastructure projects require the involvement of the DA. Plans for handing over buildings to relevant local government bodies (e.g. Ministry of Health or Education) have to be in place before projects are approved. This is to ensure that any infrastructure built

through NADeF is maintained and non-infrastructure resourcing requirements (e.g. staffing schools with teachers) are provided. Once completed, any social infrastructure built (e.g. schools or health clinics) become the joint property of the government and the host community.

- **Clearly defined budget rules.** The rules around NGGL's contribution to NADeF are transparent and easy to understand. The transparency of the rule has meant that the budget contribution to NADeF has not come under pressure even when all other internal operating budgets in NGGL have been reduced. The link to both production and profits help align the communities' interests with those of NGGL (increased production and improved profitability result in larger contributions to NADeF). Although the profit rule means that the NADeF contributions are subject to the fluctuations in the industry, the production rule moderates this to a certain extent. The sharing of the NADeF budget between communities is also transparent and rule-based and clearly outlined within the Foundation Agreement.
- **Continuous exchange of information and high levels of accountability.** There are high levels of information exchange and accountability built into the governance structure. The ultimate beneficiaries are involved in decision-making and monitoring of implementation. All groups regularly interact with the Secretariat and the Board, continuous informal feedback is provided in both directions. SDC members are members of the communities they represent and regularly interact with project beneficiaries. Although formal reporting processes are in place (including requirements for reporting on project progress), informal reporting plays an important role which is appropriate for a community-based participatory structure.

Although the overall structure is fairly strong, it still has a few weaknesses that have implications for the social investments undertaken. These include:

- **Lack of representation for vulnerable or marginalised groups.** The members of the SDCs are responsible for representing the interests of their communities. While two of the representatives on each SDC are chosen to represent marginalised stakeholder groups ('women' and 'youth'), no processes are in place to ensure that the most vulnerable community members (e.g. those from the poorest socio-economic groups) are represented in decision-making. It is also not clear how much of the information reported and shared through the NADeF governance structure eventually reaches these groups.
- **Individual budgets and separate decision-making for each community.** A structure that allows for separate representative bodies and budgets for each of the ten host community members is a strength in terms of ensuring all communities are able to define their own individual needs. However, it is also a weakness in that it acts as a disincentive for investing in larger scale projects that require collaboration and cooperation across communities. Each of the SDCs tend to choose smaller projects that focus on their own community and on immediate needs. Larger projects that will lead to improved living standards over the longer term are less likely to emerge from a governance structure that focuses on individual community resources and representation.[35]
- **Measurement of performance.** Although some information is collected on NADeF projects, much of this relates to operational monitoring (such as assessing project progress or keeping track of total scholarships awarded) and is limited to assessing inputs and outputs. Little measurement of performance or evaluation of activities is undertaken particularly at an individual project level. Collection of information is not yet systematic and the M&E system has

[35] NADeF is trying to address this by exploring modifications to the allocation equation to create a "common fund" which can be used for district level projects focused on meeting multiple community needs.

not yet been fully formalised. Although NADeF and NGGL have attempted to professionalise the system through the introduction of a logframe and the commissioning of an independent evaluation of NADeF, this has not yet had an influence on the measurement of performance or led to the collection of information on outcomes or impact. Capacity constraints in a highly participatory community-based system may be part of the reason for these difficulties. However, it may simply be the case that the logframe that has been developed is too complicated and not suited to a community-based structure. The fact that a large amount of monitoring and reporting is already carried out suggests that the foundation for a robust M&E system is already in place. The development of simple, measureable and tangible indicators related to the anticipated outcomes of each project would complement the formal (and informal) monitoring processes that are already in place but would improve the quality of the information collected. This could lead to a number of improvements – including improved project design and implementation.

Lessons for M&E and reporting of social investments

The example of NADeF provides useful insights into the role that measurement and reporting plays for social investments made by extractives companies and the way in which these are set up. M&E systems for social investments are set up for a variety of reasons. A good M&E system should create accountability and generate information that can be used to improve programme management, improve the design of projects to ensure that objectives are reached, justify investments internally, improve relationships with communities and government, and enhance company reputation. Effective reporting of performance helps enhance this.

NGGL and NADeF approach the performance measurement of the social investments that they each implement very differently. For the ALP and at least some of the in-house social investments made by the community development team[36], the approach to performance measurement is more formal and rigorous, is carried out by a team of M&E experts and focuses on achievement of programme objectives through measurement of longer term outcomes and impacts. NADeF by contrast has some formal M&E systems in place but these focus on operational monitoring of inputs and outputs. Little or no measurement of performance towards NADeF's objectives or of the objectives of individual programmes is carried out. The formal system also relies on the parallel informal system of monitoring that takes place as a result of the participatory nature of the Foundation. The differences in the formality of each system result partly from their respective governance structures and internal capacity. NGGL already have an established M&E unit to monitor the impacts of their operations as part of their overall social performance activities. The unit has the expertise and systems in place to carry out rigorous M&E based on logframes. The community-based structure of NADeF means that any M&E systems put in place have to take into account the level of capacity of community members involved in monitoring and evaluation activities and the system would have to be fit for purpose. A large amount of monitoring activity is already undertaken but efforts to professionalise this through the use of a logframe have not yet been successful. This may be because rigorous formal M&E systems that use logframes are not appropriate for a structure like NADeF's. Building on the existing monitoring systems while improving the type of information that is collected may be more successful. This would build on the approach taken with NADeF from the start – that of slow but sustainable capacity building.

However, as NADeF is the main vehicle through which NGGL's social investments are implemented, NGGL also have an interest in measuring how well NADeF and its projects are 'performing' and not just the projects that they implement in-house. The way in which performance is defined and measured depends on what the ultimate objective of an

[36] For example, the malaria initiative which is outlined in the Beyond the Mine report and showed measurement of malaria incidence.

activity is. The differing objectives of NGGL and NADeF influence the accountability relationships that matter for each organisation and how each body thinks about the performance of social investment activities.

For **NGGL**, NADeF serves two broad functions – it helps maintain the social licence to operate but is also a strategic investment made to generate a legacy through a sustainable investment vehicle that will remain operational beyond the life of the mine. In terms of the social licence objective, NADeF is performing well if its activities help maintain NGGL's social licence. Measurement of the developmental outcomes or impacts of NADeF's activities are not needed to assess this. Instead if anything is to be measured, this would be done through measurement of community perceptions (which is in fact carried out as part of NGGL's social performance management activities). Community perceptions (as measured through the perception surveys undertaken by NGGL) have improved and some of these improvements have been directly attributed to the activities of NADeF. In terms of securing and maintaining a social licence to operate, the participatory process itself is far more valuable than the outcomes or impacts of the investments. The strengths of the structure outlined earlier help to generate the four elements required for a social licence: clearly defined budget rules and bureaucratic decision-making structures generate high levels of interactional and institutional trust; the sharing of benefits builds economic legitimacy; and the fact that NADeF operates within and supports existing systems through a community-driven process helps generate socio-political legitimacy. Clear and transparent budget rules allow communities to hold NGGL accountable to their commitments and the reporting on operational spend is sufficient for NGGL to hold NADeF accountable. For the second objective, improvements in measuring and reporting on NADeF's activities may be needed.

As a separate organisation, **NADeF** has different objectives and goals. Their vision is to help communities achieve prosperity and self-reliance. For NADeF's purposes, measurement of development objectives becomes important as the performance of social investments are determined by the achievement of developmental outcomes. The existing governance structure and systems in place are a strength when it comes to creating the key accountability relationship needed – that between communities and NADeF. There is no real need for more formal reporting for internal accountability purposes as the existing informal system of reporting already creates this. However, the performance of social investments (in terms of creating prosperity and self-reliance for communities) could be improved if information related to NADeF's vision was more systematically collected. Collection of the right type of information to monitor progress towards this goal and evaluate the impact of social investment projects would help NADeF in achieving their organisational goals. Given this context, there may be room for improved measurement in the system. However, the capacity constraints of a community-based system would have to be taken into account so that an appropriate M&E system that is fit for purpose is developed.

5 Reflections

This Topic Guide set out to review how mining, oil and gas companies measure and report on their social investments, with the case of the Newmont Ahafo Development Foundation (NADeF) having been offered to provide a deeper insight into the implications associated with measuring and reporting on such investments.

Section 1 placed the Topic Guide's question in the broader context of how corporate approaches to social investments have evolved and continue to evolve, and where these approaches fit within two additional corporate management concepts, namely corporate social performance (SP) and social licence to operate (SLO).

Section 2 provided background to understanding companies' social performance and how this corporate function has evolved over the past decades. It made the point that many companies have their own internal social performance policies, standards and guidelines that are modelled on the IFC's Performance Standards. In line with the IFC Performance Standards, the core objective of corporate social performance is to assess potentially negative social impacts and to manage these. Key tools, such as social baseline and social impact assessments and forward rolling social performance plans, serve to achieve this objective.

A second, core social performance objective is to catalyse positive sustainable development impacts. This is where social investment programmes comes in - although such programmes are not the only means to potentially catalysing positive impacts. Section 2 explained that companies defined social investment in different ways, with some focusing more narrowly on local communities and other focusing also on broader constituencies in the countries where they work. The common denominator is that such investments are voluntary and are made to generate broader benefits, as opposed to mandated social investment which is also increasing but over which companies have limited influence how and on what funds are spent. Box 4 in Section 2 outlined the evolution of four different approaches to corporate social investment, all of which can be found at the operational level, with variations not only between companies but also between different projects or assets of the same company. This variance often relates to the relationship between the relevant headquarter/global level function and the country and/or project function.

Finally, Section 2 introduced the concept of social licence to operate, which – again – is not defined universally. However, it broadly relates to the level of acceptance that host communities and societies show towards any particular project or operation. This, much broader concept is tied to legitimacy of the policy decision-making environment of national governments and the inclusiveness or comprehensiveness of its policies. The point about SLO for social investment is that good social performance and social investment are means – but not the only ones – to gain a social licence. There is a lively debate within the sector whether the approach to social investment should be more 'reaching out', i.e. seeking to enhance local socio-economic development unrelated to core business activities, or whether the approach should be to better 'reach in', i.e. where social investment programmes seek to catalyse positive externalities that generate both positive business and sustainable development outcomes.

Providing an overview of the key international industry standards and guidelines, section 3 made clear that there are both industry standards and reporting initiatives on social performance while the same is not the case for social investment. The most influential social performance reporting initiative is the Global Reporting Initiative (GRI), which is mandatory for members of the ICMM and voluntary for non-ICMM mining companies and for oil and gas companies. For social investment, several industry-led guidelines exist, which include the issue of measuring and reporting. These guidelines may or may not be used by companies, alongside their internal social investment related policies, standards and guidelines. The feedback gained from the key informant interviews conducted for this Topic Guide, suggests that the corporate professionals do not see a substantial gap in the existing guidance, and they see limited value in more generic guidance.

Section 4 presented a case study of NADeF - NGGL’s main social investment vehicle - and drew out lessons that the case study offers for understanding approaches taken by extractives companies to measurement and reporting of social investments. NADeF is not a typical social investment vehicle and its success as a community-driven structure is partly due to the relatively functional governance structure that NADeF has slotted into. Nevertheless, the NADeF case study provides useful insights into how the governance structure of social investments and their corresponding organisational objectives influence the substance and form that is most appropriate for measurement and reporting of performance. The highly context-specific nature of social investment implies that M&E systems need to be fit for purpose, aligned with the objectives of the social investment and appropriate to the level of capacity of those carrying out M&E activities. Even within one mine operated by one company, the M&E needs for different components of social investment activities undertaken differed as did the quality of M&E undertaken.

The experience of NADeF needs to be viewed within the broader context of developments within industry in social performance, the social licence to operate and social investment though. While NADeF is a good example of a successful community-based social investment vehicle, a local community focused mining case does not relate that well to the increasingly national and regional level social licence to operate challenges. Also as the approach begins to move beyond developmental approaches towards strategic social investments aimed at generating shared value, case studies of community-based approaches may become less instructive. While the end goals of NADeF and NGGL differ slightly, the alignment of interests in a shared value approach brings community and business objectives closer together. Formalised measurement and internal reporting to improve performance are likely to be more appropriate for these forms of social investment.

Strategic social investments in areas such as skills investment do not only align the interests of communities and companies, they also are more closely aligned with donor interests and activities. This opens up space for potential collaboration in these newer areas of strategic social investment through for example co-funding of skills development initiatives. For the more traditional development-oriented community-based social investments, there is room for practitioner-to-practitioner exchanges of knowledge between those working at an operational level in industry and those working in donor agencies. There is also room for local government capacity building to improve governance of resources at the local level.

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Annex A: Individuals and Organisations Interviewed

Key informant interviews

- Elodie Grant Goodey, Head of Societal Issues and Relationships, BP
- Tural Valiyev, Social Performance Advisor, BP
- Ramanie Kunanayagam, Group Head, Social Performance, BG Group
- Lesley Coldham, Group Public Affairs Manager, Tullow Oil Plc.
- Pamela Uwakwe, Social Investment Manager, Tullow Oil Plc.
- Anne-Lise Christmas, Social Investment Specialist, Tullow Oil
- Christina Spano, Global Lead for Socio-economic Development, Anglo American
- Diego Perez-Claramunt, Head of Social Performance, Middle East & North Africa, Shell Exploration & Production International Ltd
- Roper Cleland, Senior Programme Officer - Corporate Engagement at International Alert, IPEICA
- Helen Murphy, Manager - Social Responsibility and Reporting, IPIECA
- Aidan Davy, Deputy President and Senior Program Director, ICMM
- Trevor Rees, Development Manager, Living Earth Foundation
- Graham Root, Managing Director, Montrose International
- Bruce Harvey, Sustainable Minerals Institute, University of Queensland
- Luc Zandvliet, Triple R Alliance

Meetings with NGGL and NADeF

- Kojo Bedu-Addo, External Affairs Manager for Newmont Ghana Gold Limited, the Ahafo Mine.
- Joseph Danso, Executive Secretary of NADeF
- Jacob B. Ntim-Adjei, Ex-Project Committee Chairman NADeF
- Nana Osei Kofi Abiri, Paramount Chief of Kenyasi No.1 (Asutifi North District) and his council
- Joe Intsiful, Assistant Financial Controller, Newmont Mining Corporation, the Ahafo mine
- Focus group discussion with three representative from Sustainable Development Committees
- Focus group discussion with three members of the Social Responsibility Forum
- Focus group discussion with selected members of NGGL's community relations team, M&E team, and community development team. [NADeF to provide full details]:
- Natalia Poku-Boansi, Monitoring & Evaluation Technical Coordinator at Newmont Mining Corporation, the Ahafo mine
- Mary Cudjo, Monitoring and Evaluation Specialist at Newmont Mining Corporation, the Ahafo mine
- Focus group discussion and Debrief with members of the NADeF Secretariat
- Joseph Danso, Executive Secretary
- Henry Yeboah Yiadom-Boachie, Project Co-ordinator
- Emmanuel Eshun, Financial Controller
- Kwaku Osei Opoku, Project Officer
- Rachel Anima-Boahen, Project Officer
- Lilian Mfum, Finance and Administrative Officer
- Sabina Adu-Wusu, Communication Officer

Annex B: Examples of M&E data collected by NADeF

Examples of measurement taking place	
Type of project/programme	Measurements
Infrastructure monitoring overview in excel	Funds committed, start date, expected date of completion, state of completion, contractor, temporary jobs created, duration of temporary jobs (months)
Scholarship monitoring overview in excel	Number of males/females in pre-job training receiving support, number of males/females in secondary school receiving a scholarship, number of males/females in tertiary education receiving a scholarship, total funds committed.
Infrastructure monitoring report template	Name of project, contract sum, contractor/supplier, certifying body, individually records that roofing, carpentry, joinery, plumbing and installation, wall, flooring and ceiling, electrical installations, painting and decorations and external works are all 100 per cent complete, with space for comments.
Non-infrastructure monitoring report template	Name of community, thematic area, name of project, location of project, duration of visit, targeted group, number of people visited, objective(s) of the visit, findings observations, recommendations discussed with the monitoring team, date of next visit.
Grant making monitoring form	**Project level:** Name of project, location of project, date of visit, duration of visit, targeted group (implementer or beneficiary), number of people visited, objectives of the visit, name of grantee, lists of completed projects, list of on-going projects, list of delayed projects, reasons for delay, adherence to project time line, adherence to budget allocations, achievements so far, challenges identified, recommendations discussed with the monitoring team. **Beneficiary level:** Name of beneficiary, location of beneficiary, level of involvement in project implementation, level of satisfaction with project, challenges encountered, recommendations and suggestions, sustainability of lessons learned.
Monthly micro credit monitoring report	**Client Visitation / Activity**: Number of clients visited, findings/observations, challenges identified, and recommendations. **Repayments of loans**: Clients' conformity with repayment deadline, recommendations, conclusions. **Overview of outstanding loans**: group, loan amount (GHC), tracking of repayment of loan for the month (repayment amount, expected monthly amount, actual amount for the month, remaining amount), remarks.
Source: NADeF monitoring reports	