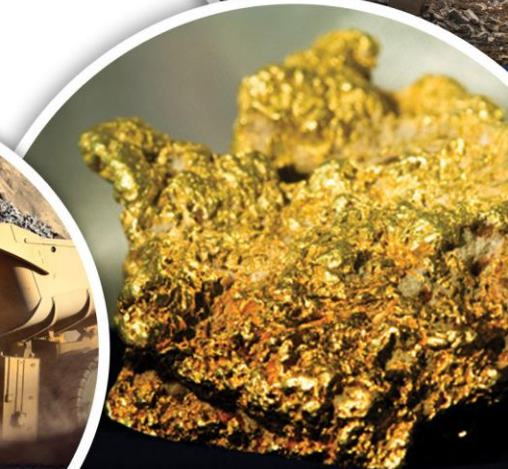


Local Content Development and the Extractive Sector

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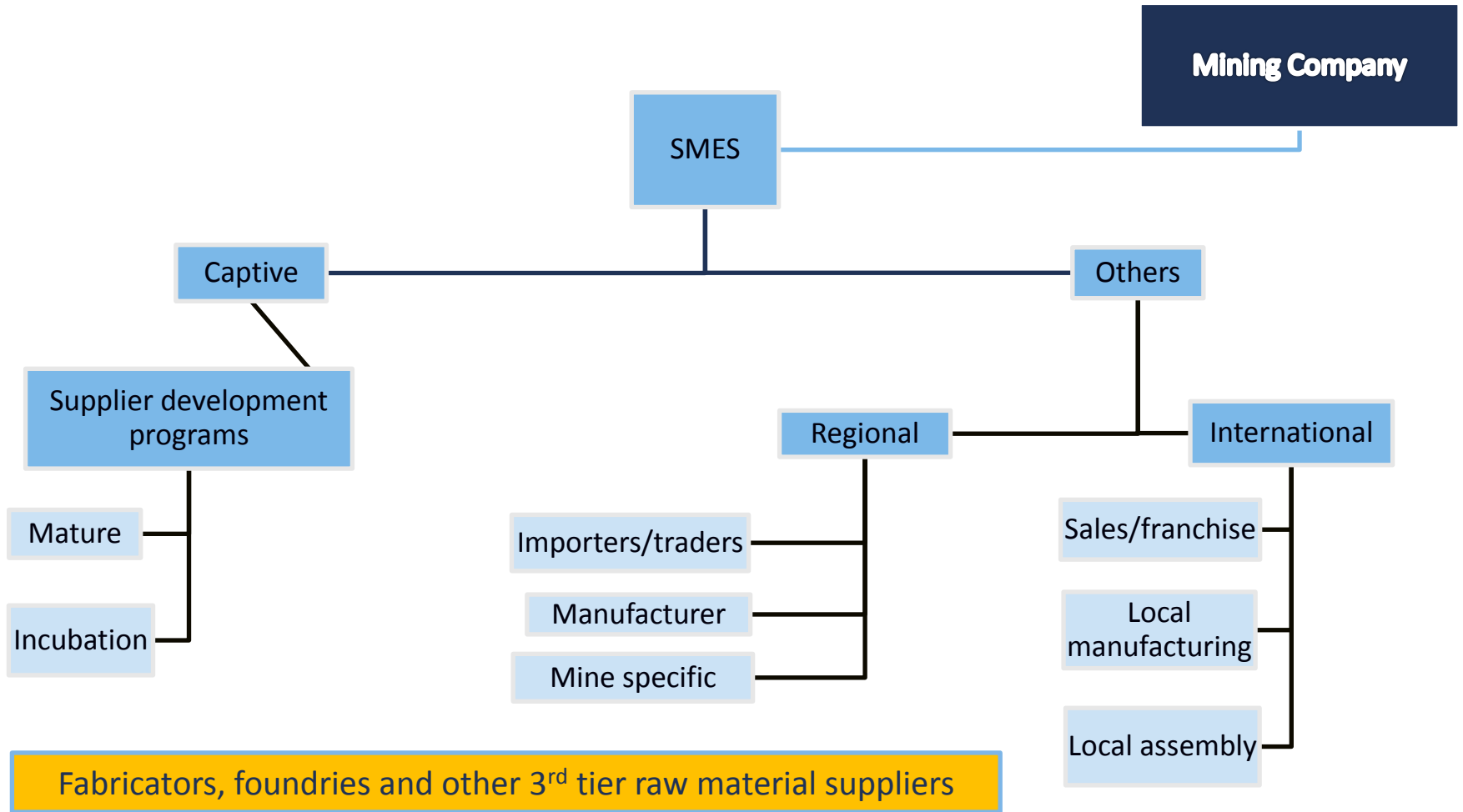


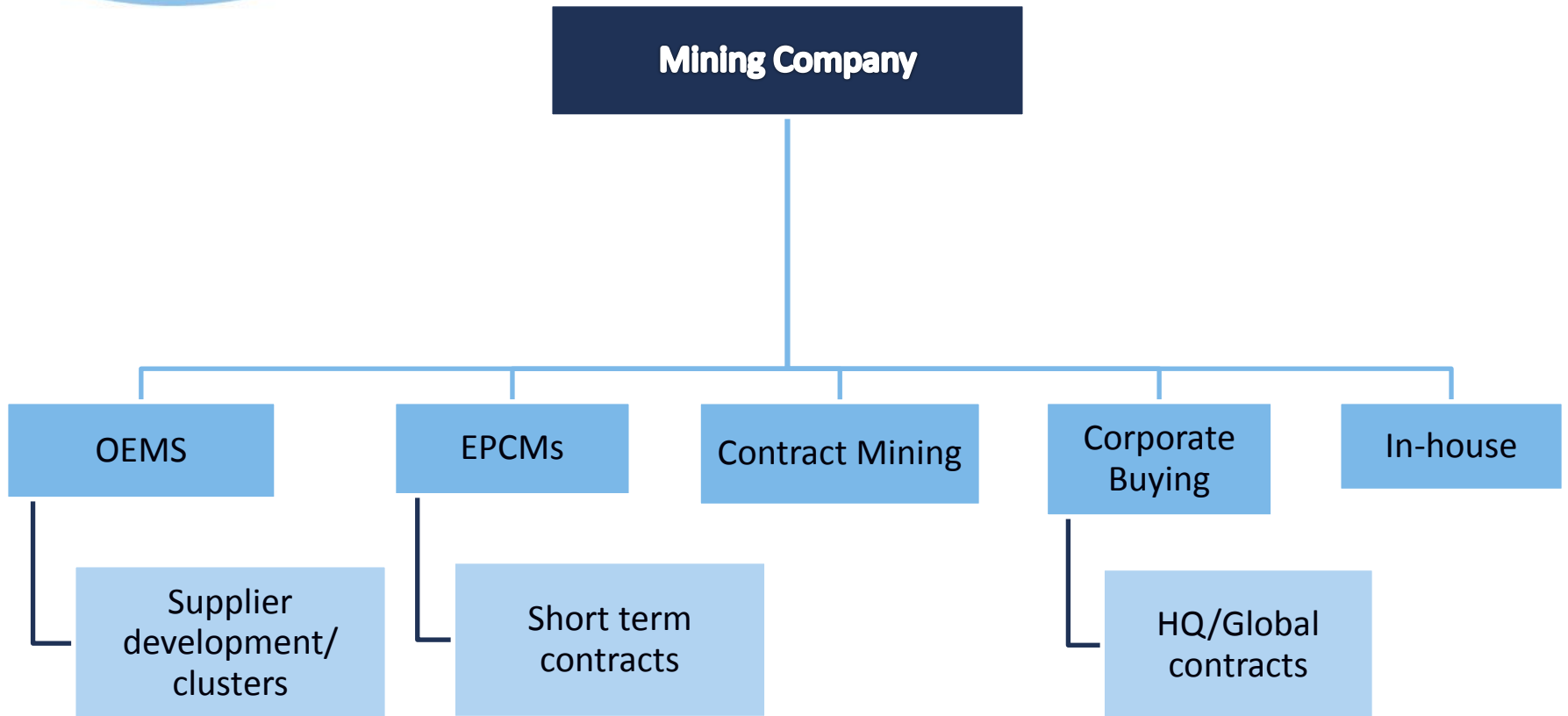
- Defining local content
- Linkages and value addition
 - Role for Small and Medium Enterprises (SMEs)
 - Role for OEMs and Large Firms
- National context and considerations
- Meeting the policy challenge

Geographical location: A requirement that the registration, incorporation, or activities of a business take place at the regional, national, state, or "local local" level (community affected by the mine).

Participation: A requirement that a business be majority-owned by citizens of the country (unless otherwise noted), or that a percentage of the management and/or employees are citizens of the country.

Local content and/or value addition: A requirement that goods, works, and services be created or provided for locally, that locally-made parts and/or labour are used, or that value is added to the product or service in-country





Expenditure Category

Geological and exploration services

Geological equipment and supplies

Analysis and testing

Supply chain services

Environmental services

Feasibility, design and engineering

Construction, and related materials and services

Contract mining

Equipment & Plant maintenance & repair

Equipment rental

Drilling equipment and services

Plant and equipment - mining / general

Heavy transport equipment

Auxiliary equipment: ventilation, pumps, fueling systems, geotextile, piping, light vehicles, etc.

Electronic equipment and supplies

Electrical equipment and supplies

Spare parts for mining equipment

Expenditure Category

Exploration consumables

Explosives and accessories

Process consumables: chemicals, reagents etc.

Fuel and lubricants

Tyres

Non mining equipment replacement parts/ tools

Wear parts and ground engagement tools

Electricity

Water services (including general waste management)

Telecommunications

Site related services

Corporate / Admin services

Personnel related services

General maintenance & repair

Safety and protective equipment

Office supplies and equipment

Camp / site supplies

Food and beverages

Non-supply payment

Others (MSCC not covered by the above)

Factors	Mechanisms	Process
✓ Skilled labour availability	➤ Employment	✓ Structural change
✓ Physical infrastructure	➤ Business Activity	✓ Public goods provisions
✓ Domestic firm absorptive capacity	➤ Spill-overs	✓ Private goods provisioning
✓ Fiscal pressures on state	➤ Trade Impacts	✓ Changes in labour structure
✓ Civil society organisation	➤ Fiscal spend	✓ Equilibrium of balance of payment
✓ Technology position		

Selecting the best approach to local procurement

- Defining local procurement and estimating the **baseline**
- Identifying opportunities in the extractive sector
- Identifying local capacity and **adaptability**
- Enabling local suppliers to compete
- Coordinating implementation and building institutional capacity
- Measuring monitoring and evaluating

Where does local content fail?

- Misalignment between trade and industrial policy
- Misalignment between competency and standards
- Forcing through regulation vs. cooperation
- Underestimating the capacity of the extractive firm
- Shopping around for the right development partner
- Confusing national ownership and domestic value added

- Sector specific factors
- Ownership of firms
- Infrastructure
- Skills spill overs
- Links to National System of Innovation
- Role of regional capabilities
- **POLICY**

Align government Vision with Policy

Misalignments within the Corporate Sector, Government and between Public and Private Sector

- Corporate policy to foster commodity linkages
- Government policy to foster commodity linkage
- A public/private partnership to foster linkages

Contextual Drivers

- Skills upgrading and technology capability building
- Addressing the infrastructural constraint
- Ownership – national and foreign

- SIMPLE overview – the extractive industry is much more complicated
- Conservative, slow moving, mature sector
- Political and social drivers impact the economics
- ECONOMICS is still the major determinant

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