

Executive Summary*

Ahafo South Resettlement and Livelihood Restoration Completion Audit Final Report

FOR NEWMONT GHANA GOLD LIMITED

JANUARY 2015

*This summary has been appended from the full report.

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Executive Summary

Background

- This Ahafo South Resettlement and Livelihood Restoration Completion Audit Report was prepared to satisfy loan agreement conditions between Newmont Ghana Gold Limited (NGGL) and the International Finance Corporation (IFC).
- The Terms of Reference for the Resettlement and Livelihood Restoration Completion Audit identified the following objectives.
 1. To assess the extent to which NGGL has fulfilled its commitments to resettlement and livelihood replacement as elaborated in the Social Action Plan (SAP) and the RAP in terms of the delivery of entitlements to project affected people.
 2. To assess the level of achievement of the desired quantitative and qualitative livelihood outcomes (“weaning point”).
 3. To assess whether or not the observed livelihood outcomes are likely to result in the desired livelihood impacts by comparing the results of various rounds of quantitative and qualitative socio-economic surveys of PAPs with baseline surveys.
- The RAP completion audit referred to the ‘Sustainable Livelihood’ framework that had been adopted by NGGL to conceptualize and deliver their resettlement program. The Sustainable Livelihood conceives livelihoods in terms of five capitals – human, physical, natural, financial and social.

Scope of Phase 1 Ahafo South Resettlement

- The Ahafo South mining operation has involved development of a greenfield opencast gold mine and construction of associated facilities including four open-cut mine pits, waste rock disposal facilities, a mill and processing plant, water storage for the processing plant, a tailings storage facility, environmental control dams, storm water and sediment control structures and ancillary facilities (buffer zones, bypass and haul roads, accommodation and mine services).
- Phase 1 Ahafo South (covering the first three pits) had a footprint of about 2,994 ha. Construction took 25 months starting in April 2004 with plant commissioning in May 2006. Gold production began in July 2006.
- 823 households (5,185 persons) lost both dwellings and agricultural land to the mine. In addition, 878 households (4,390 persons) were economically displaced through the loss of agricultural fields to the mine area. The total project affected population was 1,701 households made up of about 9,575 persons.

National and Regional Economic Context

- For Ghana, the period 2004-2012 was one of relative political stability, improving fiscal management and steady growth in Real GDP. Increases in the prices and volumes of gold and cocoa exports and commencement of oil production in 2011 have contributed to rapid GDP growth following the 2009 global slump.
- At a national level the following factors have affected Ahafo South displaced households and their livelihood restoration:
- National inflation ran at between 10-25% for all the period between 2003 and 2010, with a potentially erosive effect on the purchasing power of cash compensation and increasing food costs for resettlers;
- Significant inflation in food prices, including a significant spike in the price of key staples occurred between mid-2007 and mid-2008 – over this period, the price of maize rose 57%; millet, 44%; sorghum, 54% and local rice, 25%
- During this time, agricultural production and yields in Asutifi district grew strongly. Agriculture is the primary economic activity of people in the Project area. Seed and propagules distributed by NGGL's AILAP and LEEP almost certainly contributed to a surge in agricultural production post 2005 (see Section 2.3)

Sustainable Livelihoods

- The RAP completion audit adopted the five 'capitals' of the 'Sustainable Livelihood' Model as a framework for reporting its findings (see Section 3.1). The five capitals are human, physical, natural, financial and social capital.

Human Capital

- Human capital refers to the skills, knowledge, ability to labor, good health and nutrition that together enable people to pursue different livelihood strategies and achieve their livelihood objectives.

Health and Sanitation

- The RAP completion audit found that there had been dramatic improvements in the standard of housing, access to improved water supply, sanitation and medical services. These improvements were evident in the conditions of both physically and economically displaced households and should contribute to improved family health in future. Highlights included:
- 98% of physically resettled households (i.e. those living in Ola and Ntotroso) and 96% of economically displaced households were using improved ('safe') water sources – up from 44% of households prior to mine development

- All physically displaced households and 70% of economically displaced households reported using VIP/KVIP type toilets compared to pre-mine usage of improved toilets by about 2% of households
- Provision of National Health Insurance (NHIS) to households under the vulnerable peoples program was valued by recipients and was an important driver in shifting households' reliance from self-medication to mainstream medical services.

Food Security and Nutrition

- Even outside of a resettlement program, it is challenging to define the food security of a household or community. It is a dynamic condition that depends on the complex interaction of agricultural, environmental, socio-economic and biological factors.
- NGGL's vulnerable peoples program provided an important food safety net for households assessed as food-insecure in the critical 3 years following physical displacement. Some 481 households received a monthly food basket until they were assessed as food secure.
- Food baskets notwithstanding, some 43% of surveyed households reported having insufficient food to meet household needs over the year prior to the RAP household questionnaire (2009-10). This is worse than the 12% reported pre-mine (OICI, 2004) but a significant improvement over the 65% of households reporting insufficient food in the dry season and 69% in wet season in 2007 (SDNL, 2008).
- Reasons given for insufficient food in 2010 included not enough farmland (20% of respondents), old age or sickness (10%), drought (5%) and financial constraints (3%). The issue of insufficient land is discussed further in **Section 3.4.3**.

Physical Capital

- By most measures of 'physical capital', resettled households are assessed as much better off than prior to resettlement. Overall, they have secure, long-term tenure over their house plots, improved housing, improved water supply and sanitation and improved access to social services such as schools, medical clinics, public transport and markets.
- Replacement villages are well located to enable resettled households to take advantage of employment, small or micro business opportunities and house rental arising from their peri-urban location and proximity to the NGGL mine.
- Economically displaced households have also been able to achieve significant improvements in their quality of housing and access to social services using their compensation and their own resources.
- The most significant trade-off arising from the Ahafo South resettlement has been the greatly increased time households have had to spend travelling to and from their agricultural land and in collecting fuel wood. This lost time

represents a significant opportunity cost in terms of household productivity. Measures to address this opportunity cost are recommended in **Sections 8.3 and 8.4.**

Natural Capital

- Natural capital refers to the natural resources from which resources and services useful for livelihoods are derived. The audit looked mainly at divisible assets used directly for production such as land, trees and water resources.
- Project incentives to encourage displaced people to access replacement land were largely effective and led to clearing of an agriculture area greater than that acquired by the mine.
- The basic AILAP assumption of 2 acre lots per household was adequate for food sufficiency for the average household, although farmers have subsequently focused on establishing cash crops (e.g. cocoa) at the expense of food production.
- Four to five years after the AILAP land access programs, the RAP completion audit found that a significant majority of households (about 69%) had ongoing access to agricultural land.
- A further 6% of households without land were occupied by non-farm activities or were too elderly or unwell to be capable of farming.
- About 25% of households had no farm land or insufficient farmland and are consequently at risk of ongoing impoverishment. Actions to address this are recommended in **Section 9.3.**
- There is reportedly abundant vacant land suitable for agriculture in the vicinity of the mine, but the rental cost of such land has increased significantly since the mine development. High farm land rentals may be beyond the reach of some households who, for whatever reason, have relinquished their AILAP land, or who were unable to acquire sufficient land to meet their needs.

Financial (Productive) Capital

- Household financial capital includes:
- Savings in forms such as cash, bank deposits or liquid assets such as livestock, gold or jewelry, or access to credit
- Regular inflows of money such as pensions, transfers from the state or remittances.
- For convenience, household employment, income and expenditure were also discussed under the heading of Financial Capital.
- Amoma, in Asutifi District, immediately to the north-east of Ntotroso was used as a nominal 'control' for the completion audit survey. Amoma consists of a population within the NGGL mine area of influence, substantially reliant on agriculture but largely unaffected by physical or economic displacement at the beginning of 2009. A household socio-economic baseline survey of the Amoma area was conducted by RePlan in early 2009.

- Financial capital findings were generally positive. Household income levels were within 80-90% of the nominal 'control group' at Amoma. Once Ahafo South displaced household's cocoa crops mature and cash flows become positive in 1-2 years, Ahafo South income levels should easily match those of their Amoma neighbors.
- Displaced household expenditure on food is comparable to regional averages. Other indicators such as household savings and indebtedness also demonstrate that displaced household economics are normalizing.

Social Capital

- Social capital refers to the networks, groups, relationships and institutions that people draw on to pursue their livelihoods and that provide them with a social safety net during times of hardship or need.
- Resettled Ahafo South households spoke warmly about their community spirit and how they considered their neighbors as 'brothers and sisters'. The audit team was impressed by the general internal harmony and cohesiveness of the two newly formed communities.
- Communities were not concerned about their intra-community relations, but more with their relations with the District Assembly and Traditional Authorities.
- Whilst most of the resettled population acknowledged the existence and influence of the traditional leaders, and understood that they were obliged to adhere to the rules and regulations that the traditional leaders establish, they often expressed the view that the traditional leaders were not interested in their welfare or livelihood.
- For their part, the traditional leaders felt that the influx of outsiders (not specifically referring to resettlers) had weakened local social cohesion and resulted in a loss of respect for the Traditional Authorities.
- These polarized positions and mutual suspicions are not in the best interest of either group, particularly the resettlers and other displaced people who stand to miss out on the benefits of annual mine royalty payments, 45% of which are administered by the Traditional Council. The traditional leaders are also closely involved in defining who is local and who should receive priority for NGGL employment.
- The RAP completion auditors are satisfied that good progress has been made with effecting 'integration' of Ola and Ntotroso into wider government administrative and management systems. NGGL has committed adequate resources for closing out the last remaining issue (transfer of roads and drainage). The process has been protracted but a satisfactory outcome is likely.

Progress with Agricultural Livelihood Restoration

- As part of the Ahafo South resettlement completion audit, agricultural specialists made a field assessment of progress with livelihood restoration on 20 farms.
- An important finding of the completion audit's agricultural field assessment was that those farmers who realized that NGGL was not going to support them indefinitely, and they must work hard to support themselves, had made most progress towards effectively managing their farmland.
- NGGL must publicize clear information about the end of the Ahafo South resettlement program so that farmers realize that going forward, they must once again stand on their own and manage their household's ongoing survival and advancement with their own endeavors.

Suggestions for Future Resettlement

- The Ahafo South resettlement completion audit made a number of suggestions for future resettlement. These are presented in **Section 8**.

Conclusions and Recommendations

- The NGGL Ahafo project has a reputation as perhaps the best resettlement program yet undertaken in Africa. The auditors found much to support this view.

Has NGGL delivered RAP and SAP commitments?

- Based on the activities described in this Ahafo South resettlement completion audit, the auditors consider that NGGL has met its Ahafo South resettlement and livelihood commitments as described in the RAP and SAP.

Has the weaning point been reached?

- The Resettlement Completion Audit Terms of Reference asked the auditors to assess whether the 'weaning point' has been reached i.e. have resettler households received sufficient support and assistance to ensure that they have every chance of restoring their production?
- The answer is about 70-75% of farmers have seized the opportunities offered to them through NGGL's programs and have a good chance of restoring their livelihoods. By international standards, this is a very good outcome.
- With the same opportunities, the other 25 percent of households may not yet have reached this point, with inability to access sufficient replacement land being a key contributory factor.

Actions Arising

- The following principal actions are recommended:
 1. During 2015, by which time all perennial crops planted under the LEEP/AILAP programs should have reached or be very close to full maturity, commission a follow-up field assessment of a small sample of project affected farmers such as that undertaken for this completion audit – RAP auditors and NGGL to agree a reasonable timeframe for completion.
 2. Without creating expectations, analyze why some households remain landless or with insufficient land and, if warranted, examine options for assisting them to access additional farm land – RAP auditors and NGGL to agree a reasonable timeframe for completion.
 3. Publicize a summary of the RAP Completion Audit findings on the NGGL website and in project affected communities to mark closure of the Ahafo South resettlement program – within a reasonable timeframe to be agreed with the RAP completion auditors.
 4. Update stakeholder engagement plans to reflect post-RAP community communication and engagement activities – RAP auditors and NGGL to agree a reasonable timeframe for completion.