A practical guide to increasing mining local procurement in West Africa

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APPENDIX 1

The Workbook

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| The following is a collection of the *Information questions* and *Strategic questions* from each of the eight modules found within the guide. The diagram below, as described in the introductory portion of the guide, shows the progression from information questions to strategic questions. As the “pen” symbol indicates, this is the part of the workbook where you will complete 3. **Answer** information questions (requires data gathering) and 4. **Answer** strategic questions.    The information questions are presented first, and then the strategic questions. To help you answer the information questions, you may want to refer back to the international experience examples presented in the guide. Also, some of the information questions can be used to aid in answering the strategic questions; it may be useful to review the responses for the “Relevant Information Questions” before answering the strategic question. |

**Module 1: Determining the best approach to local procurement**

***Information Questions***

1. What is the nature of the underlying mineral resource?

Including:

* Mineral resources in the country – mineral commodities, estimated reserves and quality/grade
* Current stage of development – number in exploration, construction, operation, closure
* Expected mine lives
* Distance and accessibility of mines relative to cities

Possible information sources: National geological statistics and cadastral information, exploration and mining company annual reports and feasibility studies, mining experts

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2. What is the capacity of local businesses?

Including:

* Scale of industries relevant to mining supply
* Extent of value-add in terms of manufacturing and service provision
* Location of businesses relative to mining locations

Possible information sources: National statistics reports, business registry, Ease of Doing Business and private sector development reports, chambers of commerce/ supplier development associations, business support and entities responsible for building market linkages

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3. Are there other significant markets for suppliers?

Including:

* Oil and gas
* Construction and infrastructure
* Other large-scale extractive industries such as forestry
* Public sector e.g. health, education, military

Possible information sources: National statistics reports, reports by concessionaires / state entities

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4. What are the high priority socio-economic objectives that local procurement could contribute towards?

Possible information sources: National policy documents and vision statements, overall and for relevant line ministries

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5. What is the extent of shared vision between stakeholders?

Possible information sources: Outputs/minutes of existing multi-stakeholder forums, existence of any signed agreements / charters / MOUs/ press coverage/public debates

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6. What are the main constraints to increasing local procurement?

Including:

* Access to opportunities, including information flows and transparency or accessibility of procurement processes
* Local capacity/ capability: Scale/quantity, quality, suitability for concessionaires’ requirements, cost competitiveness, reliability
* Ineffectiveness of existing reporting, monitoring and evaluation

Possible information sources: Input from mines and suppliers/ associations, studies, Ease of Doing Business reports

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7. What legislation, regulation, and international obligations will the local procurement approach need to align with?

Including:

* Mining
* Investment
* Trade and customs
* Business registration and operation
* Citizenship

Possible information sources: Central government websites or contact points, registries of legislation and regulation

*See fact boxes in Module 5 on AU, WAEMU and WTO for further information on regional and international obligations and their implications for local procurement.*

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8. What is the current institutional capacity, and what other resources could be secured?

Including:

* Mining regulator
* Extractive industries transparency initiative (EITI) agencies
* Chamber of Mines
* Supplier organisations
* Business development support entities
* Donors

Possible information sources: Existing reports on institutional capacity, international indices, surveys, interviews

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***Strategic Questions***

1. Does it make sense to focus on increasing local procurement?

[Related **Information** Questions: 1, 2, and 3]

Considerations:

**Nature, scale and diversity** of the mineral resource

* + - High quality and large volume of mineral resources across a number of mineral groups typically lay a better foundation for sustainable local procurement
    - Mine lives /activity of more than 10 to 15 years may be required to achieve significant benefits from local procurement, in particular where suppliers do not currently meet mines’ requirements (based on a 3 to 5 year lead time on supplier development)
    - Local procurement is likely to be more limited during the exploration and construction phases due to the nature of the expenditure and the relatively short term timings of these phases

**Wider markets**

The existence of other major markets increases the viability and sustainability for mine suppliers and can help build a diverse client base.

**Local business capacity**

The less developed the local business and supplier community, the smaller the short-term opportunity to supply mines will be.

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2. What should be the priorities given the underlying socio-economic objectives?

[Related **Information** Question: 4]

Considerations:

Local procurement has the potential to contribute to objectives such as enterprise development, improved competitiveness, technology and quality upgrading, citizen empowerment, and local economic development. However, there may be trade-offs between these objectives which will need to be reflected in the approach.

* + - E.g. a focus on SMEs may exclude important larger contributors to the economy; a focus on manufacturing may inadvertently exclude important service opportunities; a focus on locally owned businesses may deprioritise local value addition

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3. Should local procurement activities focus just on the mining sector or wider markets? If so, which markets?

[Related **Information** Questions: 3 and 8]

Considerations:

In cases where wider markets exist, it may also be appropriate to have a wider local procurement approach that extends beyond mining to improve the sustainability and growth prospects for suppliers. This wider approach, may be particularly relevant for market linkages and supplier database development. This will depend on the extent to which they have similar requirements and types of suppliers.

Another consideration is institutional capacity and arrangements – would it be more practical to have a single line ministry lead the initiative, or is there capacity and policy levers in an institution with wider reach (e.g. investment or commerce/enterprise development, national development agency)?

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4. What is the nature of the opportunity? Should specific products/services or sectors be targets?

[Related **Information** Questions: 2, 6, and 8]

Considerations:

Where both institutional capacity and local supplier capacity are limited, it may be more appropriate to prioritise supply sectors with higher potential, rather than trying to develop local procurement across the board.

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5. What should be the focus on local procurement support efforts and initiatives given the constraints to realising these opportunities?

[Related **Information** Question: 6]

Considerations:

Given resource limitations, it may be necessary to prioritise addressing some constraints before others. The choice of which constraints or support gaps to prioritise may also be affected by which areas the core leadership and institutions have the greatest influence.

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6. What are the best overall mechanisms to deliver increased local procurement?

[Related **Information** Questions: 5 and 8]

Considerations:

Different mechanisms to develop the approach may be appropriate for different countries. The approach will depend on issues such as:

* + - Extent and reliability of publicly available information
    - Resources available to develop the approach
    - Willingness of stakeholders to share non-public information
    - Willingness and capacity of various stakeholders to participate in a consultative approach

Processes with different final outputs will also call for different mechanisms:

* + - Policy, legislation, and regulation: will require formal development and consultation processes
    - Social compact, charter, or Memoranda of Understanding: in the case of a multi-stakeholder agreement, greater emphasis is placed on consensus-building or negotiation and joint ownership, with each party becoming a signatory to the agreement
    - Code of practice, guideline or action plan: mechanisms could be less formal and non-binding, or individual parties could adopt or endorse the guidelines, also suitable for a privately-led initiative or interim measure to test out an approach
    - Programmes or projects in priority areas: in existing laws, make use of institutional mandates or stakeholder agreements

Where there is strong social capital and some level of shared buy-in across key stakeholders to a common vision, a more collaborative approach is likely to be both workable and beneficial. Where this is absent, it may be more necessary to have one strong lead agency and a more prescriptive approach, whilst still consulting with stakeholders to try to address their needs within the approach. Depending on the approach, different tools, projects and programmes may be appropriate.

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7. How collaborative or prescriptive should the approach be?

[Related **Information** Question: 5]

Considerations:

A more consultative approach typically increases the likelihood that role players will support implementation.

However, where there is a lack of shared vision, the nature of these consultations may be different, focusing on trying to make the approach more workable and effective, and increasing understanding of what it will mean in terms of compliance.

It can be challenging to get key decision-makers to allocate time to participate in processes, and then sustaining consultations. It is also challenging to find the balance between inclusivity and speed/efficiency, as well as coordinating technical vs. political processes.

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8. What should be the broad use of legislation/regulation?

[Related **Information** Questions: 5 and 7]

Considerations:

Where there is strong buy-in across key stakeholders to a common vision, legislation may play less of a role, with a greater emphasis on multi-stakeholder agreements. Where this is absent, it is likely that legislation may be required to galvanise action.

Typically policy documents would set out a broad vision and responsibilities; in some cases mining policy documents may already set out principles around local procurement.

However, having a blanket statement as part of mining law or policy, which generally encourages preference for local procurement without specific mechanisms, definitions, and firm proposals, appears to have had little effect to date in the region.

Legislation and regulation at a minimum tends to capture reporting obligations. In some cases local procurement definitions are included in regulation; however, sometimes countries choose to capture definitions in practice or guidance notes if they are still evolving or being refined.

Arbitrary local procurement targets in legislation or regulation (often not clearly defined) have not demonstrated to be effective tools to increase local procurement levels.

Experience in West Africa has shown that timing local procurement approaches to coincide with reviews of the mining law or mining codes has been helpful in promoting active consultation on issues, and allowing for alignment where necessary.

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9. Who should lead the process?

[Related **Information** Questions: 5 and 8]

Considerations:

* + - Relevant line ministry based on mandates and legislation
    - Availability and interest of a suitable champion
    - Capacity to manage the approach
    - A strong Chamber of Mines (with some sub-structure to focus on local procurement/content) has shown to greatly help facilitate the process

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10. How much effort should and can be placed on increasing local procurement?

[Related **Information** Questions: 2, 4, and 8]

Considerations:

Required effort levels will be informed by the gap between the desired context and the current situation, in terms of issues such as market linkages and information dissemination, supplier capacity, enabling operating environment, monitoring & evaluation

The appropriate level of effort to place on mining local procurement can be evaluated both against the potential benefit, and the relative cost-benefit of other socio-economic opportunities and programmes in the country.

Mining local procurement efforts, in particular supplier development and reporting, can take significant human and systems resources, and in many countries this will be beyond existing institutional capacity, i.e. will require additional resources.

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11. What are the expected time horizons for creating a benefit? How might the approach be phased?

[Related **Information** Question: 1]

Considerations:

Mining stage of development: countries with mines already in operation, some supplier base, a supportive operating environment, and institutional capacity may be able to achieve impact in the shorter term; in other cases the impact may be more in the medium to long term, and an approach may need to be phased to take into account these challenges in the shorter-term; whilst supporting “low hanging fruit” at a smaller scale

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12. Who should fund the process?

[Related **Information** Question: 8]

Considerations:

Funders typically include line ministries, Chambers of Mines, and international donors.

Different funding options may be available for the process of developing a local procurement approach vs. managing and implementing the approach. For example, multi-donor funded programmes such as the planned Local Content Global Partnership could be approached to support the initial gathering of information and consultations to develop the approach

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**Module 2: Defining local procurement and estimating the baseline**

***Information Questions***

1. What are the local procurement approaches' priority objectives?

Including:

* Job creation
* Citizen empowerment
* Enterprise or SME development
* Development of manufacturing capacity
* Development of services
* Competitiveness
* Technology upgrading
* Reducing inequality
* Sustainability

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2. What are the existing national and regional legal definitions that need to be taken into account?

Including:

* Nationally registered business
* Locally-owned business
* Citizen
* Resident
* Local value-add
* Locally originating product
* Management
* Employment
* “Affected community”

Note: thresholds are the levels or boundaries beyond which a supplier is included in a certain category

Possible information sources:

* Module 1
* Laws and regulations
* Line ministries/entities responsible business licensing department , trade, economic empowerment , labour, immigration
* WAEMU and ECOWAS

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3. What systems are in place to measure potential aspects of the definition? Where is information available and accessible?

Including:

* National statistics annual surveys
* Business registration and licensing
* Industry surveys
* Mines’ reporting to regulators
* Mines’ internal systems
* EITI reporting
* Customs, revenue & tax reporting
* Employment & payroll reporting
* Reporting related to work permits
* Academic or public research
* Enterprise/supplier support entities’ records

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4. Based on these sources, what are the baseline levels of local procurement using these different potential measures? What are the information gaps?

Including:

* National statistics annual surveys
* Business registration and licensing
* Industry surveys
* Mines’ reporting to regulators
* EITI reporting
* Customs, revenue & tax reporting
* Employment & payroll reporting
* Reporting related to work permits
* Academic or public research

*See Appendix 4 for templates to capture supply patterns.*

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***Strategic Questions***

1. Which socio-economic elements should be emphasised in the local procurement definition?

[Related **Information** Questions: 1 and 2]

Considerations:

Mining companies, governments and other stakeholders in West Africa have adopted a wide variety of approaches for defining local procurement and these have often failed to consider important factors that will encourage sustainable economic benefits to local citizens. Often, no clear definition is provided at all.

Existing definitions by mines are generally limited to locally-registered companies, locally-owned companies, or spend in the ‘affected communities’.

Selection of elements of the definition (and how these are prioritised) will impact the focus of efforts, e.g. use of employment in the definition is likely to result in an emphasis on job creation whilst a definition based on locally-registered companies may result in an emphasis on local business registration (which may impact tax revenues but may not impact significantly local value-adding activity or local participation). Definitions that do not include a value-add element may result in a focus on importers, which may create some opportunities but may also increase input costs for mines rather than adding value (unless importers develop the capacity to hold appropriate stock and provide value adding services such as maintenance and after-care).

There has been general support in consultations with a wide range of stakeholders in West Africa to incorporate all three components of location, participation and value addition into definitions.

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2. What is the best wording for the overall definition and sub-definitions so that they are measurable e.g. through use of criteria, thresholds, or formulas?

[Related **Information** Questions: 3 and 4]

Considerations:

The choice of wording in definitions is essential as it will lay the foundation for whether or not local procurement can be effectively measured (*see Module 8 on measuring, monitoring, and evaluation*).

Tools to help provide clarity and avoid ambiguity include criteria, thresholds, and formulas. In order to be both realistic and ambitious, thresholds should ideally take into account both the current baseline of suppliers and the likely constraints/potential to improve performance in terms of the selected elements of the definition e.g. levels of local employment or value add.

Elements of the definition where there is existing information and reporting systems will be easier to administer, e.g. if companies already report to government on local ownership or employment, or if mines already capture information in their procurement or invoicing systems. However, these may not necessarily be the most important aspects for the reasons discussed above. Where information is lacking, consideration should be given to defining elements in a way that takes into account ease of implementation for mines and capacity of verification authorities/regulators.

For example, definitions based on local content of individual transactions have been shown to be accurate but require significantly more resources, whereas definitions based on the characteristics of suppliers may require less resources.

Selecting different thresholds for mining vs. other sectors may cause confusion amongst suppliers and support entities which could create implementation difficulties and administrative hassles.

There has been broad consensus in West Africa mining-related consultations that a system that defines local procurement as the local content of all mines’ purchases (as in Brazil’s Oil and Gas sector) will be too onerous to administer, given capacity constraints of governments.

In line with the above, there has been a general positive response to the model proposed by Kaiser Economic Development Partners which specifies:

1. Participation of local citizens (and other West Africans) through:
   * + Enterprise ownership
     + Employment
     + Management

Thresholds would relate to local circumstances and existing national definitions. In some cases a focus on ownership alone may be more practical given information and constraints.

1. Extent of local content and value add in the country and in West Africa:

Drawing on ECOWAS &WAEMU definitions and extending these principles to services, at least one of the following:

* + - Supplier provides majority local unprocessed goods (e.g., animal, plant, and mineral products) and handmade products
    - Majority of products provided by supplier are substantially transformed locally (i.e. would categorization from one tariff heading to another)
    - Supplier uses more than 60% local originating raw materials
    - At least 30% value-add on the ex-factory price of finished goods: incl. materials, consumables, packaging, salaries, payments to govt., works, external services, depreciation.
    - Where a service provider undertakes, manages, and controls the majority of its services in country or in the region

It may also be appropriate in some contexts where there is less local capacity to define a “mid” category threshold for suppliers that do not meet above thresholds but have:

* + - Some local origin materials
    - Some products that are substantially transformed
    - Some value-add, but less than 30% overall
    - Some local service delivery

1. Geographically, preference for an enterprise located in the same country as the mine followed by companies in West Africa.

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3. Will existing, amended, or new definitions be used? If new definitions, in which document will they be captured?

[Related **Information** Question: 2]

Considerations:

International benchmarking demonstrates a variety of places where definitions are housed, including in mining regulations or law, industrial policies or strategies, and even manuals. Sub-definitions may refer to existing definitions of locally owned businesses or national citizens.

Any related definitions in national mining law will need to be taken into account – if contradictory with the agreed definition they will need to be revised; other business registration definitions are also likely to be important – if suitable, these could be cross-referred as sub-definitions for a local business. Changes to definitions within mining laws may have long lead times, whereas those in regulations could be shorter. Changes to definitions in line ministries that are not closely involved in the local procurement effort are likely to be very difficult to implement.

Ideally, definitions of value add should cross-refer to WAEMU and ECOWAS definitions of product origin.

Inclusion in regulation rather than law or policy could provide greater flexibility to accommodate changes if needed, as circumstances change or data availability improves. This could be through the mining ministry or commerce/investment ministry if the definition will be used across different sectors. An alternative mechanism is practice notes or guidelines - these could either be the ultimate mechanism, or could be used as an interim mechanism to test out and refine definitions into a more workable form.

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4. What process should be followed to agree these definitions? Who needs to be involved?

[Related **Information** Question: 2]

Considerations:

Irrespective of the selected process, consultation around the definition with stakeholders can be beneficial in ensuring the definition is workable and does not have significant unintended consequences. If the definition is within a procedure, practice note, or manual, a less formal consultation is likely to be required.

If definitions are to be included within law or regulation, then the appropriate formal process for a country will need to be followed, e.g. legal drafting, public hearing, submission to parliament. This approach has greater power in terms of enforcement, but it may be less flexible and take longer to formulate and implement. See also Module 5: Policy, Law and Regulation.

The least formal process of all is to use programme terms of reference by regulators, support entities, chambers of mines or supplier associations to define priority supplier types, e.g. in terms of target beneficiary types for a supplier development programme. This approach has the advantage of flexibility, but does not create certainty or clarity, and has no legal status.

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**Module 3: Identifying opportunities**

***Information Questions***

1. What are the primary socio-economic and sectoral objectives that will shape the nature of the opportunities?

Possible information sources: National policy and strategy documents and vision statements (including industrial, SME, private sector development), stakeholder workshops

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2. What products/services are mining companies prioritising for local sourcing?

Possible information sources: Mining companies’ views (e.g. through workshops), individual mines’ local procurement plans

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3. What is the historical and current demand by the mining sector (and other major sectors)?

Including: Breakdown by year, by phase (exploration, projects, operations), by product/ service group

Possible information sources: Mining companies’ procurement/finance departments, relevant government departments (where procurement data is reported), import data

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4. What is the forecast annual demand (e.g. next 5 to 10 years) by the mining sector (and other major sectors)?

Possible information sources: Mining companies procurement/finance departments, annual reports, investment/ development plans, forecasting analysis (*see Appendix 6 for approach used as part of WALPI project*).

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5. What is the forecast annual demand for specific product & service categories from mines?

Possible information sources: As above

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6. What is the current level of local supply for each product and service category? (*See Module 2 for definitions of local and the local supply baseline*)

Possible information sources: Mining companies’ procurement/finance departments, tailored analysis

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7. What is the capacity of current and potential local suppliers to the mines in relation to potential opportunity areas?

Possible information sources: Statistics/ surveys of capacity utilisation levels, chambers of commerce/ supplier development associations, business support and market linkage entities, supplier assessment tools

Response:

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8. What are the identified challenges and constraints to increasing local sourcing in potential opportunity areas?

Possible information sources: Input from mines and suppliers/ associations, studies, Ease of Doing Business reports

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***Strategic Questions***

1. How do stakeholders’ objectives shape local procurement opportunities?

[Related **Information** Questions: 1 and 2]

Considerations:

**The socio-economic objectives and sectoral priorities of a country are** a key starting point for determining opportunities. For example, a focus on job creation would likely favour labour intensive sectors and/or opportunities with high labour-absorption potential due to scale. Other objectives such as SME development, increasing the number of women-owned businesses, developing technology-driven sectors or promoting exports, would all impact prioritisation of opportunities in different ways. Note that these objectives also play a key role in determining the overall approach to local procurement (Module 1) and definitions (Module 2) which in turn also impact the most appropriate opportunities to select.

Whilst regional integration may be an overall objective, in practice few countries have included regional supply opportunities as a priority focus (although the WAEMU agreement commits members to “national treatment” of firms from the region) . There is often more political impetus to support local suppliers than regional suppliers. In addition, given the more advanced nature of the mine supply industry in Ghana, many feel that suppliers from that country will gain disproportionately from a regional approach to opportunities. When evaluating these options, considering the potential for clustering to provide complete solutions within the region will give a more accurate picture of potential benefits than just considering the first-level contracts. This is particularly true in cases where the scale required for viable production is larger than the market of any one mining country in the region. Regional trade, investment, and mining forums, including those organised by WAEMU, ECOWAS and the Regional Association of Chambers of Mines, present a mechanism for identification of regional opportunities.

Mining companies also often have clear ideas on the products and services that make most sense to source locally. There are frequently a number of products and services where local sourcing would benefit the mines commercially (e.g. by reducing logistics cost, increasing security of supply) or in terms of social license to operate (e.g. opportunities that could be met within affected communities). Mines will also have particular views on which products and services are most likely to be successfully provided by local companies, based on their experiences with existing suppliers. Their priorities for local supply may also be constrained by their regional or global policies around which product/service categories can be procured through local management.

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2. Which products and services are likely to have suitable demand to justify local supply?

[Related **Information** Questions: 3, 4 and 5]

Considerations:

Typically the products and services that offer the best opportunities demonstrate one or more of the following characteristics of demand:

* + - The volume and value required across the mines is significant. These products and services do not necessarily need to be the largest purchases by the mines but they must at least have a sufficient scale to justify capital investment for a few local suppliers.
    - Demand is **consistent.** Products and services that are consistently required are more likely to provide a sustainable market for local suppliers. Products or services that are only needed during exploration or construction may not provide a sustainable opportunity for local businesses unless a country is expected to have a long time horizon of continued exploration and mine development. A clear demand for at least five years is preferable. As such, it is beneficial to establish demand across mines both now and in future based on estimates of future development of the sector.
    - There are often **wider markets** available (outside mining). These could include construction, oil and gas, agriculture, or tourism. Multiple buyers are likely to yield more sustainable opportunities for suppliers. It is also important to consider the wider (West African) regional market, in particular in cases where the scale required for viable product is larger than the market of any one mining country in the region.

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3. In which product/service categories is there suitable local supply capacity?

[Related **Information** Questions: 6 and 7]

Considerations:

The first consideration is the level of local supply for each product/service category. See Module 2 (Defining local procurement and estimating the baseline) for some specific ideas on measuring existing local supply. In the areas where local suppliers are already present, it is important to understand current capacity, e.g. whether the necessary price, scale, quality, and reliability exist currently.

If there are gaps in supplier capabilities, it is important to **make an initial assessment of whether capacity can realistically be expanded**, and how long this would take. The expected timeframes will impact the point at which these opportunities could be realised, as well as targeted growth rates. See also Module 4: Enabling suppliers to compete.

It is also important to ensure that there are multiple suitable local suppliers of a product or service in order **to avoid inadvertently encouraging monopolistic practices and price escalation.** There are some examples in West Africa and elsewhere where prioritisation/preference has led to anti-competitive practices where there are only one or two local suppliers.

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4. How are opportunities constrained by the operating environment?

[Related **Information** Question: 8]

Considerations:

Constraints in the operating environment may have impact on different opportunities to different degrees e.g. unreliable or high cost power is likely to constrain manufacturing most severely.

It is important to make an initial assessment of whether these operating environment constraints can realistically be addressed. See also Module 4: Enabling suppliers to compete. The expected timeframes for addressing these issues will impact the point at which these opportunities could be realised.

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5. What are the priority opportunities in the short, medium and long-term?

[Related **Information** Questions: 5 and 7]

Considerations:

Once the previous four questions have been answered, a number of high opportunity products and services are likely to emerge. These questions may interact with each other to reveal overall conclusions. For example, demand analysis will result in certain products/services being proposed (e.g. with significant demand and wider markets). These will then be examined in terms of supplier capacity which may refine the nature of the opportunity, requiring additional demand analysis. Similarly, a review of supplier capacity may uncover new opportunities that were not considered as stakeholders’ priorities or arose from the demand analysis.

It is important to be realistic in terms for the time frames of achieving certain opportunities. Short term opportunities are only likely to be realistic where there is existing suitable local supplier capacity; areas requiring significant capacity upgrading are more likely to be medium-term; areas requiring significant changes in the operating environment are more likely to be longer-term unless innovative solutions can be found that fast-track improvements.

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6. What process will work best to identify these opportunities, initially and on an ongoing basis? Who needs to be involved?

Considerations:

Experience has shown that the most effective mechanism for identifying opportunities is a combination of **stakeholder consultation** and **rigorous analysis.**

Collaborative processes which have strong involvement from mining companies as well as the supplier industry are likely to yield the most realistic opportunities, and result in increased local procurement by mining companies. Working sessions with a core team of mining procurement officials can be a very effective first step, because they can openly share information on requirements, thoughts on opportunities and initial criteria for prioritisation. The outputs of these small brainstorming sessions can form the basis for wider consultations and testing. Policy makers and officials, regulators, statistics bodies and donors may also have useful input and access to data or prior research. When this input is combined, opportunities that individual stakeholders may have failed to identify quickly come to the surface. These processes are often led by:

* + - Chambers of Mines
    - Market linkages support entities in the public or civil society sectors
    - Mining regulators (if they have sufficient capacity around mining demand and supply issues)

Opportunity identification processes often build in a review process to take into account both changing demand and supply capabilities e.g. a review every one or two years.

There are tools offered by this guide to assist in this area:

* + - Excel template for analysis of mining company (ies) demand by categories
    - Initial assessment of demand for Liberia and Burkina Faso
    - Opportunities identified to date in Liberia and Burkina Faso
    - Opportunity brainstorming workshop - example agenda and brainstorming tool

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**Module 4: Enabling local suppliers to compete**

***Information Questions***

1. What are the existing practices for each type of interaction between mines and suppliers? Which are considered the biggest challenges?

Including:

**Form, frequency and performance relative to expected level of:**

* Information on demand & requirements
* Information on supplier capacity
* Joint problem-solving and innovation
* Requests for information/quotes/ proposals
* Bid/quote submission
* Feedback
* Product/service delivery
* Payment

Potential information sources: Mines’ procurement and finance offices, suppliers associations and surveys of suppliers

Response:

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2. What systems and procedures are behind each of these challenges?

Including:

* Mines:
  + Policies and procedures relating to vendor registration, procurement and order fulfilment, invoicing and payment
  + IT and technology systems e.g. vendor databases, accounting, ERP
  + Communication and marketing systems e.g. web, SMS, newspaper, noticeboards
* Suppliers: internal policies and procedures

Potential information sources: Mines’ headquarters, procurement and finance offices, suppliers associations, business process mapping exercises, supplier assessment tool (*see Appendix 9*)

Response:

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3. Who are the people responsible for each system/procedure within mining companies and suppliers?

Potential information sources: Mine websites and contact lists, supplier databases

Response:

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4. What issues have been identified in the operating environment that constrain competitiveness?

Including:

* Business registration issues
* Business operation issues
* Issues particular to the requirements of mine suppliers
* Specific issues in priority opportunity product/service categories

Possible information sources: Private sector and SME development strategies, Ease of Doing Business reports, WEF Global Competitiveness sub-indices, supplier surveys

Response:

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5. Which local suppliers do already or could supply the mines? What are their competencies and main challenges to increasing competitiveness?

Possible information sources: Mines’ vendor lists or databases, centralised supplier databases, market linkages support entities, business registers

Response:

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6. Which institutions have responsibilities that relate to these challenges? What relevant initiatives are already underway, and what is their scope? What other ideas for solutions to these issues have been raised or are being tested?

Including:

* Stated mandate
* Actual role in practice
* Institutional capacity

Possible information sources: Institutional mapping exercises, Central government registry, individual line ministry and state agencies / their websites, reports on the investment climate, operating environment and private sector development

Response:

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***Strategic Questions***

1. Which interactions between mines and suppliers need to be improved so that local suppliers can compete?

[Related **Information** Questions: 1 and 2]

Considerations:

The priority improvement areas may vary for each country based on the context and the practices of the particular mines and suppliers active there. However, experiences in West Africa to date have often raised issues about:

* + - Accessibility of mines’ demand information and procurement processes to local suppliers, including feedback
    - Lack of up-to-date and accessible databases of potential suppliers
    - Reliability of local suppliers when delivering contracts
    - Payment terms

Response:

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2. What changes to behaviours, systems and capabilities are needed to achieve each of these improvements?

[Related **Information** Questions: 4 and 5]

Considerations:

It is important that both mines and suppliers recognise their active roles in addressing issues, rather than a culture of blaming the other party for problems experienced. They also need to understand their respective limitations in terms of what they have the power or the capacity to change. Taking a “systems approach” may help both mines and suppliers see how their practices interact.

Consideration can also be given to efforts to date by both mines and suppliers to address these issues, and lessons learned, e.g.:

* + - What have mines already tried to do to increase the accessibility of their procurement?
    - What have suppliers already done to improve their capacity to deliver to the necessary scale, time, quality and price?

Response:

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3. Who should be responsible for making these changes? If additional resources are needed, how can they be secured?

[Related **Information** Questions: 3 and 6]

Considerations:

In mines, typically there will need to be a day-to-day champion within the procurement management team, who can also advocate for changes in other departments where required e.g. finance. Experience shows that the chances of successfully making changes and maintaining new systems are improved if there is buy-in from the senior leadership in the company e.g. country director or global MD.

Suppliers will be able to make some changes internally, in other cases there made need to be additional support provided e.g. around management capabilities and good business practices, improvement of production processes improvements, standards compliance and certification. Various support agencies may need to be involved. Experience has shown that support programmes tend to be more effective where suppliers make some contribution to the cost of the support.

Chambers of Mines, as well as supplier associations and support entities, can play a useful role in building common platforms such as databases and information portals.

In some countries, the capacity of support organisations is weak, including public enterprise development agencies, technical standards and certification bodies, industry associations / chambers of commerce, and private business development service providers. Capacity building may be required so that these organisations can effectively meet the needs of mining suppliers, which may be more complex than those of their other clients. Where the scale of need does not justify building specialist local institutions, or where this will take too long, it may be more effective to draw in regional or international institutions. (*See also Module 7*)

Response:

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4. What are the highest priority operating environment issues to resolve so that suppliers can compete?

[Related **Information** Questions: 4 and 5]

Considerations:

Identifying the priority issues may need to consider both how critical these issues are, as well as the extent to which they can be influenced. Operating environment challenges often relate not just to mining suppliers but many other businesses and even the society overall. Approaches are therefore often shaped by many other factors, with the needs of mining suppliers not always being a priority.

Ideally, there should be an iterative relationship between these decisions and identifying opportunities in the medium vs. long-term. As more is learned about the pace of possible change, opportunities may shift into different time horizons.

Response:

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5. What solutions for each of these issues are likely to be most effective given the context?

[Related **Information** Questions: 1, 3, and 6]

Considerations:

Potential solutions may emerge from:

* + - Isolated or small-scale initiatives that have not yet been scaled up
    - Initiatives in other sectors
    - Solutions tried in other locations in the region or internationally
    - Bottom-up innovations by those involved who has strong motivation to solve the problem
    - Solutions that have been proposed by researchers (whether academics, public research institutions or private think-tanks) that have not yet been tested
    - Design and innovation professionals and consultancies, in particular those that specialise in large-scale systems changes

When evaluating which of these solutions might work in the particular context, consideration should be given to similarities and differences in factors such as:

* + - Scale and nature of the problem
    - Legal and regulatory environment
    - Human, financial and institutional resources available
    - Dynamics between the role players that will need to be involved e.g. extent of shared vision or common understanding of the problem

Response:

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6. For each of these issues, who should lead:

* Development of solutions?
* Testing/prototyping?
* Implementation?

[Related **Information** Questions: 4 and 6]

Considerations:

In many countries there is a forum with a mandate to improve performance on “doing business” and competitiveness indicators. This is often a multi-stakeholder task team led by the investment authority, commerce ministry or in some cases a task team or working group within the Presidency. If such a forum exists, it could be a good place to raise the specific issues experienced by mining suppliers.

A separate process might be needed if such a structure does not exist or is ineffective, or if the needs of mining suppliers are very different from those in the rest of the economy. Ideally, the development of a solution should involve the entity responsible for final rollout, but this may not always be possible if that entity is resistant to change. In these cases, it may be necessary for those who are affected to take a lead in finding solutions, ideally with backing from support entities.

**Testing and prototyping** can be a key step in trying out new solutions without incurring massive costs or having to change the whole system at the same time. Ideally, the testing or prototyping can involve the entity responsible for final rollout. However, where the agency responsible for the issue does not buy into finding a solution, it may be necessary to test the new solution out through another mechanism, e.g. a short-term project with separate funding, which may either reduce the perceived risks, or help to mobilise political will for the change.

The decision of who should lead **implementation** relates to the fit with mandates as well as operational capacity. It may also relate to the nature of the change required and who has influence over these e.g. does it require changes to legislation or regulation, changes to procedures and practices, or investments in infrastructure, systems and/or people?

Typically the first option is to start with existing institutions that are based – or active – in the country. Secondary consideration may be given to either partnering with international institutions or creating new institutions/agencies. Creation of new institutions is generally a long-term and expensive exercise, often with concerns about sustainability of these organisations and challenges of marketing them so that potential beneficiaries are aware of what they offer, and it is therefore often a last resort. *(See also Module 7*)

Response:

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7. Who else needs to be involved?

[Related **Information** Question: 3]

Considerations:

A problem-solving process is often greatly enhanced by including a diverse range of people with different experiences and ways of thinking, including technical experts, practitioners, those who experience the problem on a daily basis, as well as people from unrelated fields who may bring fresh perspectives.

It may also be helpful to involve experienced facilitators who can ensure that the design process takes into account user needs and yields a workable solution. Experts that can analyse the economic or commercial feasibility of solutions will also need to help screen solutions.

Other role players and stakeholders that may need to be involved or consulted could include related line ministries, potential funders, and support agencies, whilst taking care to avoid the outcomes being shaped by vested interests.

It may also be helpful to have a multi-stakeholder group that can regularly assess performance in identified problem areas. (*See Module 8*)

Response:

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8. If additional resources are needed for implementation, who might provide these?

Considerations:

In some cases, implementation may be funded through organisations’ existing budget allocations e.g. where existing services are adjusted or re-oriented. In other cases, additional resources may be required for implementation. Experiences in West Africa show that there is often funding available if one knows how to navigate through funding processes.

It may be helpful to develop a matrix of available funders – whether national funds, international donors, foundations, or corporate investors – as well as what types of areas they support, and their funding and reporting processes. Types of funding and resources required (whether cash or in kind contributions) may include:

* + - Professional fees for:
      * Facilitation of idea generation
      * Feasibility studies and related analysis
      * Technical support
      * Organisational design and development
      * Drafting support for new regulation, procedures or manuals
    - Skills development – including training, mentoring and coaching
    - Secondment, contracting or hiring of additional human resources for implementation
    - Development of new systems/rollout of new technologies
    - Infrastructure development

Depending on the country context, the selection of the most suitable funders to approach may be direct or through a central funding coordination structure.

Some countries have chosen the approach of ring-fencing a portion of mine royalties to support increased competitiveness of suppliers; this would typically require a decision by the revenue authority, and might also require amendment of laws or regulation.

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**Module 5: Local procurement policy, law, and regulation**

***Information Questions***

1. What are the relevant legal documents?

For example:

Types of documents:

* Policies
* Strategies
* Laws and associated schedules
* Individual mining agreements
* Rules and regulations
* Decrees
* Procedures, guidance, and practice notes
* Regional and international agreements (see fact boxes at end of section

Types of content: Mining and exploration, concessions and investments, extractive industries transparency, revenue, customs, trade *(See Module 1, information Q7 for overview)*

Ideally organise by responsible entity for the legal document, and add what is currently stated in the document that is relevant to local procurement.

Response:

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2. What are the existing legal definitions that need to be taken into account (including specified thresholds)? (See Module 2)

Possible information sources: Central government law repositories and websites; individual line ministries; reports and assessments of mining law within the country or by international agencies; local legal experts.

Response:

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3. Do any of these laws, regulations, and mining agreements include stability/grandfather clauses that are relevant to local procurement? If so, what are the expiration timings and review processes?

Possible information sources: mining law and agreement repositories / EITI website, local mining experts

Response:

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4. What are the typical timings and approval processes for amending or passing new legal documents?

Possible information sources: Local policy/legal practitioners, parliamentary records

Response:

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5. What changes to relevant policy, law, and regulation are already planned? What are the planned timings for these changes?

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***Strategic Questions***

1. What are the priority changes/additions to policy, law and associated schedules, regulation, guidelines, and practice notes?

[Related **Information** Questions: 1, 2, 3, and 5]

Considerations:

* + - Changes could include amendments to existing, or development of new, legal documents
    - Currently there is no common approach to mining local procurement policy, legislation, and regulation across the region, which could guide changes; however, this may develop over time
    - Mining law reviews and development of local procurement regulations are taking place across a number of West African countries, including Liberia, Burkina Faso, and Ghana. As these legal frameworks are tested out over time, they may inform changes in other countries in the region
    - Changes may include both alignment to avoid contradictions or inconsistencies, as well as setting out the principles, definitions, approach, responsibilities, reporting obligations, etc. Accessibility of mines’ demand information and procurement processes to local suppliers, including feedback

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| Definitions | Unclear or implied definitions have provided limited value; there have often been contradictory definitions which **create uncertainty** and **lack of clarity**  See Module 2 for further information.  Some countries have chosen to include definitions in regulations or practice notes rather than in law. This provides greater flexibility and ability to respond to changing circumstances and lessons learned. |
| Scope or application | Clarity on who the provisions apply to is important, e.g. stages of mining, other extractive industries, categories of mining licence. |
| Access to opportunities | This may include requirements for regular updating of vendor registrations, open tendering, advertising, and in some cases a central portal for procurement information and/or submissions. Care should be taken that provisions are workable for mining companies and suppliers, i.e. they do not introduce significant administrative burdens or delays. |
| Approach to preference | For example, equal treatment, margin of preference, or set asides. Phrases such as “to the maximum extent possible” and “being equal on price, quality, and reliability” are difficult to independently verify and therefore are of limited use. Percentage allocations for margins of preference are difficult to apply given the wide variation in types of goods and services, some of which are more commoditised, others having wide variations in pricing. Often this preference is required to “flow through” to primary contractors. Set asides may have unintended consequences, resulting in uncompetitive practices and pricing by suppliers. |
| Priority products/ services for local procurement | Lists that have been developed in consultation with the mining industry and suppliers have been shown to be more realistic and achievable.  It is likely that these lists will need to be updated either annually or every few years. Inclusion in core legislation is therefore not likely to be appropriate. Inclusion in schedules or annexures to legislation, or guidance notes that can be more easily updated might therefore be more appropriate.  Note: Care should be taken to align any mining list provisions to avoid a disincentive to source locally. |
| Objectives, measures, and targets | Clear objectives and measures can be helpful to ensure there is a common understanding of what stakeholders want to achieve.  However, arbitrary targets in law or regulation have been shown to be ineffective as they can often not be achieved in reality, which can **undermine legitimacy** of the local procurement effort. They can also be difficult to enforce, such as in Guinea’s New Mining Code. Therefore, it may be more practical to set out clear overall objectives within policy, and for mines to set targets and report on their progress against these, based on a thorough demand and supply analysis, e.g. as part of their local procurement plans. See Module 6 for further information. |
| Priority types of suppliers | These priorities would reflect socio-economic priorities and the selected definitions. See Modules 1 and 2 for further information. Priority categories may include:   * Location * Local participation (ownership, management, and employment) * Value-addition * Size of supplier (e.g. SME) * Sector |
| Transitional arrangements | Where stability or grandfather clauses exist that affect local procurement provisions, it would be helpful to provide clarity on how alignment will be achieved over time. In some cases, new regulation or guidelines could clarify existing obligations. |
| Reporting requirements | Examples of reporting requirements include submission of local procurement plans by mines. See Module 6 for further information.  It is helpful to have clear guidelines on: structure, frequency of submission, feedback or sign-off processes and timings, implications of not submitting or not submitting on time.  Whilst some countries have put in place penalties for non-submission, care needs to be taken that submission and feedback timings are realistic for the capacity of both mines and the regulator, and that any penalties encourage behaviour that supports rather than detracts from local procurement efforts.  In some cases, regulations provide forms or templates for submission.  Local procurement requirements are often specified as “flowing through” to primary contractors; in such cases it would be helpful to clarify how this obligation is dealt with in terms of reporting. |
| Nature of support /support programmes | These may include both supply-side measures (supporting suppliers to become more competitive and comply with mines’ technical requirements) and demand-side measures. (See Module 4 for more detail on wider operating environment issues) [LINK]. Demand-side measures include policies and regulations to encourage the choice of “local suppliers” by the mining companies. |
| Incentives and financial instruments | This may include alignment of existing incentives or creation of new incentives, e.g. supplier support incentives, ring-fencing of a portion of royalties to support local procurement or supplier development specifically and/or creation of targeted funds. |
| Institutional arrangements and roles | This may include allocation of responsibilities to existing entities or creation of new agencies, depending on availability of suitable capacity. It may also include the creation of multi-stakeholder forums, task teams, or working groups to further develop and implement the local procurement approach. See Module 7 for more detail. |

Response:

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2. If customs instruments (e.g. mining lists) are already in place or are being considered, how can these be aligned to optimally support local suppliers?

[Related **Information** Question: 2]

Considerations:

* + - The approach will need to remain compliant with regional and international trade obligations (See fact boxes in previous section)
    - Various definitions of local suppliers will have an impact on customs issues, e.g. a focus on locally value-adding suppliers or a focus on use of local inputs or raw materials.

1. If suppliers are likely to be reliant on inputs that are not readily available locally, extension of mining tariff exemptions to local suppliers can help to level the playing field.
2. Where local manufacturing is prioritised and possible, consideration may be given to removing such items from the mining list to avoid a disincentive to source locally. Consultations with Commerce departments and industry associations can assist in assessing available capacity; consultations with competition authorities (if present) can also assist in seeking approaches that do not have unintended consequences for competitive practices.
   * + Consistency of terminology and definition of items by HS Code can help to avoid ambiguity

Response:

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3. How should these changes be sequenced and what are the likely lead times?

[Related **Information** Question: 4]

Considerations:

* + - This will need to take into account the typical lead times reflected in the information questions in order to be realistic
    - In addition, sequencing will need to follow the national legal process sequence, e.g. regulation follows law, which follows policy; initial drafting, consultation, finalisation by state law advisors
    - Experience in the region has shown that processes take many years and some have not been finalised. Therefore, consideration may need to be given to use of processes with shorter lead times (e.g. practice or guidance notes) to provide clarity in the interim period

Response:

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4. What legacy issues from existing agreements will remain for the longer term, and how can these best be dealt with?

[Related **Information** Question: 2]

Considerations:

* + - Depending on the content and status of existing individual mining agreements, there may be consistencies, e.g. in the nature and timing of reporting:
      * If the new provisions around local procurement are not substantively different, changes could also be considered as clarifications
      * Changes could potentially be addressed through mutual consent and written confirmation if needed, or waiting for the next review period

Response:

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5. If additional resources are needed to amend or develop legal documents, how could these be secured?

Considerations:

* + - A scan of existing institutions and donors providing technical support and funding for policy, legal and regulatory work, and drafting may reveal a shortlist of organisations to approach
      * There are currently plans around a Global Partnership, related to the Extractive Industries for Local Content Development (EILCD), funded by both private enterprises and government. EILCD is scheduled to take effect by July 1, 2014 and will support research and implementation work on local procurement
      * In Guinea, there are financing plans in the works and a donor round table is scheduled to be held in early June of 2014

Response:

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6. In each case, who can lead the process of developing and amending the necessary policy, legislation, regulation etc.?

Considerations:

* + - Typically lead entities have included mining ministries, mining regulators/minerals commissions, concession management and oversight bodies, and ministries of commerce/industry
    - Champions of legislative reform ideally need to have an understanding of both the legislative processes and the implementation issues
    - In many cases in West African countries, regulators have capacity constraints; consideration of this capacity is important when developing reporting and oversight provisions in law and regulation, as well as allocating responsibilities

Response:

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7. Who else needs to be involved and consulted?

Considerations:

* + - Legal drafters can be drawn from within government or contracted advisers. These options may have different resource and time implications, depending on the context and available capacities
    - Collaborative processes with key stakeholders (government, mines, suppliers, and support entities) have been shown in many cases to result in more workable outputs

Response:

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**Module 6: Mining company local procurement plans**

***Information Questions***

1. What are the relevant planning and reporting systems and documents (mine, country, chamber of mines etc.)? How is local procurement currently dealt with in these systems/processes and documents?

Including:

* Requirements from head offices, regional/national, mine management
* Current content captured
* Existing key performance indicators (KPIs)
* Regularity of reporting/assessment
* Systems used (e.g. procurement systems, finance systems, vendor/supplier prequalification databases, surveys)

Possible information sources:

* Mines/Chamber of Mines’ strategic plans, annual reports
* Financial, investor, socio-economic/societal/community reports
* Requirements in law, regulation, or individual mine agreements

Response:

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2. Which unit/s and people are responsible for planning, implementation, and reporting?

Possible information sources:

* Organograms
* Job descriptions
* Input from management
* Formal mandates in legal documents

Response:

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3. Are planning and reporting requirements expected to change?

Including:

* New company strategies and systems
* New laws or regulations

Possible information sources:

* Mining companies’ strategy documents and leadership statements
* Policy and legal review processes
* Country mining experts

Response:

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***Strategic Questions***

1. At which level should Local Procurement Plans be prepared (mine, country office, chamber of mines etc.)?

[Related **Information** Question: 1]

Considerations: The most appropriate level for the local procurement plan will depend on issues such as:

* + - The main level at which procurement is taking place, e.g. at the mine level or at the country office
    - The availability of suitable planning and implementation capacity, including whether there is any capacity in a Chamber of Mines
    - Any regulatory requirements, e.g. if mining agreement specifies mine-level reporting

Response:

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2. Who should be responsible for leading the development and implementation of the plan?

[Related **Information** Question: 2]

Considerations: Experience has shown that the procurement division should be central to the development and implementation of the plan, with some input from other divisions, e.g. finance, corporate social responsibility, and government liaison divisions.

A motivated internal champion is key to successful development and rollout, either from procurement management or more senior company leadership.

Response:

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3. What should be the local procurement plan document’s structure?

Considerations: The WALPI process has developed a proposed template for a Local Procurement Plan, which is available for download as part of this guide.

Response:

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4. How often will it be updated or progress reports submitted?

Considerations: Reporting and updating cycles are likely to depend on:

* + - Any regulatory reporting cycle requirements e.g. annual or quarterly reporting
    - Company reporting cycles e.g. annual reports to society, quarterly reporting on performance indicators
    - Available capacity to prepare reports (limited capacity is likely to necessitate less regular reporting, or more automated reporting systems)

Response:

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5. What are the challenges to completing the Plan and how can they be overcome?

[Related **Information** Question: 1]

Considerations: Experience has shown that challenges often include:

* + - Available time of mining officials to develop and roll out the plan
      * Often local procurement is only one aspect of procurement officers’ responsibilities
    - Lack of experience of procurement officers in writing local procurement plans or similar plans
    - Lack of integration of systems and processes between units within the company, e.g. procurement vs. finance vs. CSI
    - Often there is a lack of clear guidance on the structure and process
    - Lack of readily available information on supplier capacity

Response:

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6. How can consistency be ensured (given varying individual company approaches)?

Considerations: A common approach to developing local procurement plans among mining companies in a country will not only support collaboration across mining companies, but will also provide regulators and wider stakeholders with a tool to facilitate collaboration on support efforts, and to oversee and monitor progress.

Consistency can be generated by providing a clear framework for a local procurement plan – depending on the context in a country; this could be through the Chamber of Mines (through agreed guidelines or joint planning) or the mining regulator (through practice notes, guidelines, or regulation).

In some cases, multinational mining companies may have internal guidelines for local procurement plans or strategies.

Response:

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**Module 7: Coordinating implementation and building institutional capacity**

***Information Questions***

1. Which organisations are relevant to local procurement?

Including:

* Information flows, reporting/M&E
* Shared vision, planning, law
* Market access, linkages
* Supplier development
* Wider operating environment

Possible information sources:

* Other modules of the guide
* Institutional mapping exercises

Response:

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2. What is their available capacity relevant to local procurement?

Including:

* Knowledge
* People
* Skills
* Data and knowledge management systems
* Vehicles/transport
* Established networks with industry and other related organisations

Potential information sources:

* Institution’s annual reports
* Organisational capacity surveys
* Interviews with country experts

Response:

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3. What are these institutions and other stakeholders’ views on gaps in capacity?

Potential information sources:

* Stakeholder workshops
* Stakeholder surveys
* Media reports

Response:

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***Strategic Questions***

1. Who should lead local procurement efforts - overall and for each aspect of the implementation?

[Related **Information** Questions: 1 and 2]

Considerations: Mining regulators often play a central role in designing, implementing and monitoring regulation relating to local procurement. This means that they may be well-placed to lead local procurement efforts, in particular in terms of mine reporting (e.g. in Ghana).

However, WALPI research and benchmarking shows that it is key for mining companies to be strongly involved in supporting local procurement efforts – with Chamber of Mines /individual mines often playing a leading role.

Also, in cases where the local procurement approach extends beyond mining to other sectors, it may be appropriate for the lead to be taken by a commerce, industry or investment department, agency, or commission.

Typically mining regulators do not have supplier development capacity. Where the local procurement approach includes supplier development, the lead entity for this aspect could be selected from existing enterprise development entities whether public, private or non-profit. Selection of the lead could take into account their resources, willingness, and client base.

Response:

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2. What mechanisms should be used to coordinate implementation?

Considerations: Potential mechanisms include:

* + - Multi-stakeholder committees – these can be informally or formally constituted, either with a single chair person or a rotating chairperson (depending on the selected format, the legal standing and enforcement authority would differ)
    - An existing unit within government or a Chamber of Mines allocated the coordination responsibility (which would need to have good relationships with other organisations involved in implementation)
    - Creation of a new agency (which may not be preferred given the lead times and resources required)

Response:

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3. Given existing roles and capacities, what are the most critical gaps to address?

[Related **Information** Question: 3]

Considerations: Experience in West Africa has shown that the following are often where the most significant gaps lie:

* + - Inter-governmental and government-industry communication systems
    - Information management and evaluation systems
    - Supplier industry organisations
    - Chambers of Mines’ capacity relating to local procurement (with the exception of Ghana)
    - Supplier development capacity at a level suitable for mining requirements, in particular in terms of private business development services

When considering which gaps to prioritise, one factor may be whether these gaps will hinder achieving shorter-term objectives of the local procurement approach. Often the capacity of the regulator and Chamber of Mines are considered highest priority, as supplier development support can be dealt with in the shorter term by donor-funded programmes.

Response:

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4. What are the most effective tools to build institutional capacity (people and systems)?

Considerations: There are a limited number of examples from international experience relating to building institutional capacity. However, drawing from available lessons from both within and outside of the sector, the following can be considered:

* + - Sharing experiences between countries e.g. information exchanges
    - Integration of capacity from the private sector e.g. through multi-stakeholder committees, secondments
    - Integration of capacity from civil society e.g. in terms of information gathering, supplier development
    - Locating implementation units in departments with strong influence e.g. Office of the President
    - Organisational development, systems development and training support from donors

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**Module 8: Measuring, monitoring, and evaluating**

***Information Questions***

1. What are the **current institutional mandates** for monitoring, evaluation, and oversight?

For example:

* Mining line ministry or regulator
* Commerce/business ministry or agency
* EITI office if present
* Public sector verification agency
* Chamber of Mines
* Parliament
* Private certification bodies

Possible information sources: Laws and regulations (including mining agreements), interdepartmental committees/units, private sector service provider contracts, NGO objectives

Response:

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2. What are the existing **data gathering, monitoring, verification, and oversight systems** and capacities?

For example:

* Budgets
* People
* Vehicles
* Information and communication systems

Possible information sources: Mining company procurement / finance / sustainability staff, information systems, and reports; mining sub-contracts; Chambers of Mines reports; mining regulator reporting; customs departments’ / private verification agencies’ reporting; NGO databases and reporting

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3. What is the process for adapting mandates to support monitoring, evaluation, and oversight?

For example:

* How changes around M&E mandates have been made historically
* What processes are underway/are proposed to enhance M&E mandates, learning organisations

Possible information sources: Ministry of Mines policy officials

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***Strategic Questions***

1. How does the agreed definition flow through into measurement requirements?

[Related **Information** Question: 1]

Considerations: As set out in Module 2, local procurement can be defined in a way that supports socioeconomic development.

Based on the experience of the WALPI process, additional information (often already captured in mines’ procurement systems) would include:

* + - Nature of product and service
    - Value of product / service provision to the mining sector
    - Nature of demand to allow for tracking local procurement across different types of demand, e.g. exploration, mine development, mine operation
    - Date of supply to allow for tracking over time

Alignment of data gathering and measurement with other initiatives in other sectors and public procurement may help to make data gathering more efficient in the medium term. Alignment with data gathered in other countries also allows for comparison and learning.

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2. What are the major data gaps that need to be addressed?

Considerations: Although data on companies’ registered location is often readily available, there tends to be less publicly available and consolidated data on the participation of citizens and even less on the level of value added locally.

A phased approach to filling data gaps could be taken, for example:

* + - Initially categorising spend / suppliers to assess levels of local procurement, and then measuring actual levels / quantities of local procurement dimensions (e.g. “substantial transformation” vs. % value added)
    - Measuring local procurement for the majority of procurement spend e.g. suppliers accounting for 90% of spend

In addition to local procurement tracking, M&E can also track progress in implementation and outcomes, and inform changes in approach, relating to local procurement support initiatives. There are likely to be information gaps in many cases around programme performance and impact.

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3. What are the key M&E priorities, given the available resources/capacity? How does this play through into specific indicators?

Considerations: Given capacity limitations and data gaps, M&E efforts could be prioritised based on:

* + - Highest priority socioeconomic objectives (*see Module 1*)
    - Tracking highest priority product / service opportunities or largest areas of spend (*see Module 3*)
    - Assessing impact of support efforts so as to inform changes

A priority in the short-term would also be to refine the baseline level of local procurement (see Module 2).

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4. How best can M&E inform improvement of support?

Considerations: Indicators related to implementation of support programmes can also be tracked and evaluated. An open approach to reflecting on both successes and failures can support learning from implementation experience to refine the design and rollout of the approach and specific programmes.

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5. What information will be gathered from whom?

Considerations: Using information requirements of the **WALPI framework** as an example, the following information sources could be drawn on:

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| Element | Potential information sources |
| Citizen participation levels in supplier company:   * Ownership * Management * Employment | * Ownership:   + Business registration databases   + Vendor registries, registration processed, and vendor validation/certification   + Supplier questionnaires by support agencies   + Details related to membership of industry organisations   + Business owner identity documents and/or centralised citizenship databases * Management and employment:   + Existing reporting by companies on local employment and management   + Payroll / employment contract details   + Organisational charts   + Managers’ identity documents and/or centralised citizenship databases   + Work permit details (individual or through centralised systems) |
| Local value-add by suppliers, e.g.:   * Local inputs * Substantial transformation * Local service delivery | * Supplier surveys/reporting and potentially also verification reports, support documentation such as suppliers’ purchase records * Mines’ procurement information and reporting system (in cases where value-add information is captured) * National statistics bodies surveys of gross domestic product and local value add * Customs documentation |

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6. On what basis will reporting take place?

For example:

* + - Self-reporting and/or independent certification or verification?
    - How often?
    - Soft or hard copy submission?

[Related **Information** Questions: 1 and 2]

Considerations:

**Self-reporting and/or verification:** WALPI experiences show that self-reporting by mines can overcome some of the capacity gaps in government regulators in terms of conducting site visits or inspections. However, this approach requires effort and commitment by mining companies, trust between mining companies and government, and the capacity within government to assess submissions. Ideally, reporting could be integrated into mines’ vendor/procurement/purchase order systems to reduce administrative burden and increase accuracy. This could be complemented by validation through spot inspection or audits, which would require some oversight resources. Full certification and verification, as used in some benchmarks, requires the most resources, but resources may be split between public and private sectors, as well as non-government role players, such as civil society observers or NGOs.

In many cases it will be necessary to adjust data gathering systems to capture the necessary information. This may include:

* + - Changing reporting requirements to the line ministry/regulator and, where relevant, EITI country office
    - Mines incorporating the necessary information into supplier/vendor codes and requiring equivalent data sharing in contracts with their primary contractors
    - Collective data gathering through Chambers of Mines and/or mine supplier associations where these exist and have sufficient capacity
    - If possible, aligning national enterprise survey questions and methodology

**Reporting frequency:**

* + - Annual reporting is likely to be a more workable option in terms of capacity constraints and administrative burden for both mines and regulators (see also Module 6)
    - Brief six-monthly or even quarterly progress reports might be appropriate where capacity is less of a constraint

**Submission format:**

* + - Hard copy submissions: this has a high administrative burden, can cause delays in processing, reduces transparency, and in some countries there has been a history of regulators losing hard copies/not properly maintaining archives
    - Soft/online portal: this is often easier for mines to use, but requires initial investment in set-up (whether use of an existing platform or custom design), and there are potentially challenges of maintaining technology, data security, etc., as well as issues in terms of reliability of internet access and limited use of e-government systems in some countries

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7. How can mining companies best be incentivised to support M&E?

Considerations: Provision of free or seconded resources to support reporting and measurement activity could increase compliance and willingness to invest more in producing comprehensive reports, in particular where information is not readily available or centralised.

Greater visibility and informed public attention around local procurement could increase the value of effective reporting for mining companies (as well as programmes to improve local procurement performance). Greater public attention on local procurement can also encourage incorporation of good local procurement practices into corporate brand identity and marketing, which would need to be supported by measurement and reporting.

Experience from benchmarks has shown that inclusion of reporting and monitoring requirements in concession agreements, if followed up by oversight or penalties, can increase mining companies’ active

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8. Who should lead the following?

* + - Data gathering and reporting
    - Monitoring and evaluation
    - Oversight

Considerations:

**Data gathering and reporting:** Drawing from WALPI experience, mines are best placed to gather and report information on their procurement spend and suppliers. Mining companies are also able to adjust their vendor registration and validation processes to fill existing information gaps. As such, Chambers of Mines may be best placed to gather and report this information, in particular where they also include mining sector suppliers, from whom they can gather information. Organisations that engage and support local businesses may be well placed for complementing this with further supplier information – in particular, Chambers of Commerce and SME support initiatives.

**Monitoring and evaluation:** Options include:

* + - Mining industry regulator
    - Commerce ministry
    - Concession regulator

Based on WALPI experience, M&E systems are often under-resourced in terms of people and skills, vehicles, and information management systems. However, experience has also shown that location within the entity responsible for mining licence issuing and review is more likely to encourage compliance.

**Oversight:** Options include:

* + - Parliamentary committees
    - EITI country offices
    - Intergovernmental / multi-stakeholder groups
    - International verification bodies such as Bureau Veritas
    - NGOs such as Revenue Watch

Based on WALPI experience, in-country capacity for oversight may be limited in West African countries, especially in Least Developed Countries, and regional or international support partnerships may therefore be appropriate to provide interim support and build local capacity.

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9. To what extent will the received information be made public?

Considerations: WALPI experience shows that certain levels of transparency can help to increase both public awareness and accuracy of expectations of levels of local spend and benefits, as well as support evaluation and oversight by civil society. For example, sharing aggregate demand and local spend levels by supplier category and changes over time could be useful.

This, however, needs to be balanced by confidentiality of commercially sensitive information or information that may impact on competition in the marketplace, e.g. avoiding publishing of individual supplier-mine transactions, average pricing on specific supply items. There may be lessons from EITI in this regard around aggregated information and delays in public release.

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10. Where will additional funding be required to implement M&E systems? How can it be secured?

Considerations: **Options for funding** of additional data gathering, monitoring, and evaluation systems include:

* + - General government fiscus e.g. regulator, statistics authority, or specialist local procurement verification agency budget
    - Ring-fenced allocation from mine royalty payments
    - In-kind contribution by mines through changes to their reporting systems and/or through a Chamber of Mines
    - Leveraging existing funding and support programmes that are relevant e.g. government capacity building, EITI, open contracting and open data efforts, e-government systems development
    - Additional donor contributions e.g. similar to multi-donor trust fund supporting EITI

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