**West Africa Mining Local Procurement Workshop**

**26 and 27 June 2014 – Abidjan, Golf Hotel**

**Meeting notes**

**DAY 1**

1. **Session 1: Key findings**

*See Powerpoint presentation available separately*

1. **Session 2 : Selecting the best approach to local procurement**

Moderator: Mr. Rupert Barnard, Managing Director, Kaiser Economic Development Practice

Contributors:

* Mr. Mohamed Lamine Diarra, Ministry of Mines, Mali
* Mr. Toni Aubynn, CEO, Ghana Minerals Commission
* Ms. Linda Wedderburn, independent expert
* Mr. Michel Bissou Dikande, RELUFA, Cameroon

A summary of the discussion and some specific points raised in relation to the questions are captured below:

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

Participants agreed that is most cases it makes sense to focus on local procurement for the mining sector. Whilst previously some geographies and companies had not seen the value, this was now seldom the case. The imperative for mining to show long-term economic benefits for countries was clear, not just through revenues to the governments but by building sustainable economic capacity in the country; local procurement could also help to address the dissatisfaction around lack of benefits to communities from mining and thus contribute to favourable perception, acceptance and eventually stability (social and political) around mining operations.

There was also some debate about country-level approaches vs. considerations across the region e.g. specialization and collaboration.

1. **How collaborative or prescriptive should the approach be?**

Contributors agreed that there needed to be a mix of being prescriptive and collaborative. Most felt some prescription was required (from government) to, at a minimum, set a clear vision, but that collaboration was required both to develop a common vision and framework, and to actualize the vision through implementation both within and across organizations. The need for civil society, communities and suppliers to be involved in developing the approach was also noted, including developing “informed prior consent”. It was also noted that local procurement should not be viewed as a burden or obligation, but as something that can bring long-term benefits to those involved, including cost saving by mines e.g. by being able to reduce stock levels. Also, suppliers need to reach the point where they do not feel intimidated by mining companies, but instead have sufficient knowledge and capability to develop partnerships. The importance of tripartite agreements was noted in the case of Guinea, but also the dangers of political interference.

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

Participants agreed that the approach should be phased, and from the beginning should take into account the need to develop suppliers that are competitive, could secure diverse client bases, and could be sustainable beyond mining. It was noted that local procurement should not be romanticised, but realistic expectations should be developed about the amount of work required to make it work, and the length of time it may take to achieve results.

1. **Session 3 : Local procurement policy, law, and regulation**

Moderator: Mr. Paulo de Sa, World Bank

Contributors:

* Mr. Abdoulaye Koné, Director, Mines, Petroleum, and Renewable Energy, West Africa Monetary Union (WAEMU)
* Mr. Daziba Patrick Obah, Director Planning, Research and Statistics, Nigeria Content Development and Monitoring Board
* Mrs. Fransje van der Marel, McKinsey – South Africa
* Mr. Toni Aubynn, CEO, Ghana Minerals Commission
* Mrs. Sandra Nichols, Program Coordinator, Guinea Mining Sector Technical Assistance, Natural Resource Governance Institute

A summary of the discussion and some specific points raised in relation to the questions are captured below:

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

McKinsey shared the highlights of their research, noting that the majority of resource-driven countries around the world had some form of local content or local procurement requirements with a mix of hard and soft measures, while only 20% were phased, and only one third included “enablers”. McKinsey sees the enablers, i.e. government actions/institutions to support the private sector in developing local content (for example, suppliers and/or skills development), as critical to successful policy.

Contributors noted the following aspects have been considered within their local procurement policy law and regulation:

* Vision setting
* Definitions
* Measuring frameworks and reporting arrangements for gathering data on local procurement levels
* Integration of local procurement into extractive industry project planning from the beginning
* Development of institutions to support and monitor local content and procurement
* Funding frameworks (for implementation of the approach and for supplier funding)
* Infrastructure development e.g. corridors, road infrastructure for suppliers to access mines more efficiently
* Technology transfer partnerships
* Communication and enlightenment
* Training and capacity building

It was noted that processes could take a long time e.g. in Ghana there was a long time between the Act and the regulations which provided detail; in Nigeria it took around 9 years to develop the legal environment and build the institutions. Effort was also required to raise awareness and build the credibility of efforts.

This session also noted the need to take into account a regional dimension in local procurement legal frameworks, and to increase the level of harmonisation and coordination across the region, for example in terms of country specialisation.

1. **Will the guide be useful when developing or reviewing policy, legislation and regulation?**

Contributors agreed that the guide could provide a useful tool when developing or revising policy and legal frameworks.

1. **Who can lead the process of developing and amending the necessary policy, legislation, regulation, etc.? Who else needs to be involved and consulted?**

There was some level of agreement that Mining Ministries or regulators had a key role to play, but that many other stakeholders needed to be involved, including: ministries/departments of Commerce, Trade, Industry, Finance, Education and Training, as well as Chambers of Mines, individual mines, suppliers, communities and civil society. In some cases, the effort could even be driven by a National Commission under the President, which could assist to bring in multiple line ministries. It was noted that ongoing dialogue was necessary to know what was achievable and to build partnerships for implementation.

1. **Session 4. : Defining and measuring local procurement**

Moderator: Mr. Moses Kambou, Orcade, Burkina Faso

Contributors:

* Mr. Sulemanu Koney, Acting CEO, Ghana Chamber of Mines
* Ms. Linda Wedderburn, Mining local procurement expert, Independent
* Mr. Daziba Patrick Obah, Director Planning, Research and Statistics, Nigeria Content Development and Monitoring Board
* Mr. Saramory Kampo, Program officer, IFC Guinea

A summary of the discussion and some specific points raised in relation to the questions are captured below:

1. **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?**

It was noted that definitions needed to take into account the “concentric circles” of local-local (affected community), national and regional, as well as the aspects of participation and value-addition. Thresholds needed to take into account what was realistic in the country, and might need to enable local-international partnerships, as well as efforts to build local manufacturing capacity over time, depending on the initial level of local capacity. Some contributors noted that care needed to be taken about not focusing only on SMEs, as some opportunities are at a scale that would need larger investments.

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

Local procurement spend levels (within a clear agreed definition) were noted as one of the key M&E priorities. The recommendation was to keep measures simple and measurable, however it was emphasised that the most important aspect was keeping the overall objective in mind and ensuring that the measures drive the correct focus and behaviour, for example a focus on creating jobs. Multipliers between this spend and local employment levels were also noted.

1. **On what basis will reporting take place? For example: Self-reporting and/or independent certification or verification? How often? Soft or hard copy submission?**

Contributors broadly agreed that self-reporting with some spot checks or inspection was generally the most effective and efficient approach. Submission in the form of both soft copy within a clear and consistent format (to enable easier analysis) and hard copy (so that receipt could be easily confirmed and for record-keeping) was generally ideal.

1. **Session 5: Identifying opportunities**

**Outputs of the opportunity brainstorming (opportunities and number of votes):**

1. Catering – 10
2. Lime – 9
3. Security – 6
4. Production of energy, including renewables – 5
5. Activated carbon – 5
6. Domestic waste management - 5
7. Cyanide – 5
8. Environmental assessment – 5
9. Fuel, lubricants, greases – 4
10. HSE – 5
11. Tyres – 2
12. Salt – 2
13. Reagents 2
14. Consulting – 2
15. Grinding media – 1
16. Translation – 1
17. Transport and logistics – 21
18. Safety equipment PPE, uniforms – 20
19. Construction / construction and civil works – 16
20. Cement – 15
21. Drilling services – 14
22. Explosives – 14
23. Laboratory analysis and testing – 14
24. Training, recruitment, regional mine training centres – 13
25. Plastics, PVC, piping – 13
26. Industrial and hazardous waste management – 12
27. Food products – 12
28. Fabricated metal products – 11
29. Maintenance, refurbishment, spare parts, workshops – 11
30. **Session 6: Local procurement plan**

Moderator: Ms. Linda Wedderburn, Mining local procurement expert, Independent

Contributors:

* Mr. Ashlin Ramlochan, Head of Procurement, AngloAmerican
* Mr. Simon Blamires, Procurement Manager, Newmont, Ahafo, Ghana (TBC)
* Mr. Jean Claude Diplo, Internal Affairs Manager, NewCrest, Côte d’Ivoire
* Mr. Tidiane Barry, Corporate affairs Director, Iamgold Burkina Faso
* Mr. Boubacar Manou, Niger Chamber of Mines

A summary of the discussion and some specific points raised in relation to the questions are captured below:

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

Contributors noted that, in general, Local Procurement Plans were at the mine/project level, as they could then take into account local particularities and opportunities for local communities.

Participants noted that the plan at the mine level will need to take into account company-wide procurement guidelines and constraints.

The Ghana experience shows that there could be significant value in developing a shared local procurement plan or framework at a national or country commodity group level, as it could help to gather and share aggregated demand, which could help to support the necessary investments to develop more significant opportunities in the country. However, this took time and effort to develop through the Chamber of Mines’ supply chain committee.

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

There was general agreement that the development of the Local Procurement Plan should be led by the procurement or supply chain division within a mining company or mining project, but should also include senior leadership buy-in, and other divisions such as finance, enterprise development and government liaison/reporting.

It was stressed that a local procurement plan rollout needed to be coordinated with broader sustainability and mine closure planning teams.

Wider participants noted the importance of consulting suppliers and communities.

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

There was general agreement that the local procurement plan should be simple, realistic, action-oriented and measurable. The structure proposed for a local procurement plan in the Guide was acknowledged as valuable. There were discussions that the plan needed to include both tactical (e.g. payment terms) and strategic (e.g. collaboration with large suppliers) elements. It was also raised that planning should start early, that it should be a rolling plan and that the exit strategy should not be ignored.

Contributors indicated that it could be useful to engage with the mining regulator to understand not only the current reporting obligations but also the future direction, so that Local Procurement Plans could be aligned and “ahead of the game”.

There was also debate around the extent to which the local procurement plan or certain aspects were shared publicly. Mines noted that there were some aspects that were sensitive as they dealt with individual supplier relationships, and had some concerns about sharing detailed demand projections as this might create expectations. It was also noted that local procurement plans were relatively new to most mining companies, and they wanted to gain confidence in delivering on these plans effectively before making them public. However, other contributors noted how important visibility and information sharing was so that suppliers and support entities could understand areas of demand, opportunity areas, support commitments, etc. Transparency of mines’ procurement processes and requirements was also raised as an area of importance for both potential suppliers and the local communities. As such, CSO representatives noted that it is difficult to access data from mines, and that confidence needs to be built between different stakeholders to allow for more transparency regarding procurement practices.

**DAY 2**

1. **Session 1 : Enabling local suppliers to compete - mine-supplier interactions**

Moderator: Mrs. Gosia Nowakowska-Miller, IFC

Contributors:

* Mr. Timothy Melvin, Building Markets, Liberia
* Mr. Ashlin Ramlochan, Head of Procurement, AngloAmerican – Confirmed
* Mr. Alin Noumansan Kambou, Coordinator, Association of Burkina Faso Mine Suppliers (ABSM)
* Mr. Gilles Ferlatte, General Director, Iamgold Essakane SA, Burkina Faso
* Mr. Osvaldo Urzua, Institutional and Government Manager, BHP Billiton, Escondida Mine, Chile – (remote input)

A summary of the discussion and some specific points raised in relation to the questions are captured below:

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

Some of the areas raised by contributors include:

* Information on demand
* Vendor registration, bid and tendering processes
* Working with EPCMs and other primary contractors on local procurement
* Reliability of supply and wider contract delivery
* Pricing in bid submissions

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

Some of the changes required that were raised included:

* Increased accessibility of language used around requirements to be more accessible to local and smaller suppliers
* Sensitisation and communication systems from mines to suppliers, and the development of “partnerships” to avoid raising unreasonable expectations
* Building the access to resources and capacity of suppliers to meet requirements, including quality, health safety, reliability and on-time delivery
* Increased openness of tender and vendor lists and registration systems
* Supplier “onboarding” processes and systems
* Creating some flexibility in mining company systems e.g. range of price variation post-tender to allow for correction of pricing to a more sustainable level for local suppliers
* Awareness by mines of operational constraints of local suppliers that impact timeframes e.g. amount of time required to secure pre-contract financing or clear goods from a bonded warehouse
* Reduced payment cycles e.g. 7 days for local SMEs
* Integration of local procurement and supplier development into primary contractors’ obligations, which has in the past two years grown into a common practice
* Reduced corruption to enable further streamlining of trade and customs administration
* Dedicated funding of supplier development e.g. Nigerian Local Content Development Fund
* Improved cooperation from banks to discuss options with suppliers and their mining clients to find solutions
* Commitment from suppliers to invest back into their businesses for medium- to long-term growth and sustainability. Speakers noted that this is not happening today, particularly in post-conflict environments
  + Creation of local supplier databases and strengthening of suppliers’ associations to help provide support and promote better information flows, although it was also noted that closed vendor lists could be prohibitive to smaller businesses
* Alignment of FDI incentives to avoid any disincentive to local sourcing
* Contract unbundling to enable greater accessibility to smaller contractors
* Training of employees to increase financial management skills, which can also flow through into financial literacy and practices in surrounding communities
* Commitment by mining companies at the most senior levels, and embedding local procurement orientation in company culture, as well as aligning CSR and local procurement visions and departments
* Tax incentives and exoneration of taxes for imports need to be assessed, since this in many cases causes an automatic disadvantage to local suppliers. The example of Ghana was discussed as a potential good-practice approach to overcome this issue

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

Both mining companies and suppliers were mentioned as being responsible, whilst also noting the role of government, banks, and support entities to create an enabling environment. The role of WAEMU and other regional organisations was also mentioned as an important actor in approaching member states. The example of Nigeria was noted, where the Nigeria Local Content Board is meeting regularly with other actors, including banks, customs, immigration, and security agencies to ensure an enabling environment for local content development. It has set up a guarantee fund for SMEs, with the 1% of taxes and royalties that are paid by oil and gas companies.

1. **Session 2: Presentations on operating environment and institutional coordination and capacity building**

Moderator: Mrs. Laetitia Gadegbeku, Trade Representative, Canada Embassy in Côte d’Ivoire

Presenters:

* Mrs. Marie-Gabrielle Boka-Varlet, General Director, Chamber of Commerce and Industry of Côte d’Ivoire
* Mr. Emmanuel Essis, General Director, Côte d’Ivoire Investment promotion Agency (CEPICI)
* Mr. Yéo Bakary, Association of Banks and Financial Enterprises (APBEF)
* Mr. Jeremy Strauss, Senior Private Sector Development Specialist, World Bank
* Mr. Rafiou Oyeossi, General Director, SPAREX, and head of newly created Côte d’Ivoire Association of Mine Suppliers
* Mrs. Stephanie Sines, Operations officer, IFC Guinea

*See Powerpoint presentations, which are available separately*

During this session, the creation of the Côte d’Ivoire mine supplier organization was announced.

1. **Special session : Chambers of mine and other interested parties : experiences and lessons learned and the role of chambers of mines in local procurement**

Moderator: Mr. Rupert Barnard, Managing Director, Kaiser Economic Development Partners

Participants:

* Ghana Chamber of Mines: Mr. Sulemanu Koney
* Burkina Faso Chamber of Mines: Mrs. Inna Segueda
* Niger Chamber of Mines: Mr. Boubacar Manou
* Senegal Chamber of Mines: Mr. Doro Diagne
* Mali Chamber of Mines: Mr. Bakary Guindo
* GPMCI (Côte d’Ivoire): Mr. Nouho Koné

A summary of the discussion and some specific points raised are captured below:

* It was noted as a positive step that many of the representative structures were evolving from less formal professional associations to formal Chambers of mines, although there were still variations between there being consular Chambers in some countries (e.g. Mali) vs. fully private sector organizations in others. Some chambers were newly formed (e.g. Senegal), and their local procurement activities were still being developed.
* The efforts to develop regional chamber of mines structures were also noted (including the recent informal meeting of some Chambers in Abuja). Chambers have also conducted learning visits within the region, in particular to Ghana. WAEMU also raised that the next yearly meeting in November could address issues around local procurement and the role of Chambers of Mines.
* There was a two-way relationship between mines and the Chamber on local procurement issues – the Chamber could sensitize mines around local procurement, and mines that had experiences with local procurement from other geographies could also raise these with the Chamber.
* The value of a Supply Manager Subcommittee, Commission or Task team to deal with local procurement issues was noted in areas such as:
  + Gathering and sharing information on aggregate demand, opportunities and broad specifications/requirements
  + Increasing understanding of available supplier capacity, including building common supplier databases
  + Developing joint strategies
  + Collaborating with investment promotion agencies and engaging with prospective investors in high opportunity areas for local procurement
  + Interface with government on regulatory issues
  + Supporting reporting, monitoring and evaluation
* This subcommittee might need the support from a member of the Chamber secretariat with expertise in procurement to coordinate meetings and invite input from other organizations when needed e.g. around mining lists or technical input. Another option being explored in Ghana was secondment of someone from one of the mining companies; a decision would be made once the scale of work required was better understood.
* The sensitivities and complexity of supplier representation on Chambers of Mines was noted, in particular in terms of recognising that interests of mines and suppliers were not always aligned, but that there was merit in having information sharing platforms and networking opportunities. An affiliate group that did not have decision-making rights was one structure to address these sensitivities.
* Research in Ghana had shown that the Chamber in its local procurement activities did not need to be concerned with legal issues in terms of collusion or competition law, given that the small percentage (less than <30%) of the total market share that they represented would not materially affect the marketplace.

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| **Conclusions and next steps**  A summary of the main themes that were raised over the two days of the local procurement forum was provided, including:   1. **Collaboration**: within mining companies as well with suppliers, across mining companies and with government, but also need to be prescriptive 2. **Financing and funding:** for example,earlier payment by companies, banks to take needs of SMEs into account, etc 3. **Training and capacity building:** of local businesses, of all institutions 4. **Building competitive businesses** and sustainable businesses, not reliant on the mining industry 5. **Involving communities** and other stakeholders in the decision-making   In addition to the above, some of the key messages included:   * Clear definitions are required, and local should not just be seen as local community or small business as this confines the potential impact * Simple processes are needed, including for monitoring * Local procurement plans are a new development – the debate has progressed from what should be included in them to what should be shared and in the public domain   In closing, the importance of mines sharing their procurement data was emphasised, as this is the starting point for local procurement planning. Mines were encouraged to share their data with the World Bank (to enable analysis of aggregate demand, whilst details could be kept confidential).  Participants were encouraged to share their feedback on the road-test version of the toolkit, and to participate in dialogue through the World Bank collaboration website (to which participants would receive invitations). |

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| **Feedback from the participants**   * Majority of participants rated the Workshop a 5 (1-unfavourable, 5-favourable) * The participant group with the most positive feedback was Trade Organisations (sample size of 14) * Enabling local suppliers to compete rated most useful aspect of the workshop * Feedback was overwhelmingly positive and most participants found the information applicable * Fish-bowl format was highly appreciated as a way to effectively engage participants and share experiences * Many showed interest in having the information at a region-specific level * A few requested additional response time during the Fish-Bowl   **Overview**    **Average:** 4.46 **Sample:** 69 evaluations  **Workshop Rating by Participant Grouping (selected)**        **Some representative comments (some are paraphrased and translated)**   * *“Excellent format that allows for more interaction and increased participation”* – Professional Organisation * *“The workshop was a good experience, there must be another one in the future. The setting allowed for an enriching exchange.”* – Mining company * *“This workshop was a good opportunity for us to exchange ideas and it allows us to understand problems around local procurement in the mining sector and plans for improvement.”* – Minister * *“The [fish-bowl] was innovative, I would like more time inside the “aquarium”, maybe lengthen the time of intervention for the “fish” from two to four minutes.”* – Professional Organisation * *“It was very well organized and rewarding. This was my first time attending a workshop like this.”* – Chamber of Mines * *“Fishbowl format was very well thought out.”* – Mining supplier |