A practical guide to increasing mining local procurement in West Africa

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APPENDIX 11

Local Procurement Plan Template

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| This appendix provides a suggested template for mining companies/mining industries to develop a local procurement plan, which can be adapted to suit particular conditions or requirements. It differs slightly from the overview provided in Module 6 as it has incorporated input from the regional workshop in Abidjan in June 2014.As mentioned in the guide, a local procurement plan can be completed at many different levels, including at individual mine level, mine company country office and collective commodity or country level e.g. through a Chamber of Mines. A clear local procurement plan provides a tool for mining companies and mining industries to identify objectives, set targets, identify opportunities and support requirements, and plan and organize efforts to support the realisation of increased local procurement. A common approach to developing a local procurement plan among mining companies will not only support collaboration across mining companies, but will also provide regulators and wider stakeholders with a tool to support collaboration on support efforts, and to oversee and monitor progress. Some aspects of the plan may also benefit greatly from collaboration e.g. identification of opportunities, supplier development.Experience has shown that the development of local procurement plans is ideally the responsibility of mining companies’ procurement departments. Consultation with senior management, end-user departments, finance departments, capital project teams, government relations and social responsibility, and HSE compliance departments is important for internal alignment. Input from external stakeholders (in particular regulators, primary contractors, other suppliers, potential delivery partners such as local business associations and networks, business development service providers, donors and multilaterals, financial institutions, technical support providers) will also ensure that the plan takes into account important priorities/reporting obligations and relevant capacities.This template provides section headings as well as possible content to cover under each section. It also offers some considerations that may inform developing the content. It is designed to cover all the issues that would need to be dealt with for internal purposes; further consideration would need to be given about what gets communicated externally e.g. to the regulator, current and potential suppliers, civil society and communities (it is recommended that external reporting be on an annual basis, and aligned to other reporting cycles; internally, monthly tracking is likely to yield the greatest integration into business processes and metrics)**.**  |

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# Executive summary

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| **Key content areas:**Overview of the local procurement plan, including objectives, broad targets, identified opportunities, support components, implementation and monitoring timelines and indicators.**Other considerations:**The structure may need to conform to company guidelines around executive summary contents. **Suggested length: 1 to 2 pages** |

# Introduction and background

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| **Key content areas:**Scope of procurement plan in terms of operations covered by plan (e.g. mine site/project, commodity group, country)* Nature of mining-related activity, including:
* Brief overview of current activities across mineral resource assessment and exploration, mine and related infrastructure development, mining, processing, and outbound transport, to include:
	+ Commodities
	+ Nature of mining, processing, and transport
	+ Life of mine and any potential extensions, given resources and reserves
	+ Overview of planned capital projects, including planned timings
* Past efforts to support local procurement and any successes and lessons
* Local and country socio-economic context, including population size and demographics, employment and poverty levels, major sectors and other major buyers, enterprise numbers and level of sophistication, prioritised growth areas
* Regulatory context/obligations in terms of mining code/mineral development agreement and/or licensing processes, and any expected developments
* Institutional context, including any challenges to developing and delivering on the plan

**Other considerations:**Where the mining company has a standardised approach to socio-economic assessment, this can be drawn upon to complete this section. The drafter may also be able to draw on feasibility, EIA and community impact reports, as well as national statistical and economic reports and strategies. **Suggested length: 2 to 5 pages** |

# Overall statement/vision for local procurement

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| **Key content areas:**Overall statement on vision for local procurement aligned with wider business principles relating to corporate citizenship, sustainability, and commercial objectives. Strategic objectives for increasing local procurement may include:* Improved reliability of supply, reduced logistics costs and stock holding levels (in particular for products)
* Improved response time and after-care (in particular for services)
* Customised supply and problem-solving to address local conditions
* Support for social license to operate, including mine reputation, community and country perceptions of the sustainable socio-economic legacy of mining and contributions to development in terms of job creation, enterprise development and improved economic capabilities
* Contribution to corporate brand identity as a good corporate citizen
* Support for compliance to “soft” or “hard” regulation, including any national or international agreements to which the company is a signatory, as well as national legislation and regulation

**Other considerations:**This section could also deal with the contribution of the local procurement vision to the overall mine/project, company or chamber of mines vision, as well as potentially the country vision (depending on the level at which the plan is being developed). **Suggested length: 1 page** |

# Definitions/glossary of terms and indicators

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| **Key content areas:***See also Modules 2 and 8 of the guide*This section could cover definitions for terms such as: * Supplier
* Contractor / Primary contractor / first tier supplier
* Local content
* Localised, local-local, affected community
* Local ownership
* Local management
* Local employment
* Local value-add
* Local enterprise
* Small business/SME
* Related terms such as “full, fair and reasonable access to opportunity”, “compliance”, “cost”, quality”, “reliability”, “demand category”, “payment terms”, “unbundling”, “delivery partner”, “business development services”

This section should also cover the main indicators or metrics of performance in terms of local procurement, for example:* % and absolute value of spend by different categories of local supplier
* Growth in local spend by different categories of local supplier
* % of local spend in prioritised opportunity areas
* Growth of suppliers’ businesses e.g. in terms of jobs/turnover
* % of suppliers’ business that relates to the mining company (aiming for diversified client base to increase sustainability)
* Benefits to the mining company e.g. cost savings generated, solutions developed to operational challenges

**Other considerations:**As discussed in Modules 2 and 8 of the guide, consideration should be given to how these definitions relate to priorities (as what is defined is likely to become the focus of efforts), as well the measurability of the definitions (unclear definitions or definitions that are difficult to measure are likely to create implementation challenges).Consideration will also need to be given to how they relate to definitions that may be used in the company overall (e.g. within supply chain/procurement divisions and contracts, overall company local procurement policy) and the country (e.g. definitions of local ownership, SME).**Suggested length: 2 to 4 pages** |

# Current performance against indicators (baseline)

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| **Key content areas:*** Framework and indicators adopted for measuring and monitoring local procurement (see Section 3)
* Current local procurement using definitions and identified indicators, based on available information e.g. current spend, categorised by product and service and extent of local procurement

**Other considerations:**Systems will need to be in place to gather the required information (see Module 8). This may include changes to vendor registration systems and databases, alignment of supplier database and payment/invoicing systems, supplier surveys (possibly in partnership with business linkages or enterprise support agencies). For update reports, this section would need to include comparisons between past and current performance. **Suggested length: 2 to 5 pages** |

# Key products and service opportunities for local procurement

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| **Key content areas:***See Module 3 of the guide*Coverage could include:* Methodology used to assess opportunities
* Prioritisation and assessment of opportunities, including:
	+ Prioritised opportunities, based on attractiveness of the opportunity and potential development impacts (based on local and national priorities such as job creation, enterprise development, increased competitiveness, economic diversification)
* For each opportunity
	+ Details of value and volume required, technical specifications, current procurement structure and supply pattern (e.g. whether local office is responsible for procurement in that category, stand-alone procurement or integration within into wider work parcels, current suppliers)
	+ Potential savings/benefits of local supply
	+ Current local supply capacity
	+ Key challenges faced regarding achieving opportunities, including risks
	+ Potential strategic approach to realising the opportunities
* Potential timings related to achieving these opportunities: short-, medium-, and long-term, based on factors such as demand levels, existing supplier capacity, speed with which capacity can be increased and barriers to competitiveness in the operating environment can be overcome.

**Other considerations:**To facilitate tracking of opportunities going forward, they should ideally be linked to demand categories used by the organisation, or descriptions at the transaction or supplier level. **Suggested length: 5 to 10 pages** |

# Targets (short, medium and long-term)

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| **Key content areas:**This section would cover annual internal targets for a 3 to 5 year planning horizon for each indicator based on the outputs of previous sections. **Other considerations:**Consideration may need to be given to which, if any, of these targets are shared externally. Some mines have expressed concern about sharing targets in early stages whilst confidence is being built on the ability to reach these targets as it may create expectations. However, sharing targets may also help to give clarity to government and suppliers around focus areas. In some countries, government may have set targets through regulation, in which case targets will need to be aligned and external reporting must demonstrate how they are progressing. **Suggested length: 1 to 2 pages** |

# Strategies and tactics to achieve desired results

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| **Key content areas:**Key challenges relating to:* The interactions between mines and suppliers e.g. information sharing, bidding, feedback, service delivery, payment
* Available supplier capacity in opportunity areas
* Wider operating environment, including funding, utilities, infrastructure, technology

*See Module 4 for details*Strategies and tactics to address challenges and realise opportunities, including:* Changes to mine systems to improve access to opportunities e.g.
	+ Information sharing on future demand and requirements, use of different communication channels, creation of tender information centres
	+ Development of supplier databases and aligned vendor registration and prequalification processes
	+ Changes to contracting and procurement processes e.g. simplifying tender documentation requirements, feedback on bid submissions to understand competitiveness gaps, open tenders, taking into account national pre-financing timeframes in submission deadlines, ring-fencing certain tenders for local suppliers, preference points, packaging of work parcels e.g. “unbundling”, obligations on primary contractors around local subcontracting, lengthening of contract periods to allow time to build partnerships and build capacity
* Technical assistance e.g. product testing, joint R&D, certification, access to technology, health, safety & environment (directly or through primary contractors), mentoring and coaching to improve supplier technical and managerial capacities
* Financial support and assistance with cash-flow e.g. faster payment cycles and terms pre-financing, structuring of additional contract milestone payments, assistance with materials purchases, supplier development funds, investments through CSI spend, partnerships with banks to help reduce risk profiles for suppliers/their credit-worthiness
* Identification of local, national, and international suppliers to support realising opportunities
* Collaboration around investment promotion and JVs to increase local capacity
* Integrated programmes to address operating environment issues e.g. co-location of mines sites with access to power and HSE infrastructure, development of supplier parks, PPPs around infrastructure and utilities
* Integration of sustainability considerations e.g. supporting suppliers to diversify their client base and access wider markets

**Other considerations:**Flexibility to align operational systems and to fund strategy rollout will vary between companies and countries. Senior leadership buy-in and a clear company policy on local procurement will assist. Where there are obligations e.g. to spend a % of turnover or profit on enterprise or supplier development, this could be a key mechanism to channel resources to support local procurement. The strategy may also need to consider post-mine life sustainability for local supplier and exit strategy, depending on mine life. **Suggested length: 5 to 10 pages** |

# Measuring, monitoring, and evaluation systems

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| **Key content areas:***See Module 8 of the guide*This section will describe how information will be gathering on performance, and how this information will be analysed and learned from in order to improve performance. The most effective systems are likely to be those that are integrated into existing systems such as:* Procurement, vendor registration and prequalification systems and databases
* Enterprise Resource Planning (ERP) systems such as SAP
* Invoicing, payment, accounting and financial management systems

This section would cover any gaps in the information currently available through these systems, and how they could be amended to incorporate the necessary information e.g. introduction of new fields or codes, changes to supplier registration questionnaires or processes.Where information gaps cannot be addressed through these systems, this section will specify alternative data gathering systems e.g. surveys. This section will also cover how the outputs of these systems will feed into organisational review and learning processes. In the case of update reports, it could include successes, failures, lessons learned, challenges experienced, contributing factors, implications for approach etc. **Other considerations:**The most workable systems will be highly dependent on the systems and processes required by corporate guidelines. Ideally reporting should be as simple, transparent and automated as possible. **Suggested length: 2 to 5 pages** |

# Building internal and external capacity to deliver on the plan

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| **Key content areas:***See Module 8 of the guide*Building internal capacity, which may include:* Appointment of a local procurement officer
* Vendor registration/ “on-boarding” systems
* Payment systems
* Procurement systems
* Monitoring systems

Developing capacity within the Chamber of Mines (where appropriate), e.g.:* Creating a local procurement committee / working group
* Ensuring the secretariat has technical and administrative capacity in relation to local procurement, and mine supplier development

Developing delivery partnerships and building delivery capacity* Identifying potential delivery partners in the private, non-profit and government sectors, e.g. market linkages organisations, business development service providers, other supplier development programmes, enterprise development agencies, investment promotion agencies, technical support infrastructure e.g. certification and assurance
* Finding the best match with partner requirements for different aspects of the plan based on suitability of focus, client base and networks, capacity, geographical reach, delivery track record and reputation, governance and reporting systems etc.
* Developing delivery agreements, e.g. MOUs, SLAs, including capacity building where appropriate

**Other considerations:**Securing resources to support local procurement is likely to be more difficult during exploration, feasibility and construction phases. However, systems such as the IFC’s Financial Valuation Tool for Sustainability Investments (FV Tool) may assist to understand the cost-benefits of an early investment in local procurement in terms of securing a social license to operate in the particular context of a given mine. **Suggested length: 5 to 7 pages** |

# Risks and possible mitigations

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| **Key content areas:**Types of risks to cover may include:* Community and national expectations about the scale and nature of opportunities from local procurement and impact of changes to demand based on approvals, changes to mine plans, commodity prices etc.
* Lack of clear understanding from communities and local enterprises of the mining supply chain
* Sudden changes to social license to operate
* Supply chain efficiencies or interruptions in short term (changes to systems and new suppliers’ learning curve)
* Primary contractor collaboration to support local procurement and measurement in their supply chains
* Pressure on health and safety performance with new suppliers
* Sustainability of enterprises
* Negative changes to the operating environment for suppliers
* Increases in supplier pricing
* Concerns regarding collusive or anti-competitive practices
* Increased administrative effort required

**Other considerations:**Some relevant risks may already have been identified through socio-political risk assessments conducted by the company. **Suggested length: 1 to 2 pages** |

# Action plan

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| **Key content areas:**Specific identified actions, including:* Roles, responsibilities, and actions for components of support, for both the mining company and key implementation partners
* Implementation targets and timings
* Communication strategy
* Exit strategy

**Regular reporting/updating:**• Progress on implementation• Key implementation outcomes• Lessons learnedA typical format is a matrix or table with actions, milestones, responsibilities, and timeframes (monthly/quarterly). **Other considerations:**The format might need to align to any corporate action planning templates.**Suggested length: 5 to 10 pages** |