



Navigator to Support Economic Diversification

Instruments for Resource-Rich Developing Countries

Imprint

As a federally owned enterprise, GIZ supports the German Government in achieving its objectives in the field of international cooperation for sustainable development.

Published by:
Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH

Registered offices
Bonn and Eschborn, Germany

Friedrich-Ebert-Allee 36 + 40	Dag-Hammarskjöld-Weg 1 - 5
53113 Bonn, Germany	65760 Eschborn, Germany
T +49 228 4460-0	T +49 6196 79-0
F +49 228 4460-1766	F +49 6196 79-1115

E info@giz.de
I www.giz.de

Commissioned by:
Sector Project Sustainable Economic Development

Authors:
From the Centre for Social Responsibility in Mining, Sustainable Minerals
Institute, The University of Queensland, Australia:
Fitsum Weldegiorgis
Saleem Ali
Kathryn Sturman

Layout:
Gudrun Näkel

URL links:
This publication contains links to external websites. Responsibility for the content of the listed external sites always lies with their respective publishers. When the links to these sites were first posted, GIZ checked the third-party content to establish whether it could give rise to civil or criminal liability. However, the constant review of the links to external sites cannot reasonably be expected without concrete indication of a violation of rights. If GIZ itself becomes aware or is notified by a third party that an external site it has provided a link to gives rise to civil or criminal liability, it will remove the link to this site immediately. GIZ expressly dissociates itself from such content.

Photo credits:
Cover: iStockphoto
Page 14: GIZ GmbH

GIZ is responsible for the content of this publication.

On behalf of:
German Federal Ministry for Economic Cooperation and Development
(BMZ)
Division 114 Cooperation with the private sector; sustainable
economic policy

Contact person at the ministry:
Andreas Beckermann, Berlin

Printing and distribution:
Druckreif GmbH & Co. KG, Frankfurt

Printed on 100% recycled paper, certified to FSC standards.

Eschborn 2017

Contents

List of Boxes	5
List of Figures	5
List of Abbreviations	6
Introduction	7
Supporting Economic Diversification in RRCs: Main challenges	8
About this study	9
Approach	9
Method	12
Navigator to support economic diversification in RRCs	15
Existing 'Instruments' – Initiatives, Tools, Good Practices, Manuals, Publications	18
1. [IPIEKA-2016] Local Content: A guidance document for the oil and gas industry; 1st and 2nd Editions	18
2. [IFC-2007] Business Linkages: Lessons, opportunities and challenges	23
3. [IFC/Esso-2008] Developing a transparent system for local contracting: A manual for practitioners based on the e-procurement experience in Chad, Version 1	26
4. [IFC/Mozal-2008] Developing SMEs through Business Linkages: A manual for practitioners based on the MozLink mentorship experience in Mozambique	28
5. [IFC-2011] A Guide to Getting Started in Local Procurement	31
6. [IFC/RT/Deloitte-2014] Financial Valuation (FV) Tool for Sustainability Investments	36
7. [World Bank-2015] A Practical Guide to Increasing Mining Local Procurement in WestAfrica	38
8. [IFC-2002] SME Toolkit	40
9. [ICMM-2015] Demonstrating Value – A guide to responsible sourcing	43
10. [IFC-2007] CommDev: A repository for information on enhancing benefits to communities	45
11. [World Bank-2014] The Public-Private Partnerships (PPP) in Infrastructure Resource Center for Contracts, Laws and Regulations (PPPIRC)	47
12. [Local Content Solutions] Measuring Local Content / Local Content Scorecards	50
13. [RESA] PACE Supply Chain Development Program	52

14. [EWB-2015] Local Procurement and Public Reporting Trends across the Global Mining Industry: An analysis of company reporting, 2012-2013	55
15. [CSRM-2010] Procuring from SMEs in Local Communities: A good practice guide	57
16. [GIZ-2013/14] From Mines to Minds: An integrated approach to training and local economic development	60
17. [GIZ/UNIDO-2015] Enhancing the Quality of Industrial Policy (EQulP) Tool 4: Diversification –Domestic and Export Dimensions	62
18. [UNIDO-2013] Establishing a Subcontracting and Partnership Exchanges (SPXs) Centre: An implementation guide	64
19. [Anglo American-2012] Socio-Economic Assessment Toolbox (SEAT)	67
20. [AMDC-2014] A Country Mining Vision Guidebook, Africa Mining Vision	70
21. [ITC-2001] Trade Map: Trade statistics for international business development	73
22. [ICMM/UNCTAD/WB-2008] Resource Endowment Toolkit: Using resource endowment to foster sustainable development	75
23. [ICMM/UNCTAD/WB-2011] Mining: Partnerships for development toolkit	77
24. [NRGI-2014] Natural Resource Charter (Second Edition)	81
25. [OECD Secretariat- 2016] OECD Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects	84
Concluding remarks	86
Appendix: Additional case studies	88
References	89

List of Boxes

Box 1.	[Case study] Successful multi-stakeholder collaboration in local enterprise development	22
Box 2.	[Case study] A hybrid approach to promote SME linkages and diversification	25
Box 3.	[Case study] Success story of MozLink SME development program	30
Box 4.	[Case study] Successful application of local procurement program and business development tools in Guinea	35
Box 5.	[Case study] Business planning success story	42
Box 6.	[Case study] An example of PPP related to development and use of shared infrastructure	49
Box 7.	[Case study] Successful impact of UNIDO SPX	66
Box 8.	[Case study] BHP Billiton and Codelco World-class Supplier Programme	88

List of Figures

Figure 1.	Economic Linkages to the Extractive Sector.....	10
Figure 2.	Navigator table	16
Figure 3.	(Instrument 3) Local contracting framework phases	27
Figure 4.	(Instrument 4) The MozLink framework and phases	29
Figure 5.	(Instrument 5) Company Self-assessment example (budget scoring system)	32
Figure 6.	(Instrument 7) Local procurement guide: Eight modules to increasing mining local procurement	39
Figure 7.	(Instrument 8) SME Toolkit	41
Figure 8.	(Instrument 10) CommDev information hub	46
Figure 9.	(Instrument 11) PPPIRC information hub	48
Figure 10.	(Instrument 12) Local Content Solutions	51
Figure 11.	(Instrument 13) PACE program schedule 2016	53
Figure 12.	(Instrument 21) ITC Web-based interactive trade map	74
Figure 13.	Summary of opportunities to enhance local content	78
Figure 14.	(Instrument 23) Mining: Partnerships for development toolkit: Toolkit modules	79
Figure 15.	Summary of cases where Natural Resources Charter has been applied	83

List of Abbreviations

AMDC	Africa Mining Development Centre
AMV	Africa Mining Vision
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung
CAE	Centro de Apoio Empresarial
CCSI	Columbia Center on Sustainable Investment
CMV	Country Mining Vision
CSR	Corporate Social Responsibility
CSRМ	Centre for Social Responsibility in Mining
EWB	Engineers without Borders Canada
FDI	Foreign Direct Investment
FV	Financial Valuation
GDC	German Development Cooperation
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
GRI	Global Reporting Initiative
ICMM	International Council on Mining and Metals
ICT	Information and Communication Technology
IFC	International Finance Corporation
IPIECA	International Petroleum Industry Environmental Conservation Association
ISO	International Organization for Standardization
ITC	International Trade Centre
LCS	Local Content Solution
LPP	Local Procurement Programme
MITSD	Namibian Ministry of Industrialisation, Trade and SME Development
NRGI	Natural Resource Governance Institute
OECD	Organisation for Economic Cooperation and Development
PPP	Public-Private Partnerships
PPPIRC	Public-Private Partnerships in Infrastructure Resource Center
QMM	Rio-Tinto's QIT Madagascar Minerals
RDI	Research Development and Innovation
RESA	Resources and Engineering Skills Alliance
SEAT	Anglo American Socio-Economic Assessment Toolbox
SME	Small and Medium Enterprises
SPX	Subcontracting and Partnership Exchanges
TVET	Technical and Vocational Education and Training
UNDP	United Nations Development Programme
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
WALPI	West African Mining Local Procurement Implementation
WB	World Bank

Introduction

The resources sector has had a mixed reputation when it comes to socio-economic development impact across the resource rich countries (RRCs). While a number of countries have been successful in sustaining a positive contribution of the sector, many others have yet to realise a notable positive impact. In fact developing countries with abundant resources were found to underperform compared to those countries with scarce resources, leading to longstanding claims of a ‘resource curse’ (Auty, 2001). In 2011, there were eighty-one countries where the oil, gas and mineral sectors accounted for more than 20% of exports, more than 20% of fiscal revenue, and where resource rents represented more than 10% of economic output (Dobbs et al., 2013). These countries experienced varying degrees of rent seeking, inflation, reduced competitiveness of manufacturing sector, deindustrialisation (as extractive rent is used to pay for imports), and diversion of skills and resources away from the productive sector. As a result, these countries represented 69% of the global population living in extreme poverty.

The inability of RRCs to gain tangible economic benefits from resource development is partly explained by the fact that the extractive industry is inherently capital-intensive with a relatively insignificant contribution towards local spending, value retention and employment. As Wyse and Shtylla (2007) argue, extractive industries have limited potential to generate large scale impact through direct employment. Spill-over employment effects of the extractive sector can have a significant impact for sustainable development, but are usually inadequately considered in terms of policy and practice. Evidence suggests that mining can successfully generate indirect employment in the supply chain, as well as induced employment as the salaries of direct employees or supplier employees are spent within the wider economy (ICMM, 2012).

In addition, many developing countries tend to lose considerable fiscal income due to a number of reasons including favourable tax regimes such as tax holidays and exemptions, high sunken costs, and transfer pricing and profit shifting practices (Calder, 2014). Mining fiscal policies in developing countries are usually formulated with an objective to attract investment and collect revenue; however, developing countries often lack administrative skills, systems, and processes necessary to effectively and efficiently administer mining revenues collection and management (Guj, Bocoum, Limerick, Meaton, & Maybee, 2013). Furthermore, fiscal revenues generated from extractives cannot guarantee economic transformation when extractive resources provide the conditions and incentives for corruption (O’Higgins, 2006).

Despite these challenges, resource extraction can present transformative development opportunities given appropriate measures are taken and essential pre-conditions are in place (Franks, 2015; Janneh & Ping, 2011; Pegg, 2006). One way to unlock this potential is through linkages between the extractive industry and local economy. There is increasing realisation that the failure of RRCs to transform their economies is attributed partly to the tendency of Foreign Direct Investment (FDI) in extractives to create foreign dominated ‘enclaves’ with few linkages to local production and local markets (Nunnenkamp & Spatz, 2003). A combination of factors including greater competition for extractive investment, increasing significance of local content, and pressures to adhere to international good practice standards have ensured an increased interest from both host countries and multinational companies on the need for enhanced local economic linkages.

The resource curse literature has generated discussions, making references to various forms of economic linkages and underscoring the need to diversify the economy from heavy dependence on non-renewable resource. The importance of ensuring that the extractive sector is linked to the broader economy is well documented, the ability of a diversified economy to resist to internal and external shocks is often highlighted. In the event of shocks, risk is spread through a more varied production structure and diverse income sources (Hailu, Gankhuyag, & Kipgen, 2014). There is a common understanding that appropriate instruments and practices need to be in place and all the relevant actors should coordinate to promote linkages, such as fiscal, production, consumption and spatial linkages. Those linkages need to be sustained beyond the extractive lifecycle promoting diversification and long-term development (Freudenburg & Gramling, 1998). Resource development should be treated as a means to an end, acting as a major stimulus to local economies and supporting industrialisation in other main economic sectors.

Supporting Economic Diversification in RRCs: Main challenges

RRCs have diverse economic structures depending on the level of development, economic policy frameworks, political tendencies, external conditions (e.g. landlocked vs. access the sea) and social infrastructure. As such, they face varied economic challenges due to various factors at any given point of time. Initiatives to support economic diversification, therefore, have to deal with challenges varying across RRCs. Some of the most pronounced challenges to supporting diversification in RRCs include:

Commodity price fluctuations – prices of resource commodities tend to be volatile causing serious challenges to diversification efforts. There is a particular attraction that countries abundant to commodities that have high cyclicity (strong volatility in prices), such as minerals, tend to have production concentration with little consideration for diversification. According to Maré (2011), countries that ‘overspecialise’ in certain commodities face challenges related to the transfer of expertise and systems to other economic sectors. This exposes them to commodity price volatility whereby the surge in economic growth witnessed during commodity boom period is short-lived.

Strategies and enabling environment – clearly set and evolving diversification strategies are often either lacking or not firmly adhered to. Some of the challenges involve over-specialisation when economic growth is not sufficiently high due to a lack of regional and international integrations, trade barriers and lack of multilateral agreements to facilitate transport of export products (Maré, 2011). For example, Zambia’s sustained over-reliance on copper which accounts for 80% of total export values has made diversification efforts difficult as drastic structural change and policy intervention would be needed. Some of the strategies may also tend to be less proactive and more often reactive to commodity price shocks or other internal or external factors that affect flow of benefits. In many RRCs, diversification plans and strategies are usually an afterthought and are missing prior to and during the exploitation of resources. In such a situation, any strategy introduced becomes less effective. Questions arise regarding governance issues in terms of regulatory frameworks, transparency and accountability. Oftentimes, poor bureaucracies or unnecessary restrictions cause barriers to private sector development and competitiveness discouraging investments in non-resource sectors.

Political will – It is one thing to have policies and programmes while another to have the commitment to consistently and timely evaluate, monitor and respond to issues arising during implementation of those policies and programmes. Some RRCs have done well in the development of policies and programmes to promote diversification but were struggling with the implementation of these policies and, hence, have had limited success in diversifying their economies away from the extractive industry. An example is Botswana which has been heavily dependent on diamond mining and struggled to have a strategy for diversification with a political commitment

that is weak to proactively support innovation or address issues hindering the development of a competitive private sector (Sekwati, 2010). While governments can support diversification using vertical policies of spending resource rents on key public goods and services, Gelb (2010) notes that, in case of weak governance, risks of counter-effective policies may emerge including market distortions, undesirable effect of benefiting rent-seeking elites, and manipulation of such diversification policies for political gains.

Institutional quality and human capacity – lack of qualified and skilled human capital and, hence, weak institutions are identified as some factors constraining sustainable developmental effects of the resources sector. High quality institutions play an important role whether natural resources development succeeds or fails in promoting sustainable growth (Mehlum, Moene, & Torvik, 2006). Institutional quality, however, is dependent on quality of human capital. Bravo-Ortega and De Gregorio (2005) found that high levels of human capital enhance the growth effect of natural resources development. Enhanced human capital and strong institutions that are production-oriented stir innovative management that is crucial for diversification of a resource-based economy (Maré, 2011).

Resources constraints – RRCs vary in the scope and quality of their resources base, with some possessing diversified reserves while others depend on single or limited variety of commercially viable commodities. Countries like Chile and Malaysia have a diversified resources base and have managed to do well economically due to their ability to cushion from international market fluctuations (Gelb, 2010). In such a diverse commodity profile of RRCs, there is no single approach to supporting diversification, with countries heavily relying on limited resources posing the most challenge.

About this study

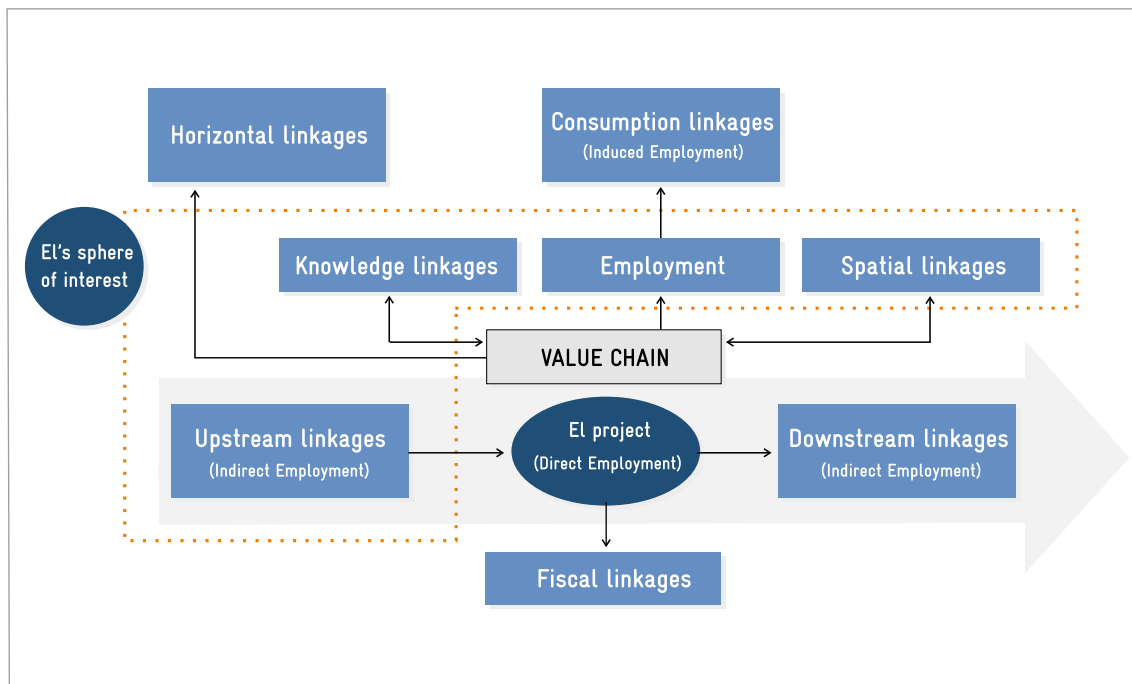
This study focuses on how policies and practices of economic linkages and diversification can be supported by an instrument that can serve to navigate chains of linkages and diversification processes. Governments, development partners and other interested institutions often seek a specific approach by which they can measure impact, endorse and implement policy and practice, and monitor impact. There is a strong need for a good practice initiative or tool that has succeeded elsewhere and which can be adopted after being tailored in respective contexts.

The objective of this study is to develop a user-friendly and comprehensive navigator of existing 'tools, guides, good practices, manuals, and publications' referred here forth as 'instrument(s)'. While some documents offer guidance in the form of tools, initiatives or good practice guides, there is hardly a guiding document available on this topic with a comprehensive coverage of all linkage types. The existing relevant tools, initiatives or good practice guides have been published at different times for various targets and are available in different sources. Therefore, it becomes important pulling together existing initiatives, tools and good practices that are most relevant to economic linkages and diversification and can provide crucial policy and practice guidance. This will then enable a creative and informed way of designing a new tool as part of future initiatives.

Approach

Understanding the potential for economic linkages in, around and away from the resources sector is the primary objective informing the systematic collection of initiatives, tools and good practices and the subsequent design of a navigator complemented by conceptual set of tools. Four areas of focus will be explored to base the analysis of linkages as an enabling factor for leveraging extractive development to wider economic development. These are production (forward or downstream, backward or upstream, and horizontal or side-stream) linkages, fiscal linkages, infrastructure (spatial) linkages, and consumption linkages (see below Figure 1 followed by description

Figure 1. Economic Linkages to the Extractive Sector



Source: CCSI, 2016

of each). Given enabling factors are in place, each of these economic linkages can lead to a diversified economy where industrialisation, value addition, employment multiplier, competitiveness and productivity are enhanced promoting transformative development. Using such an approach, opportunities, challenges and trade-offs are identified defining the tools developed.

Production Linkages (Upstream Linkages):

Upstream linkages occur when domestic companies and employees provide goods, services and infrastructure for the extractive project. Operating cost of extractive industries including cost on goods (such as fuel, equipment, and food) and services (such cleaning services) is either spent overseas through imports or domestically. How much of that importation can be replaced by domestic expenditure and in turn how much of the national expenditure can be local are some of the critical questions that need to be asked.

As established above, the extractive industry is critiqued for creating 'enclaves' whereby there is little integration into local and regional economies, a high level of economic dependence, and a considerable volatility. There is a tendency to place an excessive focus on 'spatial proximity' when considering how extractive industries contribute to regional development. Extractive activity in one location is likely to have impacts in what are often far distant localities and regions given the 'stretched out' nature of its supply chain. As such, this study assesses whether existing instruments emphasise local impacts and spill-overs (indirect procurement of various chains of suppliers).

Further explored in existing instruments are issues like quality of goods and services that can be locally produced and are demanded by extractive and associated companies and employees, competitiveness of these products and services in terms of price and quality, and the sustainability of the business models in terms of demand outside the extractive sector and international markets.

Production Linkages (Downstream Linkages):

Downstream linkages involve resource processing and value addition where minerals, oil and gas are refined and transformed into other products. Beneficiation and value addition through local processing plants is highly likely to retain the expenditure of the extractive industry that would otherwise be spent overseas. Along this value chain, the role of different actors and existing initiatives is critically evaluated which will then inform the development of the suggested tools.

Production Linkages (Horizontal Linkages):

Horizontal Linkages are linkages that promote industrial and societal transformation, where the skills and capabilities developed within the extractive sector can be applied in other economic sectors. Although the extractive industries in developing and emerging countries tend to employ limited local labour force at a low-skill labour intensive work, skills enhancement can occur through capacity development initiatives as well as technology transfer. Skills developed within the extractive sector can be used in other related sectors; also synergies are created in other areas not directly linked to extractives including supporting services (such as construction, engineering, information technology, financial services, communication and research and development) necessary for the extractive industry value chain. Enabling factors to make such linkages feasible are explored.

Fiscal Linkages:

Fiscal linkages occur when taxation, royalties and other payments can be invested in priority areas of the economy. Resource revenues may be harnessed through many different legal and governance modes from private resource agreement payments, to licence fees and tenders, permit sales or leases, royalties and taxation on production, and general company and profits taxes on resource companies. These revenues can, among other options, be invested in the development of small and medium enterprises (SMEs) or expended in public goods and services. In these cases, a productive sector is created with a number of supplier companies tapping into this revenue investment. In such a flow of revenue management, it is important to understand how this channel of economic linkages works, the conditions necessary as well as the role of different actors.

The effective management of resource revenues requires application of prudent budgeting principles, including fiscal transparency, accounting and investment in respect of both the resource company and the government or community in receipt of revenues. Further explored in existing 'instruments' are guides on the management of resource revenues at local, provincial and national levels, the diverse ways in which resource revenues are managed including private trusts for community benefit; sovereign wealth funds or off-budget resource funds; or consolidated revenue of governments through taxation.

Understanding the value chain also includes examining the expenditure frameworks and goals including short and long term time horizons; expenditure formulas and protocols relating to sovereign and government resource funds; and public expenditure frameworks that operate on resource revenues. Main factors include the weight given to local, provincial, national and supranational expenditure plans; political will and accountability and transparency of expenditure decisions; and effectiveness and efficiency of implementation.

Consumption Linkages:

This represents spending along the supply chain of incomes generated from wages earned by workers employed in the extractive industry¹. If these incomes are expended in the local economy, the industrial potential can be

¹ Profits received by companies as well as government (state) participation in profits are often also characterised as consumption linkages

unlocked with a number of local producers providing for the demand. There has to be local retention of income through domestic consumption and reinvestment for this type of linkage to materialise. However, challenges exist, since import substituting industrialisation is not favoured any longer and local manufacturing faces intense international competition (Hailu et al, 2014). An understanding of the proportion of local spending and reinvestment as well as measures taken to promote it enhances the development of the recommended tools.

Infrastructure (Spatial) Linkages:

Extractive industries contribute to infrastructure development through two channels:

- (i) through infrastructures that could either be shared or adopted after mine closure (e.g. roads, railways, ports, optic fibre cables, Information and Communication Technology (ICT) infrastructure, and buildings used for various purposes, such as workers' accommodation, catering and meeting halls); and
- (ii) by investing on infrastructures as part of social development contribution (e.g. roads, community meeting halls, market places, clinics, plant nursery, boreholes, and football fields.)

Existing tools and initiatives related to this type of linkage are examined informing the future development of a tool providing comprehensive guidance to enabling successful infrastructure linkages.

Method

Workshop: The selection of 'instruments' was informed by an 'expert meeting on economic linkages in resource-rich countries' held on September 17th, 2015. Hosted by the German Development Cooperation (GDC) at the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) Headquarters, Eschborn, Germany, the meeting brainstormed the different types of economic linkages and identified a number of existing 'instruments' produced by international organisations, development partners, governments, other public actors (such as investment promotion agencies and industrial development organisations), and the private sector (both extractive companies and local chambers of commerce) to support economic diversification in RRCs.

Desktop study: A thorough desktop search was conducted to collect data on each of the selected 'instruments'. This is supplemented by communications through email and skype with the contact person/s of each document to gain understanding from first-hand experience on the practical application of each 'instrument', its successes and challenges and update on progresses and ongoing efforts. Contacts were also made with the general academic and practitioner network through various streams such as networks within the Sustainable Minerals Institute and ecological minerals management yahoo group.

Focus group: The desktop study was supplemented by a focus group discussion with GIZ practitioners. Professional informants were interviewed to get an understanding of their perspectives on the progress of economic linkages in, around and away from the extractive sector, opportunities and challenges, and enabling factors. They were inquired to give account of their respective roles. The discussions sought to get insights on the context-based need for a standardised navigator and possible structure of tools to be developed.

Case studies: Relevant case studies are presented profiling the implementation of initiatives, tools and good practices. This explores the dynamics of economic linkages created and how various policies and interventions influenced linkage creation.

Research Questions:

The systematic collection of ‘instruments’ and the design of the navigator along with the recommended tools were guided by the following questions:

- What policies and initiatives exist on economic linkages and diversification and what enforcement and implementation measures are taken?
- Where and how have these initiatives been implemented? What challenges and issues emerged? What are good and bad practices?
- How can these initiatives and programmes be actively supported?
- What is an adequate framework for economic diversification?
- What are the mechanisms by which economic linkages can be created in, around and away from the extractive sector?
- What are the enabling factors for the successful utilisation of linkage opportunities to promote diversification that would be a basis for sustainable economic development?
- What are the roles of different actors, particularly
 - public entities including national governments (in particular planning and relevant sector ministries), local governments, industrial development organisations as well as public investment promotion agencies and procurement offices;
 - extractive industries (in particular procurement and community relations departments), national resource companies, SMEs and local chambers of commerce; and
 - Technical Cooperation and Financial Cooperation projects (particularly GDC) in RRCs, and other international development organisations and donors? What collaborative (partnership) grounds exist among these actors?



Navigator to support economic diversification in RRCs

While various ‘instruments’ exist and are sporadically adopted, this study selected 25 ‘instruments’ based on whether they:






















































- are most relevant to the extractive industry either solely or broadly
- are relevant to one or more of the linkage types identified in this study
- have content that is aimed to provide guidance for practical usage.

The profiling of each of the ‘instruments’ addresses the following:

- Summary description of ‘instrument’ and its objectives
- Practical application of the ‘instrument’ or any part of its content after its publication (whether in practice, policy making, research citation, report citation, training)
- Success stories and challenges of implementation with summary case study where applicable.

The navigator to support economic linkages and diversification in RRCs follows the structure detailed in the table below (Figure 2). The information contained in the profiling of each ‘instrument’ corresponds as much as possible to the navigator tags identified under each of the heading categories in the table.

Figure 2. Navigator table

Instruments	Target Industry	Area of Application
Instrument 1. IPIEKA-Local Content Guidance Document, 2016	 	developing countries
Instrument 2. IFC-Business Linkages Handbook of Cases, 2007	   	developing countries
Instrument 3. IFC-eProcurement Practitioner Manual, 2008	   	developing countries
Instrument 4. IFC-MozLink Practitioner Manual, 2008	   	developing countries
Instrument 5. IFC-Local Procurement Guidebook, 2011	  	developing countries
Instrument 6. IFC-Financial Valuation Tool, 2014	  	global
Instrument 7. World Bank-Local Procurement West Africa Practical Guide, 2015		West Africa
Instrument 8. IFC-SME Web-based Toolkit, 2002		developing c., emerging markets
Instrument 9. ICMM-Responsible Sourcing Web-based toolkit, 2015		global
Instrument 10. IFC-CommDev Web-based Hub, 2007		global
Instrument 11. World Bank-PPP Web-based Hub, 2014		developing countries
Instrument 12. LCS-Local Content Scorecards Tool, Unknown date	  	global
Instrument 13. RESA-PACE Program, Unknown date	  	Australia (application globally)
Instrument 14. EWB-Local Content Public Reporting Publication, 2015		Australia (application globally)
Instrument 15. SMI-Procuring from SMEs Good Practice Guide, 2010	  	Australia (application globally)
Instrument 16. GIZ-From Mines to Minds Project, 2013-14	  	global
Instrument 17. GIZ-UNIDO-EQuIP Tool, 2015		global
Instrument 18. UNIDO-SPXs Centre Implementation Guide, 2013		global
Instrument 19. AngloAmerican-SEAT Toolbox, 2012		global
Instrument 20. AMDC-CMV Guidebook, 2014	  	Africa
Instrument 21. ITC-Trade Map Web-based interactive map, 2001		global
Instrument 22. ICMM-Resource Endowment Toolkit, 2008		low and middle income countries
Instrument 23. ICMM-Partnerships for Development Toolkit, 2011		low and middle income countries
Instrument 24. NRGI-Natural Resources Charter (Guide), 2014	  	resource-rich countries
Instrument 25. OECD-Public-Private Collaboration Framework, 2016	  	resource-rich countries



Target Groups	Linkage Type
company representatives, practitioners, governments	upstream
developing agencies, governments, civil society organizations, research institutes	upstream
development institutions, companies, local chambers of commerce, NGOs	upstream
companies, governments, development institutions, NGOs	upstream
extractive companies, governments, development institutions, NGOs	upstream
multi industry including extractive companies	consumption, horizontal, infrastructure, upstream
governments, mining companies, supplier organisations, donors, civil society	upstream
small businesses, individuals, governments, development organizations	downstream, upstream
ICMM member minerals and metal companies, metal commodity associations, national mining associations, supplier companies	upstream
wide range of stakeholders	upstream
governments, project managers and lawyers involved in PPP projects	some elements of upstream and infrastructure
extractive industries, development organizations	upstream
private sector, SMEs	upstream
private sector, SMEs	upstream
corporate professionals from the resource sector, community relations and contract management roles, indigenous communities	upstream
local population, governments, civil society organizations, companies	consumption, downstream, horizontal, upstream
analysts in governments, civil society organisations, companies	downstream, horizontal, upstream,
local enterprises, UNIDO SPX programme, SPX team members, practitioners	downstream, upstream
company internal functional units, academics and partner NGOs, governments and civil societies	downstream, infrastructure, upstream
governments, private sector, development organisations	downstream, fiscal, horizontal, infrastructure, upstream
Trade Support Institutions (TSIs) and enterprises, Governments, private sector, development organisations	consumption, downstream, fiscal, upstream
mining companies, governments, private sector, development organisations and practitioners	fiscal, infrastructure, upstream
mining companies, governments, private sector, development organisations and practitioners	fiscal, horizontal, infrastructure, upstream
governments, development organizations	downstream, fiscal, horizontal, upstream
governments, industry, civil society	downstream, fiscal, horizontal, upstream

Existing 'Instruments' – Initiatives, Tools, Good Practices, Manuals, Publications

1. [IPIECA-2016] Local Content: A guidance document for the oil and gas industry; 1st and 2nd editions

Short description

Summary table

INSTRUMENT 1:	IPIECA (2016): Local content: A guidance document for the oil and gas industry; 1 st and 2 nd editions
Type of document	Guidance document
Producer; date	IPIECA, The Global oil and gas industry association for environment and social issues; 2011 and 2016
Target industry	oil and gas  
Target group	company representatives, practitioners and governments
Area of application	Developing countries
Linkage type	Upstream linkage
Issues addressed	Local workforce and supplier development
Web link	<ol style="list-style-type: none"> 1. http://www.engineersagainstopoverty.org/documentdownload.axd?documentresourceid=28 2. http://www.ipieca.org/umbraco/Surface/Media/Download?url=%2fmedia%2f1384%2flocal_content_2016.pdf

This guidance document is the product of International Petroleum Industry Environmental Conservation Association (IPIECA), which defines itself as “the global oil and gas industry association for environmental and social issues.” Targeting practitioners and company representatives, it aims to develop good practice in managing local content. Local content is treated in this guide as referring to (i) workforce development (employment and training of local workforce), and (ii) investment in supplier development (developing and procuring supplies and services locally). The guidance is structured around:

- First, reviewing the local context in order to identify risks and opportunities for value creation;
- Second, establishing a company strategy centred around stakeholder collaboration focussing on defining roles of various stakeholders and identifying both the demand side opportunities and supply side capacity; and
- Lastly, designing the delivery of value from local content through internal company organisation that fulfils the necessary procedures required for a successful local supply business promotion.

Approach

The document first discusses the need for local content context review and how local content can be successfully developed. It emphasises the importance of first understanding the local context, establishing regulatory framework, setting targets for local content, and recognising the business case and stakeholder expectations for local content.

The document then gives guidance on how to establish a company strategy for collaborating with various stakeholders on a shared vision for local content. A project lifecycle approach is adopted identifying various stakeholder roles, demand-side opportunities, and supply-side capacity at exploration, development, feasibility study, construction, operation, and decommissioning stages.

Elements of multi-stakeholder processes informing local content strategies are presented with items defined and identified including shared objectives, shared understanding of capacity constraints, costs and benefits, stakeholder roles and collaborative actions, as well as monitoring and evaluation of performance using indicators.

Insights on demand-side intervention strategies are offered around adapting procurement and contracting. A table listing the opportunities from demand for goods and services across a project lifecycle is presented. The guide recommends that opportunities vary across project stages and depending on the maturity of local suppliers. It also recommends developing countries to recognise the limited direct jobs created in the oil and gas industry and that significant opportunities of indirect and induced employment are created through linked businesses.

On the supply-side analysis, factors supporting the competitiveness of local businesses and workforce are listed at firm-level and country-level business enabling environment. The need for proactive collaboration among relevant stakeholders to develop capacity of local suppliers and workers is highlighted at each project phase.

This is followed by a section that dwells on setting up an organisation to deliver value from local content. An evaluation of costs and benefits of local content is highlighted to establish a business case for developing local content. This ensures the needed support (in terms of resourcing and clear strategy) from core business leaders valuing the relationships and partnerships with government, local communities and relevant organisations. A guide is provided on how to

- communicate business opportunities;
- ensure tendering and contracting processes are clearly understood while simplifying them (through cost reduction, exception or providing information) to support SME participation;
- simplify supplier pre-qualification requirements either by providing administrative support or training to raise their health, safety and environmental, technical and managerial capabilities; and
- involve lead contractors and suppliers to take advantage of capacity and knowledge gained through long term engagement with contractors or suppliers.

Further on, guidance is provided on identifying and mitigating risks of corrupt practices in local content along with advice on adhering to labour, social, human rights and environmental standards and how to operate in conflict-affected areas. Lastly, the document highlights some important aspects of monitoring and evaluation on local content strategy and action plan, in particular the need for accurate measuring of indicators which it broadly classifies into three categories (strategy, company action plan, and capacity development programme investments).

The annex section provides further guidance starting with laying out the concept for local content and framework for policy and regulatory analysis. Potential expectations of various stakeholders are detailed along with

their roles, responsibilities and challenges in local content development. Some useful guidance is provided on what to consider in the supply side analysis, in particular when conducting baseline studies and gap analyses of host economy's structure and characteristics, business regulation, and characteristics of local enterprises and human capital. Scan of skills and institutional capacities as well as gender representation in local enterprises are some of the key features. These initial steps in developing a local content strategy are crucial in that they set a suitable scene for a successful start of a local content programme. In addition to the trust and social licence to operate gained, the thorough contextual mapping provides a significant platform to promote the two core local content areas mentioned above.

IPIECA First Edition and how it corresponds with the Second Edition

IPIECA's second edition is an extension of the first that was published in 2011. The first edition offers approaches on workforce development entailing the need for an employment policy that is transparent and specifies company's commitments to minimum standards as well as inclusive participation targeting specific groups including women, indigenous people and workers from various ethnic groups. The document also dwells on certified training and skills development through either supporting basic education such as numeracy and literacy, language training and technical skills-based training with practical experience. It specifies the need for locally-appropriate methods of training that is flexibly tailored to individual pace while also promoting accelerated and focussed staff progression programmes. Investing in local education and training institutions is also described as beneficial both in raising the reputation of the investing company as a good corporate citizen and contributing to long-term development of local capacity. This is particularly crucial in poor RRCs where the lack of proper education system makes it difficult for companies to select local candidates with basic education to participate in skills development programmes.

The two IPIECA editions emphasise the importance of identifying and working proactively on opportunities across different phases of the project lifecycle. The operation phase, which includes construction, is mentioned as a more realistic opportunity for a substantial number of local workforce to take part. The need for providing prior training to those with basic construction skills, including training in procurement strategy specifications and incentives for contractors to use local workers and conduct training activities, and engaging contractors constantly about future contracts are some of the useful recommendations provided. These provisions can help all stakeholders concerned, in particular contractors, governments and development organisations to proactively work focussing on the longer-term skills. These skills could also be linked across project phases and transferred into other sectors thereby ensuring horizontal linkages.

Regarding supplier development and procurement processes, IPIECA's second edition reinforces the first edition's emphasis on the need for procurement policy with a mandate and guidance to the implementing body. Under this policy, a guide is provided on how existing direct and indirect procurement practices can be modified. This guide follows stages of procurement cycle including

- (i) **Procurement strategy** – involves reserving opportunity for qualified local firms, preferential treatment to local firms via price or selection advantage in the tender evaluation phase, simplifying entry processes for local firms by providing more information and reducing complexity of scope.
- (ii) **Specification** – unbundling work packages to be in line with local capabilities and reserving packages of work within the capabilities of local enterprises.
- (iii) **Pre-qualification or accreditation** – can be eased by providing information on pre-qualification requirements, streamlining accreditation systems and providing direct assistance with accreditation processes.

- (iv) **Tendering** – providing longer lead time about future company demands so that local firms can proactively prepare by targeting work to their existing capabilities and enhancing skills for future work. Promoting best ways of announcing tenders for more accessibility by locals, and conducting tender workshops educating prospective bidders about ‘the process, company’s requirements and performance standards’.
- (v) **Bid evaluation** – involves general preference of local bidders over international competitors, providing preferential prices, and providing proper feedback to unsuccessful bidders helping them deal with the dismissal of their offer and improve their performance.
- (vi) **Contracts** – making contracts simple with basic components that are easily grasped by locals; issuing ‘longer contract periods to allow firms spread capital and fixed costs over a longer period’, and including payment terms such as ‘frequent payment milestones, shorter durations and upfront assistance with purchases of materials’.
- (vii) **Performance monitoring** – involving ‘mentoring and constructive feedback and on-site audits’.

Similar stage-based guidance is offered in the first edition on indirect procurement development which essentially seeks via regulatory policies and incentives to prioritise local enterprises and workers to be involved in sub-contracting. The multiplier effect created through sub-contracting to local enterprises is where upstream linkages are enhanced and so policies and incentives holding contractors accountable and committed to developing local enterprise development are carried over to the subcontracting firms and so on, spreading into the broader economy. Crucial is how effective and continued implementation of local content development is ensured; which is a focus of the subsequent section of the guide.

Importantly, the guide identifies internal organisation and coordination as key elements of a successful local content strategy. This involves nominating an internal champion that can drive the process, integrating local content activities into core business, incentivising performance, ensuring information flows both ways about capabilities of local suppliers and tender opportunities available, and establishing corporate standards. The guide articulates the benefits of working with other stakeholders like national and local governments, national extractive companies, non-governmental organizations (NGOs) and community-based organisations, international organisations, local contractors, financial institutions and others. This helps to enhance the success of local content programmes as responsibilities are shared; experiences, knowledge and skills are exchanged; and above all sustainability of programmes is secured.

Finally, the guide offers some insight related to methods of measuring progress, evaluation and monitoring. As key factors for successful implementation of local content strategies, the guide identifies and discusses in detail ‘contextual analysis, starting early, taking a long-term perspective, and free-flowing, transparent information streams’, which are also key features in the second edition. This in general recognises the time needed to develop an effective workforce and local suppliers. The need to communicate and extensively consult with various stakeholders is noted alongside the need for upfront training to prepare employees for phased career progression. Engagement with stakeholders is particularly emphasized to help companies communicate their local content strategy, their demand on local businesses, procurement opportunities and how to access those opportunities, and tendering processes.

Application of ‘instrument’: Case study and references

The first edition guidance document cites a case study that involves multi-stakeholder collaboration to local enterprise development (Box 1).

Box 1. [Case study] Successful multi-stakeholder collaboration in local enterprise development

CAE (Centro de Apoio Empresarial) involved partnership among Citizens Development Corps., a US-based international development organization with expertise in enterprise development, Sonangol, BP, Chevron, ExxonMobil and Total in Angola.

As prominent example of an effective enterprise development programme for the oil and gas industry, CAE seeks to build the capacity of Angolan businesses to participate more actively and with greater success in the oil and gas industry as main suppliers of quality products and services—in order to create jobs, promote skills transfer and achieve locally-based economic growth.

From its inception in 2005 to the end of 2010, 302 contracts in the oil industry were awarded to CAE-client Angolan businesses, with a total value of US\$ 212M. Since 2011, CAE became a division of the Angolan Chamber of Commerce and Industry while being fully supported and coordinated by Sonangol.

CAE offers a range of services to facilitate local enterprise participation in the industry:

- **Training:** business training in health, safety and environment, bids and contracts, ethics, financial management, supply chain management, human resources, marketing and communication; business planning and quality management.
- **Advisory services:** one-to-one advice and mentoring to companies to improve managerial efficiency and quality of service delivery, as well as specific guidance on bid submission and post-contract support.
- **Certified Supplier Directory:** certified database of qualified Angolan suppliers, supported by CAE-led due diligence processes.
- **Company liaison:** CAE acts as a liaison between multinational company procurement departments and registered Angola clients. This is implemented by channelling procurement announcements to registered suppliers to gauge interest and capacity, and then providing a list of capable candidates to the company soliciting competitive bids for a specific product or service.

Sources: Mainly excerpt from the main document, with additional information from http://www.intsok.com/content/download/20439/128285/version/1/file/Chamber_of_Commerce_Angola.pdf.

CAE, therefore, exemplifies the significant role played by a champion local content entity (in this case a multi-stakeholder partnership) fully focussed on promoting local supplier development through business capacity building.

IPIECA's first edition has been referenced in some international research documents, most notably in a thesis by Mireftekhari (2013) titled 'Local Content Strategy, solution for successful global oil and gas projects in emerging economies'. This thesis uses the definition of local content as per the guidance by IPIECA which it acknowledged as one of its key resources. It makes use of some of the guide's main contents such as on analysing local context and capabilities and benefits and challenges of local content programmes. A Chatham House report (Marcel, 2013) also refers to the recommendations made in the guide on challenges in developing macroeconomic policy that maximises linkages and sets realistic local content targets. IPIECA's guidelines have most recently been integrated along with other international initiatives into Eni's (a major integrated energy company) operational guidelines for the promotion of local content. Although there is not much evidence on the practical application of the guide, the aforementioned cases are an indication of how useful the guide has been, especially its approach, to prioritisation of context-based local content policies and programmes.

2. [IFC-2007] Business Linkages: Lessons, opportunities and challenges

Short description

Summary table

INSTRUMENT 2: IFC (2007): Business Linkages: Lessons, opportunities and challenges	
Type of document	Handbook of cases
Producer; date	Joint International Finance Corporation (IFC), International Business Leaders Forum and Harvard University; 2007
Target industry	Multi-industry focus including mining, oil and gas    
Target group	Firms, development agencies, governments, civil society organizations and research institutes
Area of application	Developing countries
Linkage type	Upstream linkages and beyond value chain diversification
Issues addressed	Local businesses' productive capacity, finance issues, information about and access to market, enabling environment
Web link	http://www.ifc.org/wps/wcm/connect/e6059d8048855310ad94ff6a6515bb18/Business%2BLinkages.pdf?MOD=AJPERES&CACHEID=e6059d8048855310ad94ff6a6515bb18

This handbook of cases provides examples of corporate action taken to promote business linkages; its objective is to stimulate discussion and research into innovative and effective practice in this area. It is a 2007 publication written jointly by the IFC, the International Business Leaders Forum and Harvard University. It is aimed at firms, development agencies, governments, civil society organizations and research institutes in the hope that it will stimulate business linkage activity as a shared priority. It has a broader focus than the extractive sector.

Approach

The handbook argues that too often business linkage activities have been 'one offs' and that the challenge of finding ways to make such linkages more systemic must be taken up by all the above stakeholders.

A strong feature of this handbook is the theoretical framing provided in the background research presented. This research is then applied to the cases to identify the main mechanisms that have enabled successful linkage programmes. The handbook steps back from the cases and analyses the mechanisms at work; it then presents the cases with the reader fully prepared to analyse and discuss each case's strengths and challenges.

The issue identified in research by United Nations Conference on Trade and Development (UNCTAD) is that SMEs often do not have the knowledge, access to finance and market, or capacity to meet the requirements of large firms, for example, to scale up production to the quality and quantity of products required by larger firms. Building on this, research by United Nations Industrial Development Organization (UNIDO) and Harvard University identified the major mechanisms used by large companies to overcome some of these problems. These mechanisms include partnerships along the value chain, clusters of companies working together, trade and industry associations working more effectively with SMEs, public private finance partnerships and small enterprise centres. These mechanisms have worked through linkages in two ways: within and beyond the SME's own value chain as well as strengthening of the enabling environment for SMEs.

Based on this research, the handbook uses the following four thematic areas to select and analyse cases:

1. Value chain SME development and linkage programmes – the idea is that SMEs need to be better equipped to meet demands of large firms.
2. “Beyond the value chain” SME development and linkage programmes – to support more dynamic SME activities outside the main value chain, which in essence helps promote diversification and reduce dependence on one sector such as mining.
3. Strengthening the enabling environment for business linkages – promoting education and training of employees and engaging in public policy processes.
4. Hybrid approaches that involve multiple elements of the above. An example is provided in Box 2 below.

The handbook is keen to present a positive narrative around the cases; however it also presents the challenges faced by SME's, which are often the reason why these endeavours are ‘one offs’. Along with the challenges, the handbook notes some of the approaches taken to address those challenges. For example:

Operational challenges

- Effective business linkages take time (10 to 15 years) and often companies are not willing to commit to these time frames.
- Lack of overarching commitment at a national level to local content policies, which makes it difficult to facilitate local level SME enablers such as shorter payment cycles.
- Lack of reliable information about capabilities of local suppliers. To address this, Rio Tinto's Diavik diamond business has a venture development manager to identify local businesses; Anglo American has Anglo Zimele which does due diligence on possible local partners, supplier databases and network groups.

Systemic Challenges

- Building SME skills and capacity – this is addressed through standardised training kits and best practice guidelines and the development of enterprise centres.
- Improving SME's access to finance – joint financing mechanism e.g. BP's supplier finance facility, links with banks, allowing non cash resources to be used as collateral are valuable strategies highlighted.
- Strengthening public policy environment both locally and nationally – Suggested approaches are development of a collective platform for business engagement in public policy dialogue e.g. Business Action for Africa is driven by a lead Group of companies and international development agencies; and capacity building of government to manage and regulate change brought about by large scale extractive projects is also essential.

The handbook concludes by highlighting the importance of collaborative action whereby large firms collaborate for example to:

- Share supplier assessments, data bases and tools such as training modules
- Jointly conduct needs and impact assessments and collaborate with government
- Invest in joint financing mechanisms and develop effective intermediaries.

21 detailed case studies are provided in the handbook; including 8 from mining, oil and gas. These are succinctly presented, referring back to the research outlined in the first section. Each study provides achievements, but also lessons learned. The handbook could have been enhanced by providing some discussion questions and suggestions for group exercises.

Application of 'instrument': Case study

Box 2. [Case study] A hybrid approach to promote SME linkages and diversification

Minera Yanacocha is Latin America's largest gold mine located in Cajamarca, Northern Peru. IFC's involvement dates back to 1993 through loan financing. Social and political issues surrounding the mine led to IFC's decision to undertake a programme of SME development to catalyse economic diversification reducing the province's dependence on the mine.

For SMEs within Yanacocha's value chain, primarily in the transportation and construction sectors, supplier development efforts center around a total quality management programme to improve productivity and optimize company management abilities. The programme focuses on raising safety, environmental and business standards.

The Minera Yanacocha Program extends to SMEs outside the company's value chain as well, particularly in the handicrafts (ceramics and textiles) and agribusiness sectors. For example, in the ceramics and textiles sectors, local artisans have received technical and managerial training to upgrade their skills in product design and production capacity.

Further activities include supporting market access through group marketing events to spread costs as well as advisory services on business management and processes.

In parallel to these SME development efforts both within and beyond Yanacocha's own value chain, the programme has worked to strengthen the enabling environment for business linkages. For instance, in conjunction with the local government, IFC developed an administrative simplification project which drastically reduced the number of days it took to register a small business – from 100 to 3. This resulted in a sharp increase in registrations of small businesses, bringing them into the formal sector for the first time which in turn helped enhance their competitiveness and legal rights to access finances. In addition, Newmont and IFC collaborated to work with local municipalities to optimize revenue management systems and ensure that Newmont's tax payments and other contributions to the budget effectively fund basic social and economic infrastructure. This involves building the institutional capacity of the Asociación Los Andes de Cajamarca so that it can manage regional SME development in the long-term.

SMEs bidding for contracts with the mine and other enterprises increased their cumulative sales to \$10.5 million by 2005, comprising a \$4 million gain in new sales over the previous 18-month period. 150 entrepreneurs from the emerging construction sector received extensive training, and 25 SMEs became more competitive by acquiring modern technology and know-how. A capacity-building programme for small agribusiness enterprises generated 54 new jobs and tripled aggregate sales to more than \$2 million over the previous 15-month period.





Sources: Excerpt from the main document.

Through presenting experiences of business linkages initiatives across a number of projects, the handbook demonstrates the effectiveness of collaborative efforts in designing business linkages using a selection of approaches. The lessons learned from programmes employing either a 'beyond the value chain' or a 'hybrid' approach provide insights about the impact on economic diversification. These lessons have been taken up in future commitment of the IFC on supporting the development of local procurement such as the guiding document 'A guide to getting started in local procurement' published in 2011 (Instrument 5).

3. [IFC/Esso-2008] Developing a transparent system for local contracting: A manual for practitioners based on the e-procurement experience in Chad, Version 1

Short description

Summary table

INSTRUMENT 3: IFC/Esso (2008): Developing a transparent system for local contracting: A manual for practitioners based on the e-procurement experience in Chad, Version 1	
Type of document	Manual
Producer; date	Joint International Finance Corporation (IFC) and Esso Exploration and Production Chad Inc (ExxonMobil); 2008
Target industry	Multi-industry focus including mining, oil and gas    
Target group	Development institutions, companies, local chambers of commerce, and non-government organisations
Area of application	Developing countries
Linkage type	Upstream linkages
Issues addressed	eProcurement system which includes SME mapping, SME rating system, public workshops, access to infrastructure, SME capacity building, and access to finance
Web link	https://commdev.org/userfiles/files/2331_file_Developing_a_Transparent_System_for_Local_Contracting.pdf

This manual may be considered as an extension of the IFC Business Linkages handbook from 2007 (Instrument 2) in that some of the lessons learned that are highlighted using case studies have been used to inform the development of this manual. The manual was produced in 2008 through collaboration between the IFC and Esso Exploration and Production Chad Inc (ExxonMobil) aiming to develop local suppliers for the Chad-Cameroon Oil Development and Pipeline project.

Although the IFC attempted to pursue a local business programme following its loan finance to the Chad Cameroon Pipeline Project in 2001, it was only during the operational phase of the project that such a programme came to life with a clear intention by ExxonMobil management. The development of the Enterprise Centre in association with the local Chamber of Commerce kick started the IFC business linkage's supplier development programme in 2004. The collaboration between ExxonMobil and IFC then came into effect following ExxonMobil's decision to introduce eProcurement system for all of its Chad procurement which triggered the need for training at the Enterprise Centre.

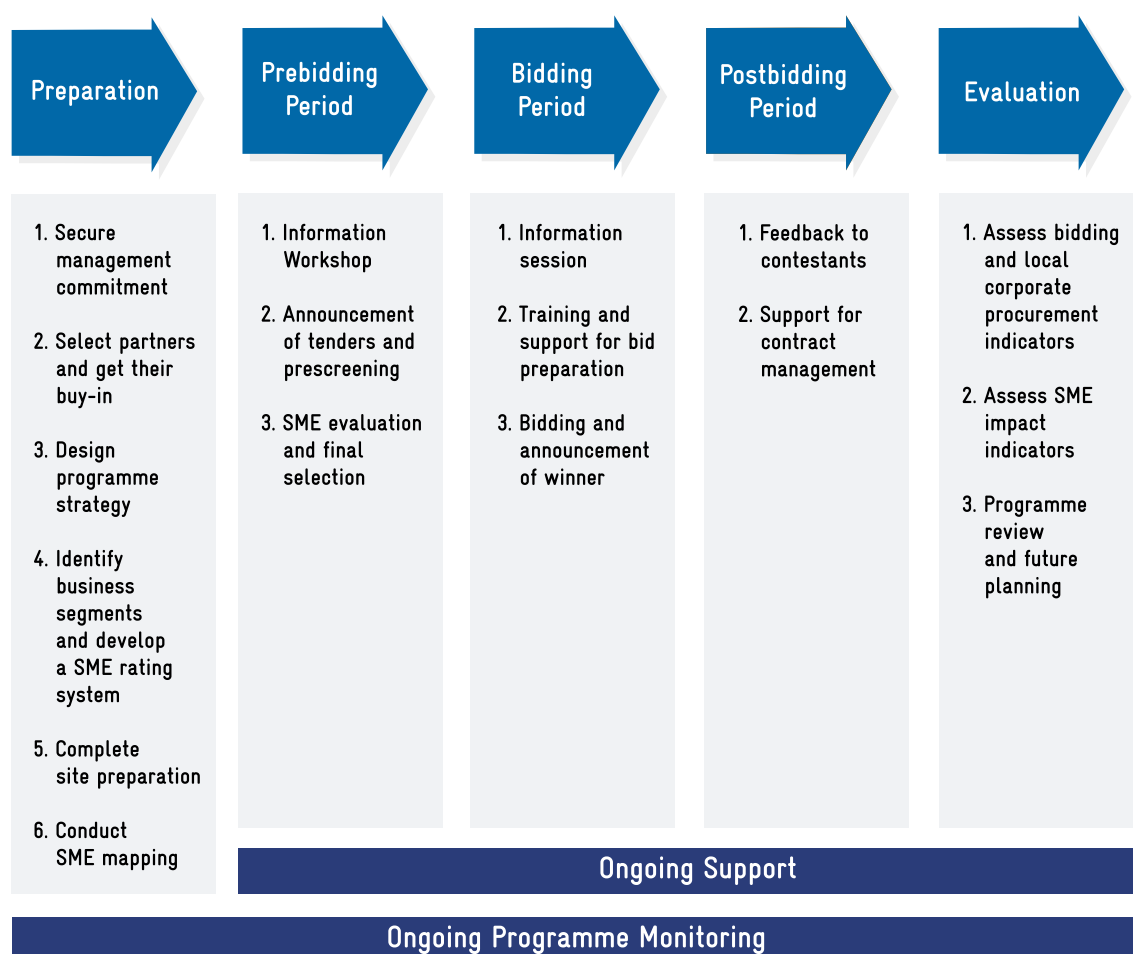
Approach

The manual is organised around five phases of establishing a transparent system for local contracting. The eProcurement system is at the centre of the manual to ensure a transparent, efficient and consistent procurement process. The manual is based on the Chad model of implementing an effective eProcurement system which includes SME mapping, SME rating system, public workshops, access to infrastructure, SME capacity building, and access to finance. With a broader application, but including the extractive industry, it is targeted to devel-

opment institutions, companies, local chambers of commerce, and non-government organisations that attempt to develop transparent procurement processes in developing economies.

The process involved five phases as shown in Figure 3, with step-by-step description of each phase's objective and process followed by key success factors. The programme secured instant progress as 99 of the 131 Chadian SMEs that bid for contracts between the official start of programme in 2006 and October 2007 were assisted through the services of the Enterprise Centre.

Figure 3. (Instrument 3) Local contracting framework phases



Note: The phases for the bidding periods are repeated with every bid cycle.

While the steps in each phase are critical, the manual falls short of providing detailed 'how-to' guidance that would be crucial for effective application of the manual. The important high level guidance and recommendations made can benefit from a more detailed discussion of how the guiding steps have been implemented in the case of ExxonMobil-Chad highlighting challenges. Given this manual has been developed through a company initiative along with the IFC and partners, it would have been useful to know how the manual has been adopted in other operations of ExxonMobil as well as by other companies. As it stands, there is limited information that indicates progress made by the Chad case in implementing the guides in the manual or following up to the manual itself.

4. [IFC/Mozal-2008] Developing SMEs through Business Linkages: A manual for practitioners based on the MozLink mentorship experience in Mozambique

Short description

Summary table

INSTRUMENT 4: IFC/Mozal (2008): Developing SMEs through Business Linkages: A manual for practitioners based on the MozLink mentorship experience in Mozambique	
Type of document	Manual
Producer; date	Joint International Finance Corporation (IFC) and Mozal Aluminium (Mozal); 2008
Target industry	Multi-industry focus including mining, oil, and gas   
Target group	Companies, governments, development institutions and non-government organisations
Area of application	Developing countries
Linkage type	Upstream linkages
Issues addressed	SME capacity building through training, coaching and mentorship
Web link	http://www.enterprise-development.org/wp-content/uploads/Developing_SMEs_through_Business_Linkages.pdf

Published in 2008, this manual was produced by the IFC in collaboration with Mozal Aluminium (Mozal). It builds on the experience of the MozLink SME development programme which aims to develop SMEs through training and mentorship at operation and construction phases by bringing together lead company, development institutions, local business organisations and SMEs. The manual is not specific to the resources sector although it is derived from MozLink, a programme for the Mozal aluminium smelter built in Mozambique by a joint venture involving BHP Billiton, Mitsubishi, the Government of Mozambique, and the Industrial Development Corporation of South Africa.

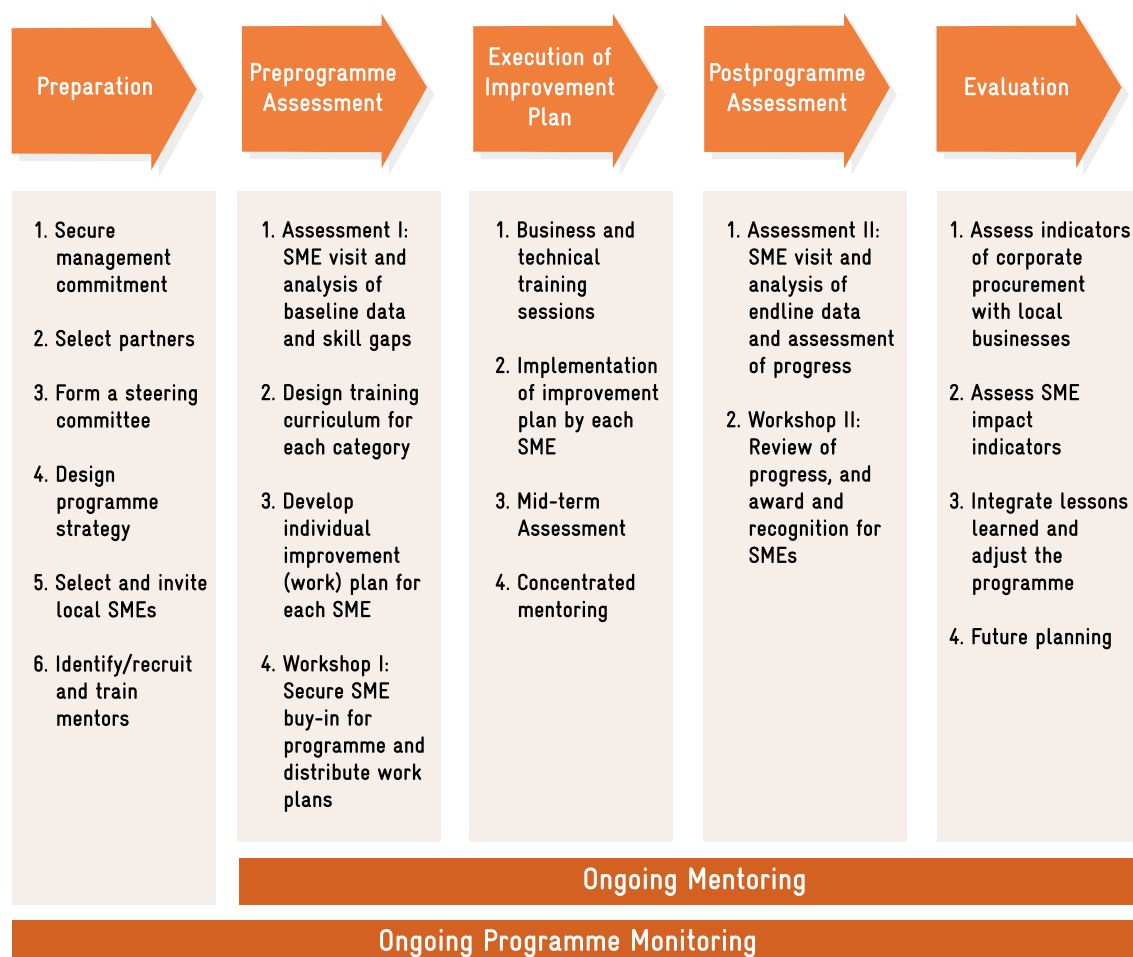
‘The manual provides step-by-step practical guidance on how to create competitive small and medium enterprises (SMEs) that can be integrated into the supply chains of large companies, using a technical and business skills mentoring approach’.

The manual’s objective is to build the capacity of local SMEs through coaching and mentorship so that they can be competitive and integrate into large companies’ supply chains. As such, it is an upstream linkages-targeted manual focussed primarily on developing and supporting local supplier companies so that they become beneficiaries of large companies’ procurement. It ‘highlights key success factors and challenges in developing local SMEs in a post-conflict and poor country’ context. The target groups of this manual are organisations that are involved in SME development and linkages activities in developing countries such as companies, governments, development institutions and non-government organisations.

Approach

As per MozLink, the manual takes a phased approach organised around preparation (Phase 1), pre-programme assessment (Phase 2), execution of SME improvement plan (Phase 3), post-programme assessment (Phase 4), and evaluation (Phase 5). Stepwise guidelines under each phase along with success factors and challenges ensure an effective and successful SME development programme. The manual is premised on bringing together and defining roles of multi-stakeholders, securing commitments, and designing and implementing a strategic programme under the umbrella of a steering committee. It provides quite detailed guidance as to the process involved in each of the steps such as the SME context assessment; development of curricula; assessment of mentoring progress and performance of mentored SMEs; and evaluation of impact on lead company procurement programme and performance and business of SMEs drawing lessons for future programmes. The following diagram summarises the phases.

Figure 4. (Instrument 4) The MozLink framework and phases



Application of 'instrument': Case study

This manual is based on a tried and proven framework which is the MozLink SME development programme; as such it has a decent chance of succeeding in multiple economic sectors. The MozLink SME development programme was implemented by Mozal aluminium smelter, IFC, and the Mozambican Investment Promotion Center in Mozambique. It has been effective in building local capacities and increasing local content, with SME performance in areas of quality, management, maintenance and safety increasing by 20% on average and local procurement more than doubling. The fact that the MozLink programme was adopted by other big corporations in Mozambique (Mozal, Sasol, Cervejas de Mozambique, and Coca-Cola) in partnership with the IFC creating MozLink II shows the potential of the manual to promote diversification through SME development across economic sectors. The manual's approach of pulling together specified and focused efforts from all the relevant stakeholders and working on identified and manageable SMEs enhances the chances of delivering successful SMEs that would grow and diversify. However, there is a lack of information with regards to how this programme has been followed up and whether it has been adopted in other contexts.

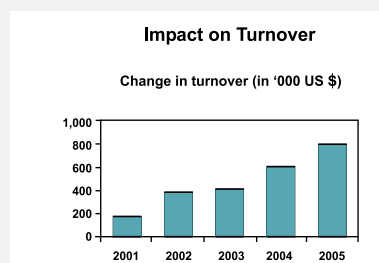
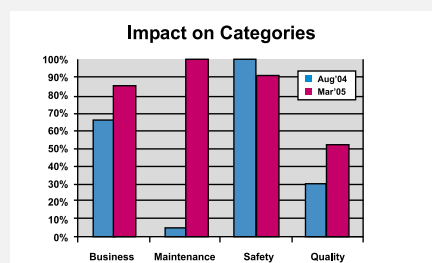
Box 3. [Case study] Success story of MozLink SME development programme

Escopil International, Lda. was founded by Rogério Samo Gudo and his family in 1998 with a commitment to be a leading company and an active participant in the newly growing Mozambican economy.

The firm started to deliver work for Mozal in 2001 with five employees doing industrial maintenance work. Rogerio's drive and commitment prompted Mozal to select Escopil for the MozLink SME development programme in 2003.

MozLink has had a positive impact on Escopil's operations in different areas:

- There are health, safety, and environment policy and systems in place
- Escopil has invested in new premises
- HR policies and procedures have been developed
- Maintenance policy and procedures are in place
- A competitiveness strategy has been developed
- It has a five-year strategic plan
- It is implementing International Organization for Standardization (ISO) 9001:2000, proving its quality management system
- Employees increased from 5 in 2001 to 200 in 2007
- Turnover increased from \$200,000 in 2001 to over \$1 million in 2007.



Sources: Excerpt from the main document.

Escopil International represents a typical example of a local SME on which the five phases of the IFC/Mozal-2008 SME development Manual (Instrument 4) were implemented. It demonstrates a successful development of an existing SME that not only supplies to the mining industry (upstream linkages) but also thrives as an economic business providing services to local industries (downstream linkages).

5. [IFC-2011] A Guide to Getting Started in Local Procurement

Short description

Summary table

INSTRUMENT 5: IFC (2011): A Guide to Getting Started in Local Procurement	
Type of document	Guidebook
Producer; date	International Finance Corporation (IFC); 2011
Target industry	Mining, oil and gas   
Target group	Extractive companies, governments, development agencies, development-oriented non-governmental organizations (NGOs)
Area of application	Developing countries
Linkage type	Upstream linkages
Issues addressed	Local business development, policy and strategy for local procurement, training and mentorship
Web link	http://www.ifc.org/wps/wcm/connect/03e40880488553ccb09cf26a6515bb18/IFC_LPPGuide_PDF20110708.pdf?MOD=AJPERES

This well-illustrated guidebook produced by the IFC in 2011 targets mining, oil or gas companies operating in developing countries that wish to develop local procurement. Its target groups include host-country governments, development agencies, development-oriented NGOs. Although its main audiences are those in the procurement department of extractive companies, it tends to bring together committed roles of various other departments in a united front. Rather than being just a good practice manual, it aims to take a step back and enable companies to take a strategic approach to create policy and strategy for local procurement in their area of influence. Too often local employment and procurement policies have been simply a good will gesture. This guide seeks to go beyond this approach to establish a successful business relationship with local suppliers and companies.

Approach

The guidebook is organised around tools, templates and specific guidance. An important tool that the guide provides relates to a local procurement programme (LPP) which ‘seeks to bridge the gap between the standards of the contracting company and the existing capacity of SMEs’. This tool combines both internal efforts of establishing a business case and staff commitment to identify opportunities as well as external efforts of providing training, mentorship and other support to develop local SMEs.

It has the following four principal steps to create a local procurement policy and a successful programme:

1. Company self-assessment:

The guide refers to an online excel-based self-assessment tool to help users evaluate local procurement process, identify gaps and implement suggested solutions. This is an IFC tool designed to help companies or institutions with assessing their procurement structure and the process of awarding supplier contracts as well as managing secured procurement contracts. Assessment is conducted using identified indicators across three phases namely,

corporate commitment and planning (Phase I), opportunities management and contracts management (Phase II), and SME engagement and SME development (Phase III). Scoring, as shown in Figure 5, is assigned ranging eight points across four grades such that

- Grade 1 (Formative) has scores 1 (no activity) and 2 (little activity);
- Grade 2 (Emerging) has scores 3 (some work, in response to crises) and 4 (some work, without regularity);
- Grade 3 (Developed) has scores 5 (decent implementation at a regular pace) and 6 (good implementation); and
- Grade 4 (State of Art) with scores 7 (excellent implementation) and 8 (outstanding performance).

Taking Phase I as an example, leadership, staffing and budgeting are assessed under corporate commitment. While the items assessed under planning are policy and incentives; opportunity, SME and partner mapping; and strategy and targets. Typical scoring and a list of questions are displayed in Figure 5 (which is only on item 'budget').

Figure 5. (Instrument 5) Company self-assessment example (budget scoring system)

Budget								Details/Comments	
Grade 1 (Formative)		Grade 2 (Emerging)		Grade 3 (Developed)		Grade 4 (State-of-the art)			
No specific financial resources are allocated to LP.		Limited financial resources are allocated to LP and allocation is mostly done on an ad hoc basis.		Most staff and SME support programmes are adequately budgeted for with some planning.		All staff and SME support programmes are fully funded and provisioned for in long term planning.			
<input type="radio"/> 1	<input type="radio"/> 2	<input type="radio"/> 3	<input type="radio"/> 4	<input type="radio"/> 5	<input type="radio"/> 6	<input type="radio"/> 7	<input type="radio"/> 8		
Questions:				Answers:					
1	Is there a budget for local procurement activities and is it adequate? How much?								
2	If yes, what activities is the budget allocated for (staff, development of SMEs, financing for SMEs, etc.)?								
3	How is the budget allocated (ad hoc, annually, or as part of a long term plan?)								
SCORE FOR "BUDGET": 6									

Source: Exerption from the main document

Information that is fed into this scoring process is primarily derived from interviews whereby a list of key questions (provided in the tool for each item under the subtopics of the three phases) is asked from supply chain superintendents, buyers, local SMEs, end user departments, corporate social responsibility (CSR) department and SME development partners. This is supplemented by a list of additional questions that can be asked to each of the respondent groups. Questions are detailed enough to touch a broad range of issues such as skills and capacity shortages, and outreach to SMEs owned by women, underrepresented racial and ethnic groups and those in rural areas. Once the overall scoring is made (which is also demonstrated diagrammatically), the tool provides proposed solutions or recommendations under each of the items assessed.

Although mainly focussed on companies providing procurement programmes, the tool targets various stakeholders including local SMEs, end user department, CSR team, and partners working in financing/developing local SMEs. While it is purpose-fit to the extractive sector, it can be used in other sectors that involve local procurement and SME development. It is quite useful as it explores the roles of various stakeholders across project phases; while also navigating across practices and policies developed and implemented pre-activity, during activity and post-activity (monitoring and evaluation).

Activities in relation to local procurement and SME development range from internal assessment of policies, programmes and procedures; diagnosis of SME context including capacity and support needed and provided; to communication, engagement, and management of opportunities and risks. Therefore, with a focus on one type of linkage – upstream linkage – a detailed tool is provided to help develop local SMEs that can benefit from supplying goods and services to companies thereby growing to diversify into other sectors of an economy. Although the tool has not been followed up since publication for any update, the IFC team has been contacted by various organisations regarding the use of the tool. They mention consultants from South Africa and Hatch South Africa as examples of those that were interested in the tool and found it useful. However, there is no follow up on whether this interest has progressed and translated into application of the tool.

2. Key Business Drivers:

The guidebook emphasises the need to establish a business case for local procurement by referring users to IFC's Planning and Financial Evaluation Tool (FV Tool) to estimate the expected net present value of site-specific sustainability and community investment programmes. This tool is dealt with separately herein (Instrument 6 – IFC/RT/Deloitte (2014) Financial Valuation tool). The guide identifies seven main business drivers: (1) government regulations, (2) competitive advantage, (3) social license to operate, (4) energy and environment, (5) cost reduction/increased quality, (6) business continuity (logistics and efficiencies), and (7) long-term economic diversification. It justifies each of the drivers by providing their advantages as well as probing questions to help guide the understanding of various stakeholder roles. It seeks to provide case studies and questions which facilitate understanding of these drivers and enable users to clearly articulate a business case. One of the case studies relates to the need for a social license to operate driven by community expectations of Newmont's Ghana Ahafo project.

3. Defining 'local' in local procurement:

Developing an appropriate definition of 'local' can be crucial for developing a business case for some local procurement activity. The guide outlines 5 criteria for making this decision: (1) regulatory requirements, (2) geographic boundaries, (3) ownership issues, (4) size of enterprise, and (5) vulnerability of groups involved. A strength is the particular attention given to women and vulnerable groups.

4. Draft the language of your local procurement policy:

- a. A rapid assessment tool is provided to gauge local and company experience with local procurement policy. This assessment provides useful baseline data and background information about local procurement from both internal company experience and external environment such as profile of local businesses, financial institutions, chamber of commerce, accounting and legal firms, and local training companies.
- b. A template is provided for the local procurement policy listing a range of policy areas with examples of the language required.

The Annexes contain many tools, some online and others in hard copy, and templates to enable the process. Case studies provide much needed contextualisation of what is being presented. A strength of this guide is its understanding of the challenges faced in even the simplest types of LPP for those with little experience, training or the language of business. The guide thus incorporates questions about training at each step; for example questions on companies receiving training, the type of training mostly demanded, training about company standards and mentoring and coaching about business management skills. However it would be very challenging to work through all the modules and materials without any support. A 'train the trainer' module is needed with workshop activities and timings for those who require scaffolding in actually trying to implement and use these rich materials.

The annexes include the following items:

- a. Company self-assessment tool
- b. Sample form for validation of a community enterprise
- c. Case study of a joint venture between an SME and a mining company
- d. Questionnaire for supplier diversity
- e. Description of a task force
- f. Tool to identify and prioritize local business opportunities
- g. Questionnaire for SME focus groups
- h. Sample LPP design and work plan
- i. LPP budget consideration
- j. Key performance indicators for a LPP
- k. Sample language for SME contracting

Application of 'instrument': Case study

The tools in this guidebook have been used in various forms across different contexts. For example the IFC uses the 'tool to identify and prioritise local business opportunities' on a number of occasions such as workshops to help address prioritisation challenges. This tool and all the other business development tools have been used to guide structuring local business development in a number of IFC's investments; an example is summarised as follows.

Box 4. [Case study] Successful application of local procurement programme and business development tools in Guinea

'Simandou South is a world-class iron ore mining development located in the south-east of Guinea. The Simandou South Project partners include the Republic of Guinea (7.5%), Rio Tinto (47%), Aluminum Corporation of China ("Chinalco") (41%) and the International Finance Corporation ("IFC") (4.6%), a member of the World Bank Group'. The project combines both iron ore mine development and infrastructure development (trans-Guinean multiuser railway and a deep-water multiuser port). As such, it is one of the typical examples of projects involving shared infrastructure development and thus helping infrastructure linkages.

A Local Content Policy was signed by the Government of Guinea and Simandou South Project partners on 27 November 2015. This policy was developed by a multi-stakeholder collaboration including the government and partners such as the IFC, African Development Bank and World Bank. The development of local businesses and jobs is one of the core objectives of the policy and the IFC has applied some of its tools in shaping the policy. It is a current example where the local business development tools are being utilised, building on IFC's pilot project in collaboration with Rio Tinto and Guinea Alumina Corporation that launched IFC Business Edge in Guinea to develop capacity of local trainers in training local SMEs. The IFC aims to:

- Build the capacity of local suppliers to participate in the supply chains in international mining companies.
- Support local consulting firms and trainers to professionalize their tools for developing the managerial skills of SMEs.
- Help Rio Tinto develop the "Guinea Buy Local Program" which encompasses Rio Tinto's local procurement policies, procedures and activities to meet its commitment to increase local sourcing in Guinea.
- Working with government officials, financial institutions, international donors, and other relevant stakeholders in Guinea, develop the local supply chain with special emphasis on increasing suppliers' access to finance.
- Develop a comprehensive database of local businesses that can become suppliers to mining companies.

Sources:




1. Excerpt from the main document.
2. Rio Tinto @ http://www.riotinto.com/documents/MediaReleases-simandou/151130_Simandou%20supports%20increased%20Guinean%20participation_EN.pdf

The Simandou South Local Content Policy encompasses the key elements of the IFC Local procurement guide from 2011 (Instrument 5). Incorporating all the relevant stakeholders, it sets out to ensure the roles of each stakeholder are harmonised to enable a successful local procurement. Given the size of the project and the current uncertainties surrounding the project due to iron-ore price fall, it would be interesting to see the progress of this ambitious local content policy in the next few years.

6. [IFC/RT/Deloitte-2014] Financial Valuation (FV) Tool for Sustainability Investments

Short description

Summary table

INSTRUMENT 6: IFC/RT/Deloitte (2014): Financial Valuation tool	
Type of document	Tool
Producer; date	Joint International Finance Corporation (IFC), Rio Tinto and Deloitte; 2014
Target industry	Mining, oil and gas with a potential application in manufacturing and infrastructure   
Target group	Multi-industry including extractive companies
Area of application	Global
Linkage type	General with potential linkages related to upstream (procurement), horizontal (technical skills), consumption, and infrastructure
Issues addressed	Valuation return on sustainability programmes including local content
Web link	http://www.fvtool.com/downloads/user-guide-april2014.pdf

This is an International Finance Corporation (IFC) tool aimed at helping companies ‘identify the optimum sustainability investment portfolio to deliver maximum business and social value’. It has been developed successfully in partnership with Rio Tinto and Deloitte. It is informed by the need for a prudent local sustainability investment, a lack of which has an alarming effect on business efficiency beyond the technical and commercial risks. Using quantitative metrics, the tool helps measure a company’s sustainability investment for value and risk. Sustainability investments are ‘generally understood as programmes, initiatives or infrastructure investments by companies to manage environmental and social risks and support the development needs of surrounding communities. These investments could include, for example, local supplier development programmes, health & safety training, or investments in water management.’ They aim to ‘create benefits for local communities’ while raising the profile of companies as ‘good corporate citizens’ ensuring a good business case to operate sustainably. Sustainability investment portfolio selected for evaluation includes local economic development, suppliers programmes, livelihood restoration and biodiversity. While the tool is targeted to extractive industries, it will potentially be adapted in other sectors such as manufacturing and infrastructure. It comes as a welcome bridge between the sustainability activities and the corporate commercial valuation and decision making.

Approach

Involving calculation of net present value, the tool translates sustainability investment in the financial language, which core company functions understand best. It provides a user-friendly manual with a step-by-step guide to working with the tool. It also offers investment modelling scenarios ‘enhancing the level of rigor behind investment analysis and providing a sound platform for decision-making and collaboration across the organization’. This includes guides on value protection from risks along with risk mitigation tools, and value creation with cost-benefit analysis tools. It then guides users on how to evaluate the FV tool output.

‘The tool simultaneously develops a business case for a sustainability investment while building a foundation for project risk management bringing together a multidisciplinary team and encouraging objective data analysis and collaboration across functions’.

The tool contributes towards economic linkages in that it helps companies understand the value of their sustainability investments and making informed decisions that enhance sustainability investments and desired outcomes. Linkages can be established through the following sustainability investments: procurement (local supplier programmes, small business development, and services and skills development provided), skills (gaining productivity as a result of replacing expensive expat workforce), consumption (the sustainability value of local expenditure on profits), and infrastructure (the shared value of roads, ports and other infrastructure).

Application of ‘instrument’

The tool has been used by Pacific Rubiales Energy, Colombia, which found it useful in helping understand the value of engagement mechanisms in their CSR and sustainability functions. It has also been used by Newmont in Ahafo Ghana where the sustainability was measured and a business value derived revealing gaps in the Newmont’s engagement processes. Further application of the tool was done by Cairn Energy in India to ‘ascertain the value of its existing community investment portfolio in connection with a 670km pipeline in Rajasthan’. Using the tool, Cairn was able to quantify an ‘unforeseen return in its investment in an SMS text program reaching 10,000 remote farmer families living along the pipeline route. The early warning system created as a result has saved the company from losses that could have been incurred due to pipeline damage from numerous cases of pipeline sabotage. The tool also identified value creation for the farmers in text information on agricultural practices, market prices and speedy responses to their requests of various company assistances.

Rio Tinto itself applied the tool to quantify its sustainability investments and was able to understand the importance of investments related to social and environmental actions in driving profitability, productivity, and value protection and creation. This has informed their efforts to improve CSR practices by bringing along other functional units and ensuring the business value of sustainability projects is grasped.

7. [World Bank-2015] A Practical Guide to Increasing Mining Local Procurement in West Africa

Short description

Summary table

INSTRUMENT 7: World Bank (2015): A Practical Guide to Increasing Mining Local Procurement in West Africa	
Type of document	Practice guide
Producer; date	World Bank; 2015
Target industry	Mining sector with potential application to oil and gas and other sectors 
Target group	Governments, mining companies, supplier organisations, donors, civil society organisations and other relevant stakeholders
Area of application	West Africa
Linkage type	Upstream linkages
Issues addressed	Various issues related to local procurement varying across the various contexts that have implemented it and are profiled
Web link	https://commdev.org/wp-content/uploads/2015/08/A-Practical-guide-to-increasing-mining.pdf

This guide is part of the West African programme on increasing mining local procurement funded by the Australian government and implemented by the World Bank. It is informed by previous research and consultation made by the World Bank in West Africa in 2011 and the implementation phase of the West African Mining Local Procurement Implementation / WALPI project in 2013. The implementation phase was both at national level (Liberia and Burkina Faso) and regional level (West Africa) and focussed on 'strengthening policy, regulation and monitoring framework for supporting local procurement'. Published in February 2015, the document 'provides information, guidance and tools to support decision-making, planning and implementation of mining local procurement in West Africa, in particular at a country level.' The guide is to be used by moderators and decision makers from governments, mining companies, supplier organisations, donors, civil society organisations and other relevant stakeholders.

Approach

The guide is structured around eight modules (see Figure 6) namely, (1) selecting best local procurement approach; (2) defining local procurement and estimating baseline; (3) identifying opportunities; (4) enabling local suppliers to compete; (5) local procurement policy, law, and regulation; (6) mining company local procurement plans; (7) coordinating implementation and building institutional capacity; and (8) measuring, monitoring and evaluation. It is a practice-based guide prompting users to place their strategic thinking around the question at hand. As such, each module follows a standard format whereby strategic questions that need answers are laid out first, followed by examples from around the world to demonstrate how others have approached strategic questions. Information requirements are then set out with examples from the WALPI project to guide responses to related questions. Finally, important considerations for each strategic question are presented allowing the user to answer the questions.

Figure 6. (Instrument 7) Local procurement guide: Eight modules to increasing mining local procurement



Following implementation of the modules, iteration may be needed to reflect changed conditions and lessons learned.

The guide is well constructed in that it helps users formulate a strategic decision by raising strategic questions that could prompt user thinking aided by examples from global approaches as well as informed by regional West-African and national (Liberia and Burkina Faso) contextual information as per the previous World Bank study. This is across each of the eight modules which themselves more or less comprehensively cover burning issues on the topic of local procurement.

Application of 'instrument'

The World Bank team has conducted trainings on the guide in Abidjan (Ivory Coast), Bamako (Mali), Ouagadougou (Burkina Faso), and Cape Town (South Africa); as well as through webinars at the online platform/community of practice Extractive Industries for Local Content. The local procurement plan template has been used by mining companies while demand analysis and mining data generation has aroused interest from development practitioners and consultants. Some governments were interested in the policies and regulations guide with some countries such as Mali and Mozambique interested in implementing the whole framework. Consultation with Local Supplier Development and Strategic Community Investment Specialist indicates that there has been no further follow up as to whether these governments implemented the framework.

8. [IFC-2002] SME Toolkit

Short description

Summary table

INSTRUMENT 8:	IFC (2002): SME toolkit
Type of document	Web-based toolkit
Producer, date	International Finance Corporation; launched in 2002
Target industry	Multi-industry 
Target group	Small businesses, individuals, governments, development organisations
Area of application	Developing countries and emerging markets
Linkage type	Upstream and downstream linkages
Issues addressed	Accounting and finance, business planning, human resources (HR), exporting, legal and insurance, marketing and sales, operations, and technology
Web link	http://www.smetoolkit.org/smetoolkit/en

Launched in 2002, this is a web-based toolkit developed by the World Bank Group's International Finance Corporation (IFC). It offers free guidance, information and training on how to start, manage and grow a business, and has separate online country-specific toolkits across Africa, Americas, Asia, Europe and Middle East. The toolkit is not specific to the resources sector. Aimed at helping small businesses mainly in developing countries, the toolkit has eight focus areas, namely, (1) accounting and finance, (2) business planning, (3) human resources (HR), (4) exporting, (5) legal and insurance, (6) marketing and sales, (7) operations, and (8) technology.

Approach

'The SME Toolkit offers a wide range of how-to articles, business forms, free business software, online training, self-assessment exercises, quizzes, and resources to help entrepreneurs, business owners, and managers in emerging markets and developing countries start, finance, formalize, and grow their businesses.' For example, one of the country-specific toolkits is that of Rwanda and upon clicking Rwanda from the list of countries, SME Toolkit Rwanda page emerges with links to the eight focus areas mentioned above (and shown in the web screenshot below). Each of these links offer guidance by thematic areas. For example, under business planning useful guides are offered on business plans, buying a business, franchises, incorporation, starting a business, and family business. Guides are presented in a user friendly format standardised under topics like 'how-to-articles', 'business forms', 'training', 'resources' and others as applicable. This is accompanied by templates as applicable, quotes of successful business people, business organisations, academics and other relevant figures.

Figure 7. (Instrument 8) SME Toolkit



Application of 'instrument'

The toolkit is a rich resource for the disadvantaged who aim at starting and successfully managing an SME. As profiled in the 'their / our story' annual IFC report, the toolkit and the support provided have made a difference in the lives of various individual entrepreneurs. For example, SME Toolkit Kenya reported in its 2012 newsletter that the first two classes of trainees were going to graduate that year, an SME business training and a fair were conducted sharing information on the toolkit with and receiving input from entrepreneurs. An example of individual success stories upon benefiting from the toolkit is given in Box 5.

Box 5. [Case study] Business planning success story

Ms. Hasina Jahan is the CEO of a small business in Bangladesh that produces coir mattresses. She started off in a small way but her business grew quickly, and keeping up with the increasing demand for her product proved to be a challenge. In an experience-sharing session organized by the South Asia Enterprise Development Facility's Knowledge Center at the Dhaka Chamber of Commerce and Industry, Hasina explained some of the challenges that her business was facing—chief among them was obtaining a bank loan.

Hasina had previously heard about a local bank that provides loans to SMEs without collateral. She went to the bank and spoke to a loan officer, who requested that she provides certain financial documents and a business plan. Fortunately, she already had the financial documents ready, and after soliciting suggestions from colleagues and friends, she quickly prepared an informal business plan. But after reviewing Hasina's documentation, the loan officer said he would be unable to give her the loan due to uncertainty that she would be able to repay it. Hasina left the bank feeling disheartened and unsure of what her next step should be.

It was at the Knowledge Center session that Hasina first heard about the SME Toolkit and its tools for assisting managers of small and medium enterprises in preparing a standard business plan. Hasina promptly returned to the Knowledge Center, where an associate guided her through the process of utilizing the SME Toolkit to create a formal business plan.


Shortly thereafter, Hasina's new business plan enabled her to obtain a loan of US\$ 2,000 that she needed. The loan provided a major boost to her business, and now Hasina is ready to apply for larger loans when she needs them.

Sources: Excerpt from <http://westafrica.smetoolkit.org/westafrica/en/content/en/136/Story-A-Business-Planning-Success>

9. [ICMM-2015] Demonstrating Value – A guide to responsible sourcing

Short description

Summary table

INSTRUMENT 9: ICMM (2015): Demonstrating Value – A guide to responsible sourcing	
Type of document	Guide
Producer, date	International Council on Mining and Metals (ICMM); 2015
Target industry	Mining industry 
Target group	ICMM member minerals and metals companies, metal commodity associations and national mining associations, supplier companies and other stakeholders in the value chain
Area of application	Global
Linkage type	Upstream linkages
Issues addressed	Mining industry procurement practices as well as the supply chain to integrate social and environmental considerations
Web link	https://www.icmm.com/website/publications/pdfs/responsible-sourcing/demonstrating-value

Demonstrating value is a guide produced by the ICMM aimed at ensuring procurement which on the one hand is sustainable and on the other hand the practice of production and supply of products are socially and environmentally responsible. The guide is targeted at both mining industry procurement practices as well as the supply chain to integrate social and environmental considerations. In doing so, it makes sure responsibility is shared by all relevant actors and in particular procuring companies and suppliers in ensuring responsible sourcing. The document is primarily for use by ICMM member mineral and metal companies, metal commodity associations and national mining associations. However, the guide is also relevant to supplier companies and other stakeholders in the value chain.

Approach

The guidance document first examines the context and drivers for responsible sourcing before delving deeper into the four main themes and recommended activities. The themes include: (1) mapping the value chain, (2) developing effective programmes and standards; (3) engaging with suppliers and value chain, and (4) developing data and information. One of the drivers of responsible sourcing which the guide identifies is the green economy highlighting the need for being mindful of environmental risks as well as promoting economic growth. In addition to environmental (such as the use of hazardous chemicals) and social risks (such as resource extraction leading to armed conflicts) among the drivers there is the need to consider resource productivity and a circular economy model to ensure recovery and re-use of product and material. The guide also identifies main factors that create the business case for establishing responsible sourcing including the management of operational risk, reducing cost, maintaining brand reputation, maintaining market access and promoting innovation.

Through the four themes, recommended guide is provided on both sustainable procurements and responsible supply aspects.

- In the first theme (mapping the value chain), the guide provides advice on how to map out the value chain such as understanding procurement costs or conducting a baseline study to identify social and environmental risks and opportunities. This is accompanied by sample questions to trigger the process of mapping.
- In terms of the second theme (developing effective programmes and standards), the guide highlights some important points to establish a management framework for sustainable procurement programme implementation. These points are accompanied by examples of best practice. For example, on training and awareness raising it advises executive/management level training to attract attention and gain support, conduct of training tailored to the role of employees in the organisation, and partnership with other parts of the organisation to develop training materials and workshops.
- Through the third theme (engaging with suppliers and value chain), the guide provides techniques to drive collaboration by engaging and sharing knowledge with suppliers leading to innovative design of responsible sourcing programmes.
- As part of the fourth theme (developing data and information), the guide suggests actions to ensure that companies have the information and data to effectively support sustainable procurement and responsible sourcing. Data relates to market and end user interests, costs of implementing standards and practices of responsible sourcing, certification costs, regulatory initiatives, estimates of internal resources, and so on.


The guide then dwells on how to integrate sustainable procurement and responsible sourcing with business decision making highlighting key success factors and providing guidance. It offers some examples of metrics used to measure performance, demonstrating the business value of integrating sustainable procurement. Lastly, the guide attempts to offer some pointers as to how responsible sourcing can be implicated by the predicted changes by post 2030, including demographic changes, increased scarcity of resources and environmental challenges, technological advancements and enhanced data, increased urbanisation and socio-political instability. It highlights some leadership practices that may occur in the management of responsible supply (such as proactive identification of and deeper relationships with partners and high standards of performance) and sustainable procurement (such as integration of sustainability in the procurement process and establishment of policies, goals and targets). The document also offers further information by listing resources relevant to responsible sourcing.

As summarised above, this document is more of a process-oriented guide helping progress responsible sourcing that is cognisant of social and environmental impacts at industry and supply chain levels. It strengthens the collaboration between the procuring company and supplier while ensuring that social and environmental impacts are in check so that a continued and growing upstream linkages is ensured. Thus it has limited functionality in going beyond upstream linkages; although the sustained procurement may lead to diversification as local supplier businesses seek to expand into other sectors of the economy. Information on application of the guide is so far not available.

10. [IFC-2007] CommDev: A repository for information on enhancing benefits to communities

Short description

Summary table

INSTRUMENT 10: IFC (2007): CommDev: A repository for information on enhancing benefits to communities	
Type of document	Web-based information hub
Producer; date	Housed by the International Finance Corporation (IFC); launched in 2007
Target industry	Multi-industry 
Target group	Wide range of stakeholders, given the diverse topics and tools, guides and other documents within the topics it hosts
Area of application	Global
Linkage type	Upstream linkages
Issues addressed	Community and sustainability and specifically 'topics' including artisanal and small scale mining, community investment and partnerships, conflict and grievances, gender, and a few other relevant hot topics
Web link	https://commdev.org/about-us/

CommDev is a website hosted by the IFC's Infrastructure and Natural Resources Advisory team. Since 2007, it 'has served as a curated repository for information on community and sustainability issues related to extractive industries, agribusiness, forestry and infrastructure sectors (such as hydropower)'.

Approach

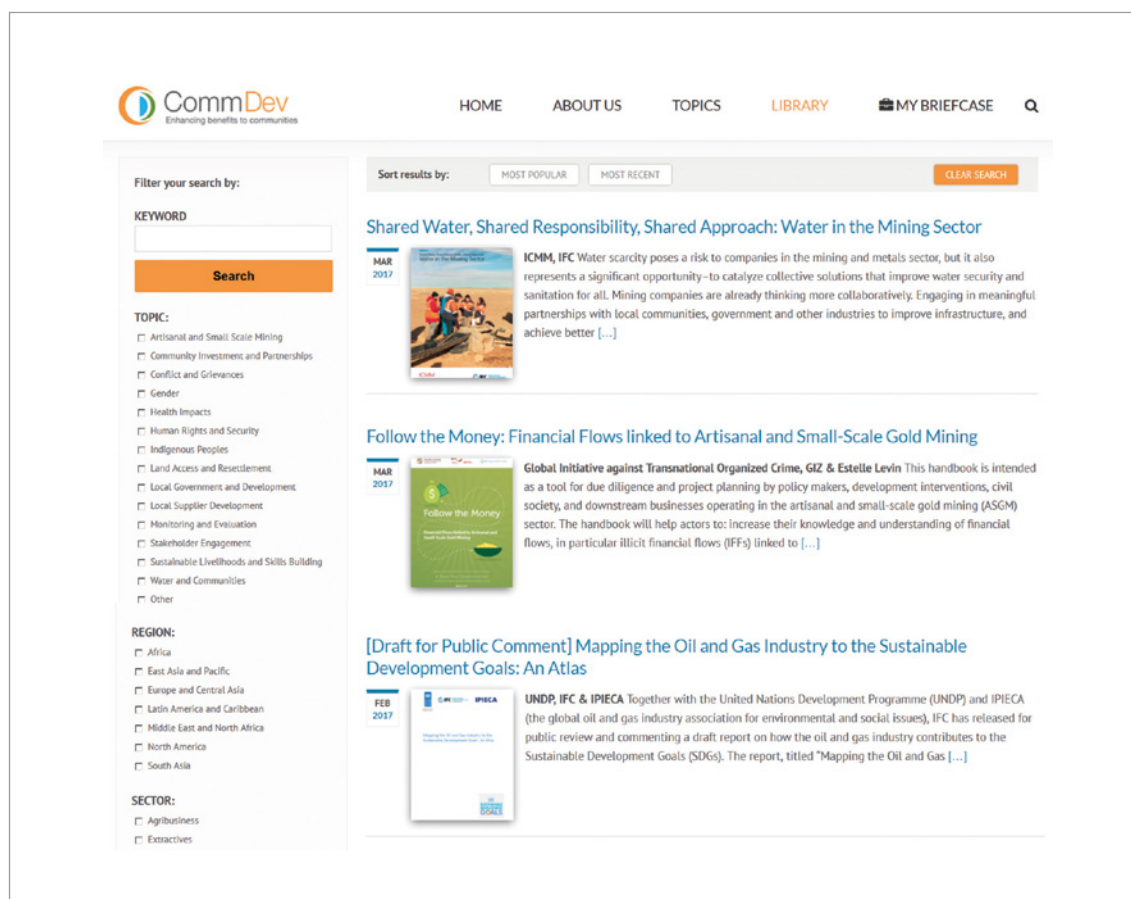
The website is structured with main pages including topics and library (see website screenshot below). They contain 'a select group of public documents, tools, case studies, training materials, presentations and resources produced by IFC, the World Bank Group, partners and other organizations to guide both private and public institutions to share benefits from infrastructure and natural resource investments with local communities'. As such, it serves as a one-stop-shop for information which is displayed under the subcategories 'topics' including artisanal and small scale mining, community investment and partnerships, conflict and grievances, gender, and a few other relevant hot topics.

The most relevant topic to economic linkages that the website contains is local supplier development which is more of an upstream linkage type. This topic contains documents that are dealt with separately in this study, including:

- Instrument 1: IPIECA (2016): Local content: A guidance document for the oil and gas industry; 1st and 2nd editions
- Instrument 2: IFC (2007): Business Linkages: Lessons, opportunities and challenges
- Instrument 3: IFC/Esso (2008): Developing a transparent system for local contracting: A manual for practitioners based on the e-procurement experience in Chad, Version 1
- Instrument 5: IFC (2011): A Guide to Getting Started in Local Procurement

- Instrument 7: World Bank (2015): A Practical Guide to Increasing Mining Local Procurement in West Africa
- Instrument 9: ICMM (2015): Demonstrating Value – A guide to responsible sourcing
- Instrument 14: EWB (2015): Local Procurement and Public Reporting Trends across the Global Mining Industry: An analysis of company reporting, 2012-2013

Figure 8. (Instrument 10) CommDev information hub



Given the diverse topics and tools, guides and other documents within the topics it hosts, this website targets a wide range of stakeholders globally. Although this may come handy in catering for a broad scope of users, in doing so it may have fallen short of providing an in-depth synthesis of documents' information. Nonetheless, it remains a readily available and up-to-date source of documents relevant to the list of topics identified. This is also aided by simplified user-friendly web pages and links to the specific documents, as well as a section for news and events. The links to associated sites such as various relevant IFC, World Bank, GOXI and EITI sites give it an extra value as a comprehensive information hub.

CommDev has similarities to what this Navigator seeks to achieve; however, it has a much wider scope industry-wise as well as focus on topics of which 'Local Supplier Development' is one that is related to this study. In contrast, this Navigator only focuses on 'instruments' related to economic linkages and diversification and tries to provide a user-friendly access and understanding of each 'instrument' in relation to key aspects of economic linkages and diversification.

11. [World Bank-2014] The Public-Private Partnerships (PPP) in Infrastructure Resource Center for Contracts, Laws and Regulations (PPPIRC)

Short description

Summary table

INSTRUMENT 11: World Bank (2014): The Public-Private Partnerships (PPP) in Infrastructure Resource Center for Contracts, Laws and Regulations (PPPIRC)	
Type of document	Web-based information hub
Producer; date	Housed by the World Bank; launched in 2014
Target industry	Multi-industry 
Target group	Governments, project managers and lawyers involved in PPP projects
Area of application	Developing countries
Linkage type	Broad topics with some elements of upstream and infrastructure linkages
Issues addressed	PPPs, infrastructure related legal issues
Web link	http://ppp.worldbank.org/public-private-partnership/about-pppirc

This is a World Bank web-based information hub which ‘provides easy access to an array of sample legal materials which can assist in the planning, design and legal structuring of any infrastructure project — especially a project which involves a public-private partnership (PPP)’. It is focussed on both providing guidance on how to set up a PPP project and policy and practice advice around issues that could arise in running a certain project, for example how to share risks and benefits. The site is designed targeting governments, project managers and lawyers involved in PPP projects in developing countries; and it is targeted to a broad range of sectors beyond the extractive sector. By bringing an international perspective and experience, it provides for effective establishment of a PPP-enabling environment.

Approach

A screenshot of the website is shown below. Its first section introduces PPPs, their benefits and risks, lessons learned, and the role of the World Bank in PPPs. It also contains practical tools for structuring a PPP project including checklists, guidelines and samples related to such issues as hiring, procurement, transparency and good governance.

Its second section dwells on the legal and regulatory issues related to PPPs providing detailed guidance on understanding host country’s legal systems across a range of items such as taxation, labour, health and safety, procurement laws and many others. It also offers advice with respect to key considerations in the design of regulatory frameworks along with relevant regulatory material across sectors. Other sections relate to PPP agreements and their arrangements and financing, providing extensive guidance across a range of respective items. In addition, it provides guidance on PPP by sector offering toolkits, checklist templates and case examples from different countries. Lastly, it has a library that contains resources related to PPP and is user friendly with search options by region, country, document type, language and sectors.

Figure 9. (Instrument 11) PPPIRC information hub



Application of 'instrument': Case study

While it is more suitable to a situation where a government plans to set up a PPP project, it may also provide useful guidance in situations where a PPP project is implemented but has not lived up to its potential benefit by both the private and public sectors. A typical example is highlighted in the case study (Box 6), in which a port has been built in South East Madagascar involving Rio Tinto's subsidiary and the government of Madagascar with the help of a World Bank funding, but it has mainly been used by the company.

Box 6. [Case study] An example of PPP related to development and use of shared infrastructure

The Anosy region, which is located in South-East Madagascar, was and still is extremely difficult to access via roads and did not possess any major port facility. This was a major obstacle both for Rio-Tinto's QIT Madagascar Minerals (QMM) to extract and export resources, and for the development of the region as a whole.

Rio-Tinto's QMM and the state of Madagascar reached an agreement whereby QMM would invest in both project-related and public interest infrastructure, including a major port, public-interest roads, bridges, social services facilities, a thermal power station for production needs, a power line network, and a water distribution system.

The agreement between QMM and Madagascar forms part of a broader strategy to boost Anosy's local economy through a mining/tourism/agriculture led growth model – the Fort Dauphin/Toalagnaro Integrated Growth Pole, a World Bank-supported initiative, which started in 2005. QMM has invested US \$240 million to construct Port Ehoala, while the state of Madagascar, through the Anosy Integrated Growth Poles Project, has invested US \$35 million in the port.

The port is a public-private partnership governed by a Concession agreement between Agence Portuaire et Fluviale, the Integrated Growth Poles Project and the concessionary company Port d'Ehoala SA, a fully owned subsidiary of QMM. However, it is primarily used for the purposes of ilmenite exports by QMM, despite being built as a multi-purpose port which aims at attracting cruise ships and facilitating diversified imports and exports. While currently QMM maintains the facilities, supplies the port with water and electricity and manages port operations, the port will fall under the responsibility and control of the government of Madagascar at the end of the project around 2048.

There are indications Ehoala port and Integrated Growth Pole strategy have achieved some of its intended results since it opened to the public in July 2009:

- Traffic has intensified at the Ehoala port and reached 495,000 tons in 2012. Since the port opened, 380 ships of all categories have transited through Ehoala, carrying 1.4 million tons of goods including ilmenite in 15 188 containers.
- Agricultural products' exports and imports seem to have benefitted from the port. Types of exports recorded at Ehoala include: litchis, crayfish, fish, vegetable oils, sisal. Imports include essential goods (rice and oil), donations and humanitarian aid, vehicles and heavy fuel oil.
- 90 km of roads have been rehabilitated between 2005 and 2012.

Sources:

1. <http://www.riotinto.com/energyandminerals/the-port-of-ehoala-15383.aspx>
2. <http://siteresources.worldbank.org/INTOGMC/Resources/EIT122weboct17.pdf>

Although there are no direct links with the World Bank (2014) PPP in infrastructure information hub (Instrument 11), this case study illustrates a typical example of a multi-stakeholder infrastructure development and uses initiatives involving the World Bank, Rio Tinto and Malagasy government. This initiative and other similar cases might have been used in informing the development of the hub. PPP infrastructure initiatives, such as this, where shared use is yet to be realised can benefit from the contents of the hub. Especially the case study can benefit from the hub's analysis of government infrastructure project objectives and 'materials to assess the PPP legal framework and sample legislation and guidelines for not only PPP laws but also sector specific legislation and regulation which may need to be modified or enacted'.

12. [Local Content Solutions] Measuring Local Content / Local Content Scorecards

Short description

Summary table

INSTRUMENT 12: Local Content Solutions: Measuring Local Content / Local Content Scorecards	
Type of document	Tool, Website
Producer, date	Local Content Solution (LCS) Ltd.; Unknown date
Target industry	Oil, gas and mining   
Target group	Extractive industries and development organisations
Area of application	Global
Linkage type	Upstream linkages
Issues addressed	Local content standards and procurement processes, measuring local content, skills development
Web link	http://www.localcontentsolutions.com/

Local Content Solution (LCS) Ltd. is a British accredited 'short course provider' that is active in the delivery of 'international training, advisory and reporting in the field of local content'. The Local Content Scorecard is applicable to oil, gas and mining targeting extractive industries and development organisations. Although the scorecard tool to measure local content is under development, LCS' website (see a screenshot below) offers guides to drafting local content regulations by discussing the key factors to consider. It also guides by developing 'modelling tools to assist regulators set realistic Local Content targets, and to help companies identify which job positions and procurement categories can be stretched most cost-effectively to meet these targets'. LCS has developed models to carry out 'gap analysis of the extent to which local labour and supplier markets have the required capability, capacity and competitiveness'. These models come handy as they encourage local content development by aligning regulatory requirements and company's cost management objectives, as well as understanding the context.

Approach

Training is a strong feature of LCS highlighting the core courses delivered mainly 'local content master class programme' that is delivered once a year. The programme involves nine detailed hands-on exercises, including: local content optimisation modelling, online reporting of Local Content in the workforce and supply chains, stakeholder negotiations on Local Content regulation, evaluation of local content plan in 'live' tender evaluation, and design of SME vendor development programme. Due to high costs of the training course and limited possibilities for dissemination, the guides provided by LCS may be rarely available and difficult to obtain for practitioners in developing countries.

In essence, LCS tends to provide the services required for developing a local content strategy as highlighted in 'instrument' 1 (IPIECA-2016 local content guide). For example, LCS is involved in tendering and contracting by designing a 'full suite of documents and criteria needed for such things as contracting strategy, pre-qualifica-

Figure 10. (Instrument 12) Local Content Solutions



tion questionnaires, tender questionnaires and local content plan templates, evaluation criteria and so on'. It has also developed an online multi-user software tool on reporting of local content performance. While providing a platform to recording and measuring local content data, it offers useful value estimation of local content performance using its 'built-in Country Economic Value Model'. Therefore, it is a useful hub of measurement models helping implement processes in local content development thereby informing policy and decision-making.

Application of 'instrument'

A number of training courses have been delivered and to-date 'over 300 professionals and officials have been trained, involved in the planning, delivery and monitoring and oversight of Local Content. These include executive and senior managers, contract and procurement professionals, contract holders, sustainability managers, social performance managers, policy makers and regulators'.

13. [RESA] PACE Supply Chain Development Program

Short description

Summary table

INSTRUMENT 13: RESA-PACE: Supply Chain Development Program	
Type of document	Program
Producer; date	Resources and Engineering Skills Alliance (RESA) with funding from the South Australian Department of State Development in conjunction with Austmine and universities in Australia; Unknown date
Target industry	Oil, gas and mining   
Target group	Private sector, SMEs
Area of application	Australia with potential application globally
Linkage type	Upstream linkages
Issues addressed	Capacity building, business self-assessment, market analysis
Web link	http://www.resa.org.au/workforce-development/

This training and mentoring programme has been developed by Resources and Engineering Skills Alliance (RESA) with funding from the South Australian Department of State Development in conjunction with Austmine (peak industry body in Australia for the mining equipment, technology and services (METS) sector) and universities in Australia. It is aimed at SMEs who wish to take advantage of opportunities to tender for goods and services required by or flowing from the large scale extractive industry (mining, oil and gas).

Approach

The programme is essentially a capacity building programme for SMEs with a cost associated to participating in each of the programme's components. For example, the cost of participating in the Extend programme is AU\$5,000 which includes all mentoring, workshops and Austmine membership. It is thus strongly practice related, aimed at the private sector in Australia and seeks to connect SMEs to the domestic and global supply chain for upstream linkages.

The curriculum of the supply chain development programme includes

- **The resources market** including an understanding of the resource global supply chain, markets and client types is taught. Participants then identify their possible place in this mining supply chain.
- **Business Development skills** for strategy development and direction for market positioning are taught including the ability to define and refine a value proposition within the mining and resources industry and to create a "point of difference" with competitors. Participants are then encouraged to consider a plan of action of how to position their specific offering to respond to the existing needs and challenges of those markets.
- **Pre-qualification requirements** are outlined and an introduction to the regulatory environment is provided, for example the requirements involved in attaining the necessary certifications and compliances, and safety awareness.

The content and approach to teaching and the pedagogy used evolves across three modules.

Module 1 Identify. This is a workshop in which a background of the resources sector is presented with an introduction to the resources market, business development skills and prequalification requirements. Businesses are assessed for readiness to getting involved in the supply chain, upon which they are then offered a place either in the Develop or Extend program. Participants are asked to identify where the opportunities are for their business in the market. Case study and business case analysis methodology are used.

Module 2 Develop. This module is 'delivered as a series of alternating monthly half day seminars and full-day workshops', this programme is provided by a business development consultancy and industry experts who specialise in strategy and procurement for companies that wish to work with the extractive industry. The sessions are designed to further identify and analyse capabilities and readiness of companies to work in the resource sector and then to build capacity to meet market demand, for example through bidding processes. Although face to face attendance is highly recommended, the sessions are also available online. A typical schedule of sessions for 2016 is presented in Figure 11.

Figure 11. (Instrument 13) PACE programme schedule 2016

Session	Date	Topic
(IDENTIFY) Session	09/02/2016	The resources industry <ul style="list-style-type: none"> • Programme overviews • Case studies
Seminar 1	19/04/2016	Capability and Readiness <ul style="list-style-type: none"> • Assessing my business (Capability and Readiness)
Workshop 1	17/05/2016	<ul style="list-style-type: none"> • Benchmarking, and systems readiness
Seminar 2	21/06/2016	Capability Development <ul style="list-style-type: none"> • Capacity Development
Workshop 2	19/07/2016	<ul style="list-style-type: none"> • Collateral, market positioning, and managing growth
Seminar 3	09/08/2016	Approaching the Market <ul style="list-style-type: none"> • Market Opportunities
Workshop 3	13/09/2016	<ul style="list-style-type: none"> • Selling, Bidding, and when not to bid

Source: RESA @ <http://www.resa.org.au/capability-programs/develop-pace-supply-chain-development-program/>

Module 3 **Extend**. This 6-month module is designed for companies which already have an innovative product or service to market. It is a highly personalised Business to Business (B2B) programme delivered by the global engineering firm, GHD, and Austmine to help small-to-medium sized companies identify commercial opportunities in global resources supply chains. The module has two components:


1. B2B Mentoring. Companies are assigned carefully selected mentors and given 32 hours of individual mentoring and coaching designed to enable them to extend their business globally. This includes 'two face-to-face mentoring sessions with ongoing support and research pre and post sessions'.
2. Interactive Knowledge Transfer Workshops (two half days) are provided tailored to address individual company's needs, skills and knowledge gaps identified during the mentoring sessions, for example information on government support programmes and legal issues. Case studies and a video conference with an Austrade overseas officer are organised to connect participants with offshore opportunities.

The PACE programme is a typical example where a government supports a programme in collaboration with the extractive industry and a delivering partner in order to enhance the capabilities of local SMEs to break into the extractives supply chain. It is also an initiative that helps businesses to secure innovative growth which might lead them in diversifying into other sectors of the economy. This is a South Australian programme which can potentially be adopted and tailored to developing RRCs context. While the training courses delivered could come handy for local businesses, the content may require significant amendment to tailor to the context of other RRCs. Promoting such a programme in other RRCs would also require substantial support from various donor organisations, international institutions and local organisations with an interest in local supplier development.

14. [EWB-2015] Local Procurement and Public Reporting Trends across the Global Mining Industry: An analysis of company reporting, 2012-2013

Short description

Summary table

INSTRUMENT 14: EWB (2015): Local Procurement and Public Reporting Trends across the Global Mining Industry: An analysis of company reporting, 2012-2013	
Type of document	Report publication
Producer; date	Engineers without Borders Canada (EWB) and Mining Shared Value; 2015
Target industry	Mining industry 
Target group	Private sector, SMEs
Area of application	Global
Linkage type	Upstream linkages
Issues addressed	Local procurement reporting and standards
Web link	https://commdev.org/wp-content/uploads/2015/06/Local-Procurement-and-Public-Reporting-across-the-Global-Mining-Industry.pdf

This report was researched and written by Engineers without Borders Canada (EWB) and Mining Shared Value (an EWB venture); and it focuses on upstream linkages in the mining industry. The research is based on the assumption that what is measured can be held to account and be managed effectively, and from this, change can be generated (as in Safety and Health statistics). The objective is to 'provide an overview of the trends in public local procurement reporting by the global mining industry, between 2012 and 2013; thereby encouraging mining companies to increase the level of detail in local procurement reporting and adopt more comprehensive local procurement strategies; and showcasing the leading efforts of particular companies in local procurement reporting'.

Approach

EWB identified the largest 40 companies in the Diversified Metals & Mining category as per the Forbes Global 2000 list and examined their 2012 and 2013 annual reports focussing on the treatment of local procurement policy and data in these companies. Trends amongst the 50 largest Canadian mining companies, between 2012 and 2013 are in an addendum to the report but the results are not discussed here. A set of yes/no questions was drafted and corporate sustainability reports and/or annual reports were interrogated. 12 survey questions, which are grouped into four categories: (1) Mentions of Local Procurement, (2) Supplier Conduct, (3) Local Procurement Statistics, and (4) Global Reporting Initiative. Although it was found that most companies did report on their procurement (in particular those using the Global Reporting Initiative Sustainability Guidelines), there was considerable room for improvement.

The following results are shown in the report:

(1) Mentions of Local Procurement:

Almost half of the companies surveyed made mention of using local procurement 'wherever possible' but only 6 of the 40 companies mentioned having a policy for local procurement. 15 companies reported on practice

and programmes used to encourage local procurement. Only a very small number give their definition of what 'local' means, a crucial concept for all stakeholders.

(2) Supplier Conduct:

Over half of the companies examined have a supplier's code of conduct in place which clearly stipulates health, safety and human rights standards expected from suppliers. Singled out as an example of best practice, Rio Tinto's Procurement Principles 'outline specific environmental, human rights, health, safety, governance and commercial standards for suppliers'. These were introduced based on specific feedback from suppliers that they needed more information on what was required. Missing are any questions about training for suppliers or how conduct is monitored.

(3) Local Procurement Statistics:

Over a third of the surveyed companies provided statistical information about local procurement spent, but only 4 disaggregated this geographically or by mine site. Newmont's report provides exemplary detail down to the local level.

(4) Global Reporting Initiative (GRI):

The GRI is a non-profit organisation that has pioneered international sustainability reporting on economic, environmental and social impacts of companies or organisations. In order to report on their sustainability impact and performance, companies use the so called G4 reporting guidelines which have standard disclosures, reporting principles and an implementation manual. GRI Framework standard EC9 (formerly EC6) clearly spells out reporting requirement about spending on local suppliers at significant locations. The report finds that companies using the GRI reporting system reported more evidence of local procurement practice. Overall it is concluded that use of the GRI framework has positively impacted the level and detail of reporting of local procurement.

Anglo American, Rio Tinto, Barrick and Newmont are found to give the fullest account of their local procurement. It is highlighted that this kind of transparency enables stakeholders, such as local Chambers of Mines, to better understand where the opportunities lie for them.

Newmont is singled out for giving the best detail in terms of developing partnerships to enable local procurement. Anglo American's Sustainable Development Report 2013, focused on delivery, is seen as providing an ideal level of detail for example about supplier development programmes, internships, supplier parks and actions taken to modify the qualification phase for small businesses and valuable.

The aim of this report is to provide data about the way in which local procurement is reported in order to stimulate change and development in this area in the mining industry. To drive such change more detail about processes companies use for encouraging and monitoring local procurement would be valuable. Further research like this thus needs to include specific prompts about the way in which local procurement is enabled through various mechanisms such as training, simplification of qualification phase, company commitment and other main aspects detailed in the other 'instruments' elsewhere in this navigator.

Evaluating procurement related reporting of companies provides an important angle to transparent disclosure of significant information that could prompt improvements of internal company policy and practice as well as external (government, development institutions and organisations, and civil society organisations) policy and support for the development of local business linkages. Improvements are also driven by the peer competition created as well as peer learning and benchmarking as a result of disclosure through reporting. Reporting standards and requirements can also extend to include other types of linkages such as infrastructure, fiscal and consumption with the objective of promoting diversification beyond the specific value chain.

Following this report, Mining Shared Value in partnership with the German Federal Ministry for Economic Cooperation and Development (BMZ) through GIZ is currently developing a reporting standard for local procurement in the mining industry.

15. [CSRM-2010] Procuring from SMEs in Local Communities: A good practice guide

Short description

Summary table

INSTRUMENT 15: CSRM (2010): Procuring from SMEs in Local Communities: A good practice guide	
Type of document	Good practice guide
Producer; date	Centre for Social Responsibility in Mining, Sustainable Minerals Institute; 2010
Target industry	Mining, oil, and gas   
Target group	corporate professionals working in the Australian resources sector in procurement/supply chain, community relations and contract management roles; and indigenous communities
Area of application	Australia with potential application globally
Linkage type	Upstream linkages
Issues addressed	Local business development, local procurement strategy, disadvantaged groups
Web link	http://www.csr.uq.edu.au/docs/4361%20CSRM%20SME%20Report%20Email%20V2.pdf

This guide is context specific to the Australian mining, oil and gas sector and Australian indigenous communities. However, the content is largely universally standard and the tools provided can be easily applied in other contexts as the document draws on procurement practices of companies in the mining, oil and gas sectors from all over the world. It is mainly focussed on supporting local business development in order to bridge the gap between procurement demands and contract requirements of major extractive companies and local business capabilities. The target group of this guide are ‘corporate professionals working in the Australian resources sector in procurement/supply chain, community relations and contract management roles’.

Approach

The guide follows six steps in developing and implementing a local procurement strategy: (1) develop a local procurement strategy, (2) build internal capacity to deliver the strategy, (3) identify opportunities, (4) establish and manage contracts, (5) grow local SME capacity, and (6) monitor and evaluate.

Firstly, the good practice guide discusses the business case for supporting local SME participation and highlights cost and risk reduction, access to resources and social licence to operate, compliance with terms of agreements and increased revenue. The local procurement strategy also offers good practice guidance for resource companies to identify and work on local SME development at each stage of the project lifecycle:

- **Exploration:** local businesses and contractors are scanned for capacity and interest, and are engaged to build realistic awareness of potential for local procurement and, hence, upstream linkages
- **Feasibility and planning:** local procurement is included in economic/social impact assessment and opportunities with main contractors are identified.

- **Construction:** a local procurement strategy is developed prior to construction commencement and continuing opportunities are given priority after construction.
- **Operations:** local SME participation policy and strategy is embedded in systems and suppliers are developed to enhance competitiveness.
- **Closure:** economic impacts are assessed and businesses are engaged in closure planning, connecting them with other opportunities in the region.

Such a stage-based lifecycle approach helps ensure essential processes to developing local procurement are undertaken on a timely basis and not rushed at some stage further into the operation period.

Secondly, internal capacity is developed on awareness of policy and standards of local procurement, and monitored and evaluated for performance. Existing procurement practices, key performance indicators (KPIs) and accountabilities are reviewed identifying areas of improvement and implementing corrective measures, while also ensuring alignment across different functional areas. The guide provides a maturity chart for use by resource companies to self-assess their progress in procurement development. This helps them identify areas of weakness and poor-performance and design corrective measures accordingly.

Thirdly, procurement opportunities are identified and a level-based segmentation of opportunities is provided as useful guide to allocating qualified suppliers under each level. This is followed by a guide into how the supply side is mapped. The guide further provides tools to SME capability assessment which include local business surveys, supplier star rating system for SMEs, establishing a local procurement team at feasibility stage, and demand analysis of critical resources.

One of the main approaches to developing local SMEs, according to the guide, is forming clusters involving collaboration between various stakeholders and partnerships between companies and other organisations. The guide lists various organisations in Australia that could be partnered with to assist in ‘identifying local SMEs and supporting new business ventures’.

Fourthly, the guide provides options of giving preferences to local SMEs including the use of weighting and premiums for local suppliers in tendering, integrating them through life-of-mine contracts, and reserving contracts for local businesses bringing a case study of Newmont’s Ahafo Ghana Gold which reserves sectors for local SMEs. Guidance is offered on how SMEs can access finance and be supported in processes of tender preparation, communication, and decision-making on awarding contracts (a multi-criteria decision model is provided).

Fifthly, the guide provides tools on how to build SME capacity in areas like ‘business and quality management, environmental management, occupational health and safety, finance and costing, sales and marketing, product management and administration’. It uses the MozLink Baseline Assessment of SME capabilities to demonstrate how training and development needs of local suppliers can be established. Various aspects of capability needs are listed under each area of management, marketing plan, finance, human resources, production, and quality assurance. An important aspect of capacity building is the use of mentoring (both technical and business) to motivate and support local suppliers, and this has been applied by MozLink. Furthermore, guidance is offered to forming partnerships to develop and implement supplier development programme.

Lastly, the guide provides impact monitoring tools to ensure desired outcomes of SME development are achieved and negative implications are mitigated. It provides an evaluation framework for a local supplier development programme listing objectives under four dimensions of performance (namely, long term impact to the community as well as the company, immediate effects of programme, outputs or deliverables produced to achieve the immediate impact, and activities achieved to accomplish the outputs). A list of indicators is attached to each of these objectives.




Application of 'instrument'

The guide has been influential as the strategic tools and guides have been adopted in various forms by mining companies. The document was produced in partnership with Bechtel, BHP Billiton, Enterprise Connect, Newmont, Rio Tinto and Santos, companies that would have benefited from the guide informing their local procurement strategies. The guide was also influential in informing Anglo American's development of its framework, global policy, maturity journey, strategy and toolkit for Local Procurement.

16. [GIZ-2013/14] From Mines to Minds: An integrated approach to training and local economic development

Short description

Summary table

INSTRUMENT 16: GIZ (2013/14): From Mines to Minds: An integrated approach to training and local economic development	
Type of document	Project
Producer; date	Multi-stakeholder initiative implemented by the GIZ partnering with government agencies (such as Ministry of Education, Science and Technology, Chamber of Mines), mining sector (through London Mining Company Ltd.), and local school (St. Joseph Training School); 2013-14
Target industry	Mining, oil, and gas   
Target group	Local population, governments, civil society organisations, companies
Area of application	Sierra-Leone, developing countries
Linkage type	Horizontal, upstream and downstream linkages, consumption linkages
Issues addressed	Skills development and employment promotion
Web link	https://www.giz.de/fachexpertise/downloads/giz2013-en-psp-sierra-leone-london-mining.pdf

Spanning from April 2013 to September 2014, this project aims to ‘pilot a Technical, Vocational and Educational Training (TVET) approach targeting the local population in the mining district of Port Loko’. By informing policy and decision making, the goal is to address the weak educational system in Sierra Leone to enable increased employability in the mining sector. The project recognises Sierra Leone’s shortage of skilled workforce failing to take up positions in the mining sector as locals currently comprise only 23% of middle level and 12% senior level staff in the sector. It has two components, (i) a TVET competence centre – by implementing modernised training in selected trades, the centre aims to train and enable the youth, students and existing mining employees. (ii) Employability and local economic development – this module focuses on the next stage, which lays the ground for labour market information and promotion system and functional adult literacy.

Approach

The project is a typical multi-stakeholder initiative implemented by GIZ partnering with government agencies (such as Ministry of Education, Science and Technology, Chamber of Mines), mining sector (through London Mining Company Ltd.), and a local school (St. Joseph Training School). London Mining Ltd. contributes through provision of training equipment, machinery and materials; experts for curricula development and labour information system; and project coordination and management support. GIZ contributes through providing a TVET expert for the concept design, policy issues, institutional development and project management; an expert for adult literacy development and training; facilitation of the collaboration and interaction with other stakeholders from government and private sector through a TVET Advisory Board; and financial contribution to training delivery. St. Joseph’s contribution is through providing staff members for local coordination and project office as well as in-kind contribution to training provision.

Application of 'instrument'

This project is a specified initiative that is targeted to the needs of both the mining sector and the local population in enhancing and implementing employability in the sector. As such, it is manageable and achievable as it also brings together all the relevant actors that could ensure the realisation of the project through policy, action and provision of services and materials required. The commitment secured from the partnering entities and in particular St. Joseph training school, the government and mining companies enhances the continuity of the project while also expanding into other areas. As far as consultation with the research team that developed this 'instrument' indicates, this initiative has been affected by the iron-ore price decline and the Ebola outbreak in Sierra-Leone. As such, progress needs to be monitored within the next years.

The project can be applied in the oil and gas sectors, and it is more suitable in low-medium income RRCs which are generally characterised as struggling with skills and educational quality shortages. Bringing together multi-stakeholder groups in partnerships with commitments attached can be a defining factor in successfully adopting this project in other countries.

While the project is about laying the foundation for skills development and employment promotion, the impact goes beyond this. Firstly, the beneficiaries gain from skills and employment in the mining sector resulting in income generation which in turn benefits the local economy through consumption linkages. Using income saved as a result of employment in professional mining positions, there is also opportunity for downstream linkages (through the establishment of small businesses) and upstream linkages (getting involved in shared businesses or establishing small business to supply goods and services to the mining sector). Secondly, the establishment of a training centre with a reputation of a high technical and qualification standard in various trades can benefit other sectors of the economy, thus promoting horizontal linkages and economic diversification.

17. [GIZ/UNIDO-2015] Enhancing the Quality of Industrial Policy (EQuIP) Tool 4: Diversification – Domestic and Export Dimensions

Short description

Summary table

INSTRUMENT 17: GIZ/UNIDO (2015): Enhancing the Quality of Industrial Policy (EQuIP) Tool 4: Diversification – Domestic and Export Dimensions	
Type of document	Tool
Producer; date	Joint GIZ and United Nations Industrial Development Organization (UNIDO); 2015
Target industry	Multi-industry 
Target group	Analysts in governments, civil society organisations, companies
Area of application	Global
Linkage type	Horizontal, upstream and downstream linkages
Issues addressed	Diversification, domestic production systems, exported products, markets, financial needs, green economy, technology and skills
Web link	http://www.equip-project.org/wp-content/uploads/2015/08/EQuIP_Tool-4_V150821.pdf

As a product of a partnership between GIZ and the United Nations Industrial Development Organization (UNIDO), the tool aims to ‘help analysts find out whether a country’s industrial and export structures are diversified or rather concentrated in a few activities/sub-sectors and markets. It covers both domestic and export dimensions and points to different possible approaches to measure the degree of diversification (or, conversely, concentration) of a country’s manufacturing sector, export basket and export markets’. By targeting the domestic production systems, exported products as well as markets where exports are taken to, this tool provides methodological approach to measure the level of a country’s diversification. In this regard, it is broader than a focus on a single sector like the extractive sector or a certain category of countries.

Approach

First, the tool provides three methodologies (demonstrating how they are calculated) that can best measure (i) the distribution of manufacturing value added across a country’s industrial sectors and sub-sectors, (ii) the extent to which a country’s export basket is concentrated in few or diversified across various products, and (iii) the extent to which the domestic supply side (the manufacturing system and export basket) attracts or opens up export markets or export partners (demand side). Second, it presents interpretation of findings using graphical demonstrations in cases like South Africa, Brazil, Russia, India and China.

The tool then provides some useful pointers as to how an analyst can tackle the question of how to diversify in situations when the diagnostic finding is that diversification is missing. This relates to understanding strengths and weaknesses of a country’s manufacturing subsectors, export partners and potential new partners, products produced and not exported as well as products imported by export partners (other than those the country already exports to the partners), and products that are listed as rapidly growing in international trade or markets.

The tool also mentions the importance of attaching an environmental dimension such as promoting green sectors or industries to the diversification efforts; as well as the importance of technology and innovative skills and the significance of financial needs to support a successful diversification.

Although the tool has a section that discusses the arguments for diversification as opposed to specialisation and vice-versa employing various alternative methodologies, the notion of whether to diversify or specialise is quite complicated requiring a more in-depth and contextualised analysis. In particular, it is essential to understand the merits of whether to focus on products, markets or manufacturing systems that offer a higher value addition, or on the higher number of products exported or higher number of markets exported to. This very much depends on a number of factors, such as country-specific endowments, capabilities, opportunities and challenges.

Key questions in this respect are whether countries should (i) pursue diversification strategies in order to cushion their economies from shocks (particularly external), while at the same time maintaining monitored concentration on a sector and product and/or service that provide higher value addition; or (ii) fully diversify export products and services across various sectors to take advantage of diversified markets and competitive opportunities with possibly low value addition. This argument is more plausible in the extractive sector where production within the sector and international market can be concentrated. This is because supply is constrained by non-renewability and limited variety of resources and demand tends to be concentrated in limited specialised markets such as China dominating demand for industrial materials and Malaysia, Thailand and India for processing as well as marketing of precious minerals.


Application of 'instrument'

The first EQuIP training event was held in Windhoek from February 2 to 6, 2015 hosted by the Namibian Ministry of Industrialisation, Trade and SME Development (MITSD) in partnership with GIZ, the German Development Cooperation Programme for the Promotion of Competitiveness. 26 participants of the event came from the Industrial Development Directorate of MITSD and its regional offices, the Namibia Trade Forum, the Namibia Investment Centre, the Local Economic Development Agency, and the Namibia Manufacturers Association. The objective of the event was to apply the EQuIP toolbox and training concept on a country specific case with experts from the field so that Namibia's industrial policy strategy can benefit from enhanced analytical as well as monitoring and evaluation capacities. Other regional and international trainings in Bahrain and the East African Community followed in 2015. GIZ is currently developing additions to the EQuIP toolbox, which shall support developing countries with the implementation of policies depending on a developed industrial policy and their institutional setup.

18. [UNIDO-2013] Establishing a Subcontracting and Partnership Exchanges (SPXs) Centre: An implementation guide

Short description

Summary table

INSTRUMENT 18: UNIDO (2013): Establishing a Subcontracting and Partnership Exchanges (SPXs) Centre: An implementation guide	
Type of document	Implementation guide
Producer; date	United Nations Industrial Development Organization (UNIDO); 2013
Target industry	Multi-industry 
Target group	Local enterprises. UNIDO SPX programme, SPX team members and practitioners
Area of application	Global
Linkage type	Upstream and downstream linkages
Issues addressed	Matching suppliers and buyers, international standard benchmarking capacity building
Web link	https://www.unido.org/fileadmin/user_media_upgrade/Worldwide/SPXs/SPX_Resources/Establishing_a_Subcontracting_and_Partnership_Exchange_Draft_022013.pdf http://www.unido.org/fileadmin/user_media_upgrade/What_we_do/Topics/Business_investment_and_technology_services/SPX_Brochure.pdf http://donar.messe.de/exhibitor/hannovermesse/2016/J595037/spx-fact-sheet-eng-445327.pdf

This document aims to ‘provide host institutions implementing UNIDO SPX programme, SPX team members and practitioners with advice, reference and guidance in the process of establishing and implementing SPX Programme initiative’. UNIDO’s SPX programme is aimed at ‘helping domestic enterprises become integrated into local, regional and international supply chains and better meet challenges of globalisation’, and so far UNIDO has established more than 75 SPXs in more than 30 countries.

Approach

The programme follows a framework approach involving

- (i) Matchmaking – an SPX team links buyers to current and potential suppliers and subcontractors and in doing so it develops a database of local enterprise capacity while being involved in facilitating interactions between the two, such as on quotation exchanges, technical assistance and providing information.
- (ii) Benchmarking – comparing performance and practice of a company against that of other similar companies, which enables companies to conduct a self-assessment and improve accordingly to meet buyer demands.
- (iii) Capacity building targeting local SMEs and suppliers – capacity is upgraded to carry out the needed improvements revealed through benchmarking and to match the demand of buyer.

The services provided by an in-country SPX programme bridge the challenges often faced by local SMEs in knowing, engaging and working with buyers especially those that are large and operating at international setting. Although not specific to the extractive sector, it can relevantly be applied to promote better linkages between local suppliers and extractive companies as well as businesses developed through downstream linkages and domestic and international buyers. The contribution to downstream linkages is more indirect and a typical example would be local processing businesses such as local gemstone cutting businesses that would benefit from connecting with international buyers and markets and having their technical, administrative and management skills developed. Capacity building based on benchmarking analysis could also contribute significantly to local SMEs and suppliers often deprived of business management, administrative and marketing as well as networking and communication skills. Local suppliers and SMEs struggle with meeting international standards, an issue that is addressed as they become SPX-certified suppliers and SMEs through this programme. This becomes beneficial to buyers as well, as they would be dealing with certified suppliers easing any standard concerns while also avoiding the costs and risks incurred in searching for suppliers and verifying their credibility.

The fact that SPX programmes are designed by promoting local institutions taking ownership of implementation ensures continuity and the opportunity to easily replicate in other areas of the respective country. This is made to have ongoing backing as an internal coordination unit is set up with an international network of SPX centres providing 'tool and methodologies, certification, training updates, strategic partnerships with major international buyers, a central profile database and standardized approaches to engage with buyers and suppliers'. The implementation document provides a detailed guide as to the specifics about the SPX host institution and the rationale for selection, the SPX team members and the roles played, and the technical support required.

Further detailed guidance is also offered to understand the local industries by identifying sectors 'more tenable to establish upstream linkages and/or downstream linkages to identify potential suppliers and buyers in the country; and enterprises ranked according to their local content strategies and their existing and potential subcontracting arrangements'. The document also dwells on how stakeholders and SPX client base can be identified and prioritised. This is followed by a section on establishing a SPX work plan that proceeds by stages discussing how contact can be established and promoted, training in methodologies of enterprise profiling and benchmarking, and the full SPX operation. Lastly, it provides detailed guidance regarding the potential two-way opportunities that exist in matching buyers and suppliers and how these can be identified and utilised in practice. It takes the implementing team through the specific processes involved in selecting buyers (for suppliers) and suppliers (for buyers) to maximise matched engagements. Therefore, the implementation guide is quite detailed providing useful guiding insights with a wealth of easy to understand content.

Application of 'instrument': Case study

Box 7. [Case study] Successful impact of UNIDO SPX

One of the countries where UNIDO SPX has had a successful impact is South Africa where

- A network of SPX Centres composed of sector specific private sector associations has been established.
- A database of more than 2000 SMEs linked to the main government procurement has been instituted.
- 450 SMEs across South Africa have been benchmarked.
- 174 suppliers have been referred to formal supplier development interventions.
- 1,459 subcontracting opportunities were investigated and promoted with counterparts.
- More than 1,550 suppliers have been introduced to a subcontracting opportunity
- Opportunity pipeline of 250 products amounting to 48.8 USD Million worth of contracts, of which 9.0 USD Million already signed.

Sources:

1. UNDP 2014. The UNIDO subcontracting partnership exchange (SPX) programme matchmaking buyers and suppliers for inclusive and sustainable industrial development @ https://www.unido.org/fileadmin/user_media_upgrade/What_we_do/Topics/Business__investment_and_technology_services/SPX_Brochure.pdf
2. UNIDO [No date]. Subcontracting and Partnership Exchange (SPXs) Centres @ http://spx.unido.org/spx/UNIDOSPX_files/public/SPX_factsheet.pdf

While this case study is not directly linked to the extractive industry, it demonstrates the crucially needed intervention of such an implementation guide in upgrading extractive industry related SME capacities, supporting suppliers finding subcontract opportunities and finding markets.

19. [Anglo American-2012] Socio-Economic Assessment Toolbox (SEAT)

Short description

Summary table

INSTRUMENT 19: Anglo American (2012): Socio-Economic Assessment Toolbox (SEAT)	
Type of document	Toolbox
Producer; date	Anglo American Ltd; 2012
Target industry	Mining industry 
Target group	Company internal functional units with involvement of local experts, academics and partner NGOs, governments and civil societies
Area of application	Global
Linkage type	Upstream and downstream linkages, infrastructure linkages
Issues addressed	Supply side (the local market, production, capacity and competitiveness) and the demand side (the procurement opportunities from the operation's side)
Web link	http://www.angloamerican.com/-/media/Files/A/Anglo-American-Plc/docs/seat-toolbox-v3.pdf

This toolbox is initiated by the mining company Anglo American. It is aimed to guide the company's various operational units across the world to enhance positive impacts while mitigating negative impacts. All Anglo American Business units, with the exception of the small non-mining operations, are required to conduct a SEAT assessment every three years, in addition to annual reviews. As such it is undertaken at an operational unit level as opposed to the whole organisational level. It applies across all phases of mining development. The core objectives of SEAT include the following:

1. Provide guidance and support for achieving full compliance with the Social Way – such as Anglo American's framework of requirements for social performance management during project development and closure.
2. Identify key social and economic impacts and issues that need to be managed and, thereby, improve risk management.
3. Assess existing social performance initiatives and identify where improvements are required.
4. Facilitate the capture and sharing of best practices across Anglo American.
5. Improve each operation's understanding of the full range of local stakeholders, their views and interests; provide guidance in developing and updating annual Stakeholder Engagement Plans (SEPs), and increase trust and goodwill among host communities.
6. Support sustainable socio-economic development in host communities.

The toolbox is subject to updating with some new introductions and currently it is in its third version.

Approach

The SEAT process has seven steps, each containing different tools:

1. Profile the Anglo American operation
2. Profile and engage with stakeholders
3. Assess and prioritise impacts and issues
4. Improve social performance management
5. Deliver enhanced socio-economic benefits
6. Develop a social management plan
7. Prepare a SEAT report and feedback to stakeholders

Step number 5 is where tools relevant to economic linkages and diversification are presented. Tool 5G (Approaches to Delivering Socio-Economic Benefit Delivery), for example, provides guidance on microcredit for SME development which can enhance downstream linkages benefiting small businesses resulting from the extractive industry as well as upstream linkages through supporting supplier businesses. However, particular emphasis is made on upstream linkages detailed in Tool 5B (Local Procurement) which focuses on local procurement. The company's policy states that local procurement has to be 'multi-faceted' across the supply chain, mine cycle and areas of operation; 'inclusive' of geographies and vulnerable and disadvantaged groups; driven by 'sound governance and business principles'; and undertaken 'in partnership' across functions and with communities, governments and development institutions. Guided by this policy, the toolbox lists 10 main tasks to enable delivery of local procurement. These tasks address aspects that are critical to implement a successful local procurement programme starting from mapping out the business case whereby needs assessment is carried out based on the stage of operation as well as local context.

The fact that the toolbox approaches local procurement from the supply side (the local market, production, capacity and competitiveness) and the demand side (the procurement opportunities from the operation's side) helps to initiate interventions which address the needs from both sides. Based on this exercise, a local procurement strategy with a span of 5 years is developed, providing analysis and guidelines from business case across to exit strategy; including a supply-demand gap analysis, accessibility, local SME capability, internal capacity, risk assessment and stakeholder engagement.

On the demand side, it is mainly targeted to local private sector and communities and it crucially sets out to build supplier capacity and competitiveness. Capacities developed include areas such as 'business management; quality management; environmental management; occupational health and safety; finance and costing; sales and marketing; product management; and administration'. To improve competitiveness, a supplier development programme seeks to improve managerial and technical skills so that end-user needs are met. In addition to developing skills and business competitiveness, the toolbox provides guidance for strengthening local economic base such as developing local infrastructure via its Tool 5D (Local Infrastructure Development), providing business incubator facilities, improving quality of local education, and participating in efforts to improve the local business environment in various ways.


The toolbox (under Tool 5G - Micro-Credit for SME Development) provides guidance for supporting existing microcredit initiatives for SME development through providing finance and non-finance services like business training, marketing, technology, monitoring, reporting, evaluation, and micro-credit schemes implementation. This could have a significant impact on the development of local suppliers and other SMEs which could propagate into the broader economy ensuring diversification.

Overall, the SEAT toolbox can be an effective approach as it is area-specific where individual operation takes place, and as such each of the seven steps are implemented in the respective area of concern responding to local priority. The challenge would be how aligned they are with the contextual policies, laws and guidelines and in particular to what extent do they respond to local government and community needs while at the same time not affecting company's own interests. A positive practice is that the SEAT process is undertaken by involving, as required, local experts, academics and partner NGOs. While this is a voluntary company initiative, host governments, communities and development organisations need to proactively engage with this process to ensure the linkage development is in line with the national development agenda.

20. [AMDC-2014] A Country Mining Vision Guidebook, Africa Mining Vision

Short description

Summary table

INSTRUMENT 20: AMDC (2014): A Country Mining Vision Guidebook, Africa Mining Vision	
Type of document	Guidebook on Policy / strategic framework
Producer; date	Africa Mining Development Centre; 2014
Target industry	Mining, oil and gas   
Target group	Governments, private sector and development organisations
Area of application	Africa
Linkage type	Fiscal linkages, horizontal linkages (Science, Technology, Engineering and Mathematics (STEM), and skills and research development and innovation (RDI)), upstream and downstream linkages, and infrastructure linkages
Issues addressed	Various issues related to maximising benefit and minimising negative impact of extractive sector.
Web link	http://www.uneca.org/sites/default/files/PublicationFiles/country_mining_vision_guidebook.pdf

A Country Mining Vision (CMV) is a country implementation of the parent Africa Mining Vision (AMV) which is a continental ‘pathway integrating mining into developmental policies at local, national and regional levels’ towards achieving sustainable development objectives from the extractive sector². The objectives of the CMV guidebook are to:

“help member States domesticate the Africa Mining Vision (AMV) at the national level through a multi-stakeholder consultative process with a view to formulating a shared vision on how mineral resources exploitation can promote broad-based development and structural transformation of their respective countries.”

As an implementation pathway to achieving the AMV objectives, effort to ‘domesticate’ the AMV at country level is a plausible move with a condition that contextual aspects of each country are considered and that efforts to align domestic policies and legislation with the AMV are characterised by contextual appropriateness. As such, the ‘domestication’ process would be ascribed as one that addresses the gaps as per the AMV objectives to a varying degree and time across countries. This process is the most critical stage of the AMV implementation with considerable challenges attached to efforts aligning each and every country’s policies and legislation to the AMV.

It is in this spirit that a group of mostly African experts in relevant fields representing governments, civil society, academia and development partners wrote and published a guide towards implementing a CMV. The CMV guidebook is therefore an instrument that engages various stakeholders to channel policy guidelines in alignment with national development goals and strategies.

² <http://www.africaminingvision.org/about.html>

Approach

In terms of structure, the CMV guidebook first provides a ‘step-wise road map for developing and implementing a Country Mining Vision (CMV)’. The road map dwells on steps that include launching a coordinating body (multi-stakeholder taskforce); conducting a gap analysis on the main AMV tenets and their realisation in practice; designing policy and processes of the CMV implementation plan; implementing the CMV; and conducting monitoring and evaluation and stakeholder engagement processes involving effective policy dialogue.

A chapter highlights the challenges of inadequate awareness about the AMV, CMV and mining sector in general and provides pointers to a communication strategy. The guidebook then delves deeper into main tenets of the AMV in chapters. Each of these chapters are designed to highlight the AMV goals relevant to each topic corresponding to the specific AMV tenet, identify the overarching problem (or challenge), scope and map the specific opportunities and challenges, list specific questions that need to be explored, offer options to address the issues highlighted, and provide case studies where applicable.

Through the chapters, the CMV guidebook has a focus on both the large-scale and artisanal and small-scale extractive sector (including mining, oil and gas). Across the topics tackled, the emphasis lies on design and implementation of policy and regulatory frameworks, governance, processes involved in various practices, management, and monitoring and evaluation. It addresses a full-cycle process from diagnosis to monitoring to enhance beneficiation and diversification providing a high level guide. Although each topic discussed can relate to linkages and diversification, the topics discussed which are most relevant to linkages include:

- Fiscal regime and revenue management (Chapter 5): relating to fiscal linkages.

Focussing on how mineral revenue shares can be optimised, the first section of this chapter presents a set of questions to enable diagnosis of a fiscal regime while also providing a list of mineral fiscal instruments that are commonly used when designing a country’s fiscal regime. It also identifies a list of challenges countries encounter when designing and implementing a fiscal regime followed by a range of options that can be used to address those challenges.

The second section focuses on how to improve the management and use of mineral revenues. In particular, it emphasises strategizing extractive revenues expenditure such as spending on assets like infrastructure while saving a portion for future use; at the same time safeguarding the economy from the effects of price and exchange rate shocks. It lists specific questions, challenges and options, offering guidelines on transparency and accountability, checks and controls, due diligence, diversification into non-resource sectors, saving for the future, long-term development plans, revenue distribution across various levels of governments, and governance against the risk of resource rent misuse.

- Building human and institutional capacity (Chapter 7): relating to upstream and downstream linkages.

This chapter offers ‘pathways to map and improve a country’s landscape of those institutions involved in building and strengthening human and institutional capacity’. The focus is how institutions can be transformed so that they are well ‘equipped to meet the present and future demands’ of the mining sector. It highlights the importance of human and institutional skills in developing an industrial policy that promotes economic linkages. Public institutions shall be capacitated so that they are able to provide a conducive business environment and support upstream and downstream linkages through various avenues that are most critical for local SME development. In particular technical and entrepreneurial skills as well as institutions capacitated with research and innovation are important conditions to building a competitive industrial economy. Capacity development guidance is targeted to institutions and personnel mainly from the public sector but also individuals that would gain entrepreneurial skills through those institutions. The guidebook is high level and does not provide information on specific levels of skills developed.

- Artisanal and small-scale mining (Chapter 8): relating to downstream linkages.

The chapter discusses the opportunities and challenges of the ASM sector across the continent, raising the issues of gender, environment and child labour. It emphasises the need to embed ASM policies in national and sub-national policies and development goals; while also exploring avenues to regulate and formalise the sector to enhance its productive capacity. In this respect, it offers some practice guides which could enhance efficient productivity such as linking ASM with business support providers and supply agencies, supporting ASM associations to be involved further in the value chain, like cutting and polishing laboratories, thus enhancing downstream linkages. It does mention the need for institutional capacity development and skills enhancement in areas like marketing and modern mining and processing techniques.

- Linkages, investment and diversification (Chapter 10): relating to fiscal, upstream and downstream, knowledge and special linkages.

Linkages and diversification from the minerals sector are highlighted as the core of the AMV. The chapter identifies potential for fiscal linkages, up- and downstream value addition, knowledge linkages (Science, Technology, Engineering and Mathematics (STEM), and skills and research development and innovation (RDI)); as well as spatial linkages (using minerals resource-based infrastructure for broader development). The potential of non-traditional minerals such as industrial minerals (e.g. limestone and sand) is noted for consideration in developing linkages in the African context. Constraints to linkages development are discussed, highlighting their importance for diversification. Critical challenges relate to a lack of 'appropriate policy frameworks and strategies to drive industrialisation, value addition and beneficiation'.

The chapter offers strategic options to developing upstream (backward), downstream (forward) and side-stream linkages. It provides critical recommendations ranging across policy, law and practice. In the case of upstream linkages, the need for an enabling environment such as public sector institutions involved with coordination and support of economic activities around the minerals sector, legal and procedural requirements for integrating mining investment into local supply chains and the broader economy, as well as prudent use of 'tax instruments and infant industry provisions' to promote local value retention is highlighted. In terms of downstream linkages, policies and strategies are offered to enhance mineral value addition and channelling mineral rent, and to promote beneficiation to develop STEM skills, RDI and infrastructure. The process involved in the development of STEM skills and RDI is provided for under the sidestream linkages development. The guide provides useful strategies by exploring avenues of policies, incentives, systems, other economic sectors and collaboration among multiple partners.

Application of 'instrument'

In terms of country focus, the AMV is a continental initiative and the CMV tends to apply to AU member countries that are signatories of the AMV and have an extractive industry as a sector. There is now progress in implementing the CMV and Tanzania is one of the countries where some activities have thus far occurred and this guide would inform practice and decision making. This includes the 'UNDP-AMDC (Africa Minerals Development Centre) acting as facilitator of the CMV process and started working with the Ministry of Energy and Mining, as the lead government institution, in the development of a participatory CMV'³. Priority areas identified include 'administration of the Mineral Value Management Assessment tool: Fiscal, legal, and regulatory environment; Employment and skills; Social economic and cultural conditions'⁴. Other CMVs have been developed in Mozambique and Lesotho and are currently under development for Ghana.


³ <http://www.un.org/en/africa/osaa/pdf/events/20150224/busia.pdf>

⁴ Ibid

21. [ITC-2001] Trade Map: Trade statistics for international business development

Short description

Summary table

INSTRUMENT 21:	ITC (2001): Trade Map: Trade statistics for international business development
Type of document	Web-based interactive map
Producer; date	International Trade Centre (ITC); 2001
Target industry	Multi-industry 
Target group	Trade Support Institutions (TSIs) and enterprises, governments, private sector and development organisations
Area of application	Global
Linkage type	Fiscal linkages, consumption linkages, upstream and downstream linkages
Issues addressed	Information and data on trade flows (values, quantities, trends, market share, and unit values, both in graphic and tabular format)
Web link	http://www.trademap.org/Index.aspx

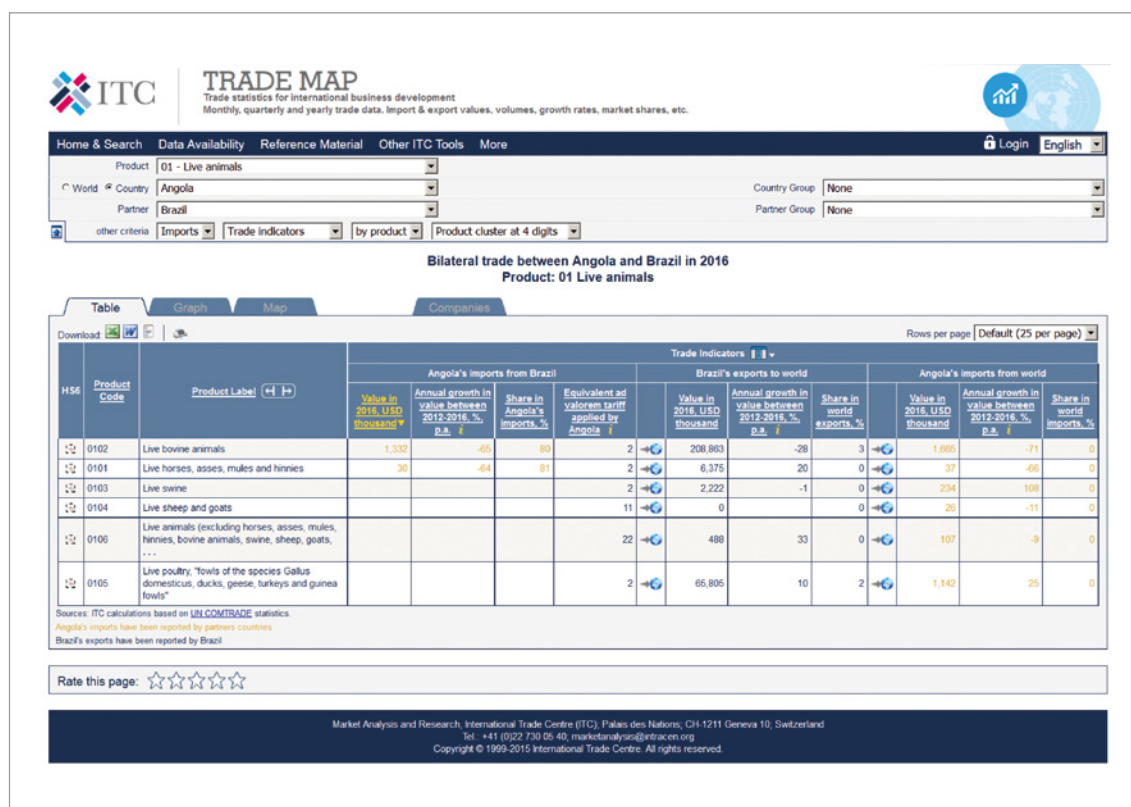
This is an International Trade Centre's web-based interactive map providing 'an online access to the world's largest trade database and presenting indicators on export performance, international demand, alternative markets and the role of competitors from both the product and country perspective'. This is an important information hub for businesses that have developed and expanded as a result of their involvement in the extractive industry's supply chains or which were created through the extractive value chain, such as through consumption and fiscal linkages. The trade map may be more applicable to large businesses with international linkages; as such fiscal income may be invested in establishing such businesses (mainly public businesses) that could then benefit from the trade map. Businesses would benefit by understanding the import and export markets, the commodities that are in high demand and can be strategic business opportunities to pursue. All this information can be accessed from the Trade Map which covers 'the trade flows (values, quantities, trends, market share, and unit values, both in graphic and tabular format) of over 220 countries and territories and 5,300 products defined at the 2, 4 or 6-digit level of the Harmonized System'. Data is mostly obtained from country statistics offices and UN COMTRADE database.

Approach

Its main features include analysis of present export markets, pre-selection of priority markets, overview of competitors in global and specific markets, review of opportunities for product diversification in a specific market, identification of existing and potential bilateral trade with any partner country, and information on tariffs. This detailed information would not only be useful for individual businesses that are growing and expanding but also for policy at levels of governments and development organisations who would be informed about the global trade dynamics to make a decision around developing and supporting local businesses and promoting a diversified economy. Knowing which markets are attractive for what commodities, the size and trend of the market, how various markets compare, the risks involved, and other information would be a starting point for developing and supporting new businesses. For example, (as shown in the screenshot below) a single commod-

ity can be selected along with two trading partner countries to understand the extent to which these countries import/export that commodity; and the result shows the value of trade of that commodity between these two countries and the value each country imports/exports to the world.

Figure 12. (Instrument 21) ITC Web-based interactive trade map



As businesses are developed and expand, opportunities for these businesses to benefit from upstream and downstream linkages with extractive industries can be enhanced, for it would mean there are capable businesses in-country to enter the supply chain. A yearly online survey is conducted to understand the demographics of users and trend. As per the 2014 survey, universities/students and companies have topped the ICT map user demography with Latin America and the Caribbean topping regional user population. The result also indicated that trade map is the most used (86% on average) compared to the other maps (market access map, investment map, standards map, and procurement map); and that larger companies gained higher value in using the trade map analysis.

22. [ICMM/UNCTAD/WB-2008] Resource Endowment Toolkit: Using resource endowment to foster sustainable development

Short description

Summary table

INSTRUMENT 22: ICMM/UNCTAD/WB (2008): Resource Endowment Toolkit: Using resource endowment to foster sustainable development	
Type of document	Toolkit
Producer; date	Joint International Council on Mining and Metals (ICMM), UNCTAD and the World Bank (WB); 2008
Target industry	Mining industry 
Target group	Mining companies, governments, private sector and development organisations and practitioners
Area of application	Low and middle income countries
Linkage type	Infrastructure linkages, fiscal linkages, upstream linkages
Issues addressed	Wide range of mining impacts, assessment of impacts
Web link	http://www.ibram.org.br/sites/1300/1382/00000750.pdf

This toolkit is an extension of the ICMM initiated Resource Endowment initiative from 2004 which sought to ‘better understand how large scale mining activity in low and middle income countries can enhance the socio-economic development of host countries’. Produced by ICMM in collaboration with UNCTAD and the World Bank, this tool is organised around methodologies aimed at developing ‘an overview of the impacts that mining projects and industries have on their host communities and countries’. It also gauges how mining impacts governance structures, institutions and policy changes.

Approach

The toolkit was developed using an analytical framework focussing on governance processes involving an extensive literature review and comparative analysis of 33 countries which were heavily reliant on mining and focussed scoping workshops in four countries. Results from workshops in Peru (with Chile as comparator) and Ghana (with Tanzania as comparator) were comparatively paired to gain insights and lessons learnt. The toolkit’s methodologies incorporate analytical techniques ranging from simple to complex qualitative and quantitative methods. They are ‘designed to enable mining companies and other stakeholders in the mining industry to prepare their own assessments, in addition to those that ICMM had already prepared for the Resource Endowment initiative’ in 2004. The assessment methodology is organised around six important stages which are merely ‘a listing of the main steps to be taken in implementing country case studies designed to throw light on the social and economic impacts of large mining projects’. These stages are:

1. Description of Country Context
2. Profile of the Operations
3. Measuring Country Economic and Social Outcomes
4. Assessing Proximate Causes of Outcomes
5. A Detailed Assessment of the Project Level Impacts
6. Assessing the Broader Impact of Mining.

Under stage 5, the toolkit prompts questions related to infrastructure linkages around the impact on local social and economic infrastructure investments by mining companies. This includes investments on roads, railways, air transport or port facilities; leisure, sport, recreation infrastructure; schools, hospitals and clinics; and so on. Questions also relate to the mining impact on local businesses development for upstream linkages in terms of procurements, skills, social investment programmes, and partnerships with other organisations. The toolkit provides guidance on how to collect data on value of procurement (such as indirect employment), profile of supply chain, demographics of suppliers, and procurement spend. Furthermore, the toolkit offers fiscal linkages related guides as to how to calculate the value added and retained in the local economy as a result of fiscal contribution of the mining sector. Regarding infrastructure linkages, the toolkit provides a simple method of accounting for all types of infrastructure that can be provided by the mining industry.

Stage 6 concentrates on more qualitative aspects around policy and decision making issues related to governance, regulation, services delivery, and public development programmes. Of particular importance for the purpose of this study is the toolkit's guide on policies related to fiscal regimes, public revenue allocation and distribution, expenditure management capacities, and transparency and accountability. The list of questions provided allows an examination of the extent to which policies and practices ensure fiscal linkages are appropriately and efficiently progressed such that the rest of the economy benefits.

A list of questions concerning regulatory frameworks and policies around private sector development are also provided with a focus on developing and supporting different sized local businesses to participate in the supply chain but also to develop entrepreneurial skills and innovation to exploit other sectors of the economy. 'The questions for this policy domain also probe whether the existence of a mining industry has contributed to broader development of infrastructure and transportation systems, of the cost-efficient provision of utilities and of other industrial inputs (technological developments, banking industry) that are of benefit for the diversification of the economy'. The toolkit challenges government policies to ensure a spill-over effect of the extractive industry for other economic sectors.

While the toolkit covers a broad range of topics in the extractive sector's social and economic impact sphere, the drawback is that the guide may have limited due detail that each of the topics deserve. Nevertheless, it has useful contents that can be incorporated in the assessment of impacts by mining companies and other stakeholders. Unfortunately, there is only limited information available regarding the application of the Resource Endowment Toolkit.

23. [ICMM/UNCTAD/WB-2011] Mining: Partnerships for development toolkit

Short description

Summary table

INSTRUMENT 23: ICMM/UNCTAD/WB (2011): Mining: Partnerships for development toolkit	
Type of document	Toolkit
Producer; date	Joint International Council on Mining and Metals (ICMM), UNCTAD and the World Bank; 2011
Target industry	Mining industry 
Target group	Mining companies, governments, private sector and development organisations and practitioners
Area of application	Low and middle income countries
Linkage type	Upstream linkages, horizontal linkages, infrastructure linkages, fiscal linkages
Issues addressed	Wide range of mining impacts, assessment of impacts
Web link	https://www.icmm.com/website/publications/pdfs/mining-partnerships-for-development/1945.pdf

Developed by the ICMM as an extension of the Resource endowment toolkit ('instrument' 22) which was developed by ICMM, UNCTAD and the World Bank in 2008, this toolkit provides a 'methodology for evaluating the positive and negative economic and social effects of mining at the local, regional and national levels in mining countries'. It inspires partnerships between mining companies and other stakeholders (governments and development agencies) and is more relevant to low-middle income RRCs having been tested in Chile, Ghana, Peru, Tanzania and the Lao PDR since 2005.

Approach

The toolkit is comprised of the main toolkit guide, a document titled 'Mapping in-country partnerships' and a folder containing annexes with important data collection and presenting templates. The document 'Mapping in-country partnerships' has useful content on six topics containing definition of terms, description of opportunities along with a map of opportunities across four partners (companies; donor agencies; host governments; and NGOs, civil society and communities), and profiling of relevant case studies. The six topics are (1) Mining and poverty reduction, (2) Mining and economic development: revenue management, (3) Mining and economic development: regional development planning, (4) Mining and economic development: local content, (5) Mining and social investment, and (6) Mining and dispute resolution.

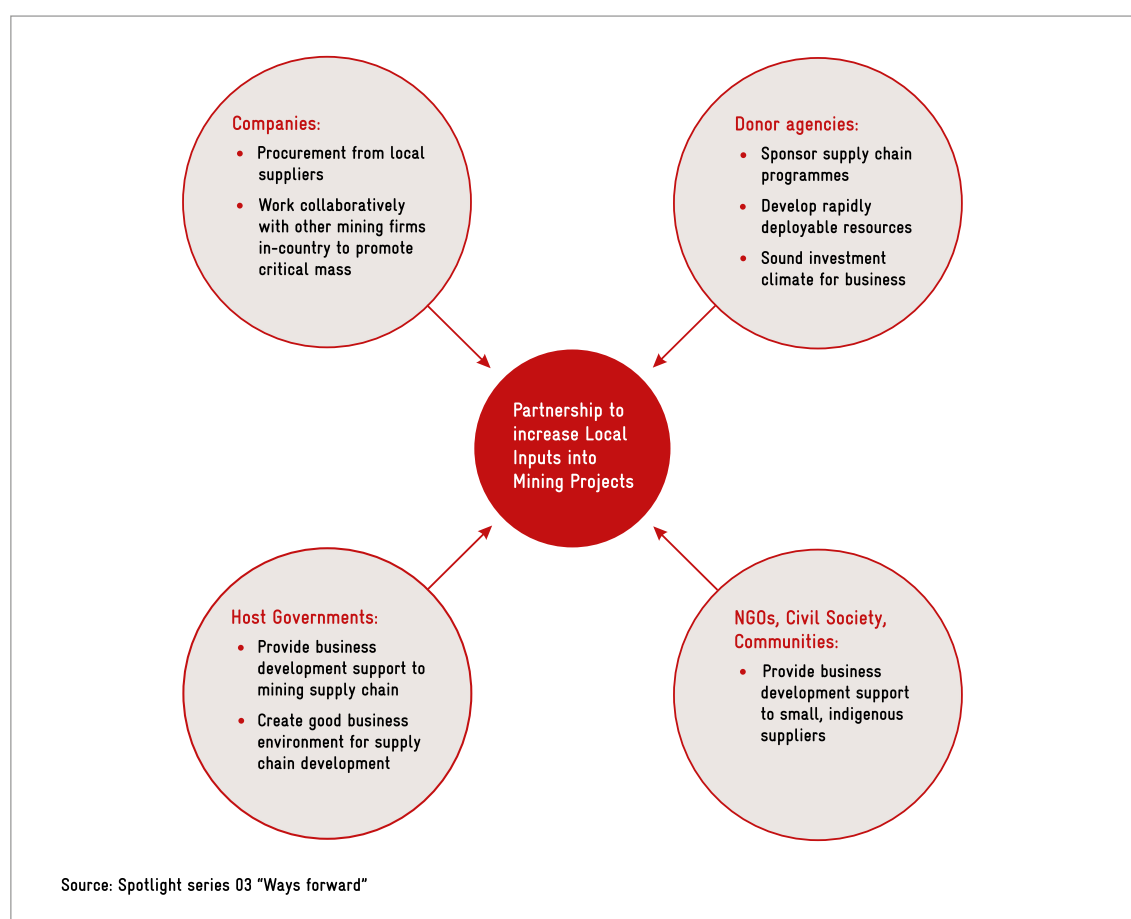
Relevant to upstream, downstream and horizontal linkages, topic 4 provides useful content on opportunities for enterprise development, local procurement and training through partnerships across stakeholders (see Figure 13). It profiles 7 case studies including:

- Mozal supplier development programme, Mozambique
- Integrated programme for local training, employment and procurement, Canada
- Ahafo Linkages Programme, Ghana
- Building local engineering and design capacity, Trinidad & Tobago
- Enterprise development programme, Chile
- Pre-vocational training programme, Australia
- SME development and local employment, Lao PDR.

A standard profiling method is followed across all case studies containing four main parts (partnership overview, partnership scope, analysis, and options for replication or extension).

Similarly, topic 5 presents contents (partnership opportunities with a map of stakeholder roles and case study profiles) relevant to infrastructure linkages.

Figure 13. Summary of opportunities to enhance local content



The toolkit guide is 'comprised of eight modules and an addendum on taxation, with each of the modules containing worked up examples or explanations of how to gather the necessary data and analyse and present the findings'.

Figure 14. (Instrument 23) Mining: Partnerships for development toolkit: Toolkit modules

MODULE ONE: Mining and the host country <p>Preparing an overview of the country's geography, population, settlement, land use, economy and recent history with an emphasis on characteristics that influence or are influenced by the economic and social impact of mining: economic performance, political stability, quality of governance, dependence on mining, and poverty and human development.</p>	MODULE SIX: Analyzing the life cycle impact of the participating mine on the host country's macroeconomic aggregates <p>Analyzing the participating mine's contributions to GDP, government revenues, and balance of payments over the life cycle of the mine, looking forward to include the likely impacts of future expected operations and well as those of the present and recent past.</p>
MODULE TWO: The participating mining operation and its economic and social initiatives and partners <p>Developing a profile of the participating mining operation(s) and the local communities in which they operate. This should include a profiling of any partnerships already set up by the mining operation(s) for economic and social development across the six partnership themes.</p>	MODULE SEVEN: Impact of mining on governance <p>Examining the direct and indirect influence of mining on governance structures, institutions and policy choices at different levels of government (national, regional and local).</p>
MODULE THREE: Measuring the mining industry's contribution to the host country <p>Understanding how the host country's broad-based economic growth (of incomes, GDP, exports etc) and social development have changed in the period during which mining has assumed a significant relative importance.</p>	MODULE EIGHT: Communicating your findings <p>Preparing the country case study (or mining sector issues paper) and encouraging dissemination of and debate about its findings via a workshop.</p>
MODULE FOUR: The proximate aspects of governance that help or hinder mining's economic and social performance <p>Identifying elements of the host country's quality of governance and macroeconomic management that could affect the economic and social benefits of mining. The term "proximate" is used to distinguish this from the more detailed probing on political economy processes in module seven.</p>	TOOLKIT ADDENDUM: Guiding principles regarding minerals taxation <p>Understanding the appropriate fiscal framework for mining including the importance of an equitable allocation of rents and transparent reporting according to EITI standards and engaging with governments to promote stable tax systems with minimal complexity.</p>
MODULE FIVE: Measuring the participating mine's positive and negative contributions to local communities <p>Measuring in detail the participating mine's economic and social impacts (employment, procurement of locally supplied goods and services, training, social and infrastructure provision, net impact) at the local level.</p>	

A step-by-step approach is provided to using the toolkit starting with contextual assessment to enable implementation of the toolkit, designing the scope of work, forming partnership, planning, communicating finding. Under Module Five, one of the six priority partnership themes relates to procurement of local goods and services (Mining and economic development: local content). The guide provides a tool to find out how relevant data can be obtained with a focus on three aspects related to purchase of local goods and services, namely

- (i) A profile of the supply chain – usually obtained from mining companies, it covers information like number of local and non-local suppliers, level of expenditure on goods and services supplied, goods and services supplied, and ascertaining locality of suppliers;
- (ii) The value of domestic procurement which the tool suggests can be obtained using sample representing type of suppliers, geography, size of purchase and skills required; or relying on data from larger suppliers which more or less covers a bigger portion of supply value. Some hints are provided on how to calculate value of procurement using this sample; and
- (iii) The social distribution of procurement expenditure. Advice is offered to disaggregate the spread of supply providers across ‘population, ethnicity, religion, language, culture, place of origin, residential location and age’.

The guide accounts for horizontal linkages through advice on human capital development and training of skills that could be beneficial to the wider economy. Key questions are provided to help assess training activities undertaken for supplier company employees as well as advice on disaggregated documenting of training activities by culture, place of origin, residential location, gender, ethnicity, age, language and religion of beneficiaries.

The guide also addresses impact through infrastructure linkages to understand the extent of the shared benefits of roads, ports, railways and other infrastructure. It is highlighted that mining companies need to forge partnerships with governments and community groups in their social investment activities, e.g. to support infrastructure. This is to ensure shared responsibilities with a sense of ownership by all parties. It is also to avoid companies drifting into becoming quasi-government which has detrimental effects like underfunding and underperformance as companies have limited mandate or moral authority on such social investments. One of the annexes contains a questionnaire on social and infrastructure provision allowing for a structured collection and presentation of information using five categories namely,

- physical infrastructure (transport, utility services),
- education (schools, training, scholarships),
- health (hospitals, clinics, medical supplies, immunisation programmes),
- local enterprise development (purchasing from disadvantaged communities, expanding supplier businesses through training or investment), and
- community development (donations, sponsorships, capacity building, shared company facilities).




In terms of fiscal linkages, the guide provides prompting questions on fiscal regimes and economic policies with particular reference to public expenditure of fiscal benefits. The toolkit addendum contains detailed content including guiding principles on minerals taxation with advice on tax regimes, fiscal instruments as well as approaches and expectations on mining taxes.

In a nutshell, this instrument offers a high level oversight content primarily showing ‘how-to’ process under the eight modules with useful stepwise general recommendations accompanied by an investigative questionnaire type of guide across topics. In addition, the annexes provide some in-depth practical guides on, for example, what to consider when promoting infrastructure and social investment, how to record and present fiscal benefits of mining using a template, usage of questionnaires on supplies purchased domestically and questionnaire on training activities. A standout highlight of the toolkit is its guide on partnerships among key stakeholders in promoting the various linkages described above. The toolkit is certainly useful albeit focussed on broader topics than linkages; as such, it has to be complemented by other tools and guides to have a comprehensive guide for economic linkages and diversification.

24. [NRGI-2014] Natural Resource Charter (Second Edition)

Short description

Summary table

INSTRUMENT 24: NRGI (2014): Natural Resource Charter (Second Edition)	
Type of document	Guide (Charter)
Producer; date	Natural Resource Governance Institute (NRGI); 2014
Target industry	Mining, oil and gas   
Target group	Government and development organisations
Area of application	Resource-rich countries
Linkage type	Fiscal linkages, upstream, downstream and horizontal linkages
Issues addressed	Governance of natural resources development and beneficiation, enabling environment for diversification
Web link	http://www.resourcegovernance.org/sites/default/files/NRCJ1193_natural_resource_charter_19.6.14.pdf

First launched in 2010, this Charter (guide) is produced by the Natural Resource Governance Institute (NRGI) targeting government and development organisations with a focus on oil, gas and mining resources. With the objective of improving governance of natural resources development and beneficiation, it provides policy guidance structured in the form of a list of precepts by stage of project lifecycle.

Approach

As a first step, it raises the need to have an inclusive and comprehensive national strategy at an early stage with a long-term view accompanied by a clear regulatory and institutional framework. Well-capacitated and objective-oriented institutions that are transparent and accountable to the public, they serve to support this strategy. This is followed by guidance on how to approach discovery of extractive resources and deciding to allocate exploration rights cognisant of property rights issues and the need to align with national objectives.

The document goes on to provide useful guidance on ‘getting a good deal’ in terms of taxation and contractual terms without compromising investment attraction. This is important as usually the missed opportunity in the case of fiscal income starts as a result of a weak structure of the fiscal regime negatively affecting the potential revenue received. While royalties are the most tangible benefits, corporate tax is factored into the cost of production making it intangible and most often it is a rather absent benefit. This is because corporate tax income is dependent on the costs incurred by companies, which means that corporate tax only accrues when the company recovers the usually high construction and production expenditure. As such corporate tax revenue usually starts to flow in the later stages of the mining cycle, massively affecting the total revenue as corporate taxes take the largest portion of total revenue. In such a situation, there is insignificant revenue flowing to the host country for a large part of the mining cycle, and hence crippling potential fiscal linkages.

The guide recommends against tax incentives and simplified tax regimes as well as avoiding using state equity to raise government returns. While this advice is plausible, sometimes it is more prudent to weigh different fiscal instruments and make decisions accordingly. Getting into equity share has pros, as governments can influence decision making by promoting more responsible socio-economic development standards while reaping good

returns during profit boom periods. It also has cons, as governments will be tied to cost sharing which especially during a downturn can creep into the national budget affecting the economy. So it is best to have a balanced approach and thorough analysis of various alternatives.

The document then offers a guide as to how the government should ‘pursue opportunities for local benefits while accounting for mitigating and offsetting the environmental and social costs of resource extraction’. Key to this is involving local communities in assessment and decision making, implementing negative impact measurement standards and strengthening capacities of local stakeholders. The most relevant precept refers to managing revenues to ensure optimal and equitable outcomes through fiscal linkages. The guide emphasises the need to balance present spending with saving and investing for future generations. It provides useful recommendations related to prudent public administration of funds, in particular when considering allocation and distribution of revenues for today’s consumption in order to avoid wasteful misappropriation.

More crucially, the guide stresses the need for revenue allocation for generating social return through creation of jobs and skills transfer. This is where an economic multiplier and a diversified economy is created ensuring utilisation of fiscal revenues for sustainable development. One avenue is using resource revenues to create an environment conducive for private sector investment such as investing in good infrastructure and public services to attract private investment. The guide further gives information on how resource revenues can be protected against volatilities by smoothing domestic spending of revenues depending on price volatility with a view to diversifying the economy. Other options include using hedging contracts and accumulating foreign assets to cushion against downturn. The value of institutions with increased capacity and incentives to make appropriate decisions without political interference in regards to managing revenue spending is also highlighted.

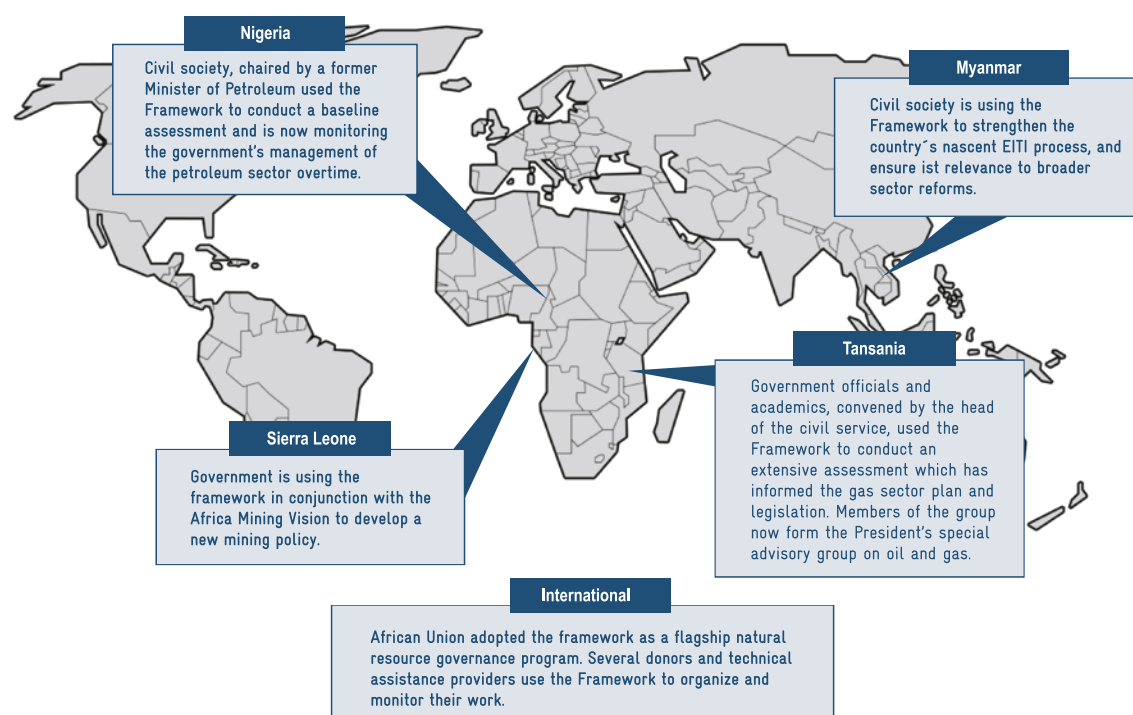
Outside the use of resource revenues, facilitation of private sector investments is identified as an important intervention for the government to diversify the economy. The guide suggests an enabling environment can be created through ‘reforms to improve the regulation of capital, land and labour markets; the provision of infrastructure and public goods; and social policies to raise the productivity of workers’. Investing in sectors outside resource extraction in times of a resource boom can help diversification. As a supplement, it is also suggested that the government can promote local content development by enhancing the local capacity as well as navigating regulatory avenues on companies for local content promotion; protecting local suppliers against global competition (upstream linkages); and facilitating transfer of technology and skills from extractive companies to local firms (horizontal linkages).

The guide advises that caution should be taken when encouraging value creation through downstream linkages, since the costs of establishing such linkages as processing plants (e.g. energy, imported skills and equipment) may exceed domestic capacity. However, the benefits may outweigh the costs especially when there is a domestic demand for the extracted and processed commodity (example, petroleum, gas, bulk commodities) and a potential for cost reduction such as transportation. Finally, guidance is provided regarding the need to commit to internationally recognised environmental, social and human standards. This relates to avoiding corruption, promoting transparency and contributing to sustainable development.

Application of 'instrument'

The Charter has been applied through NRGi's practical application tool 'Charter Benchmarking Framework' to assess government policy decision making related to the extractive industries. A summary of cases is shown in Figure 15. In addition, a course (Executive course on oil, gas and mining governance⁵) is delivered at the University of Oxford training decision makers in RRCs on managing resources and diversification.

Figure 15. (Instrument 24) Summary of cases where Natural Resources Charter has been applied



Source: NRGi

Image source:

https://commons.wikimedia.org/wiki/File:Simple_world_map.svg


This 'instrument' provides useful guidance on specific topics with some useful input across fiscal, infrastructure, upstream, downstream and horizontal linkages. The guide remains, however, on a high oversight, though detailed level. It lacks some needed in-depth analysis and information on the process of doing things in practice. As such it would be more useful as a quick reference for someone looking for important considerations when, for example, looking at providing policy reform around taxation.

5 <http://www.bsg.ox.ac.uk/study/executive-education/2016-oil-gas-mining>

25. [OECD Secretariat - 2016] OECD Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects

Short description

Summary table

INSTRUMENT 25: OECD Secretariat (2016): OECD Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects	
Type of document	Framework
Producer; date	Draft by a multi-stakeholder committee under Organisation for Economic Cooperation and Development (OECD) secretariat; 2016
Target industry	Mining, oil and gas   
Target group	Governments, industry and civil society
Area of application	Resource-rich countries
Linkage type	Upstream, downstream and horizontal linkages, Infrastructure linkages
Issues addressed	PPP in promoting shared value,
Web link	https://www.oecd.org/dev/Framework_Public-Private_Collaboration_FINAL.pdf

This framework was developed under the OECD secretariat by a multi-stakeholder drafting committee established in January 2015. The committee comprised of Liberia and Norway as co-chairs, Switzerland, South Africa, the African Union Commission, Anglo American, Antofagasta Minerals, the Chilean Mining Council, the Columbia Center on Sustainable Investment, Eni, Exxon Mobil, the International Council on Mining and Metals (ICMM), the International Petroleum Industry Environmental Conservation Association (IPIECA), Shell, Social Clarity, and Total. The final version was endorsed on 29 February 2016 by participants in the Policy Dialogue on Natural Resource-based Development, following successive sessions, where comments were received and integrated into draft revisions.

‘Addressed to governments, industry and civil society and articulating collaborative roles, the Framework is an operational tool offering guidance on proposed actionable steps for harnessing non-renewable natural resources to build competitive, diversified, and sustainable economies in a scalable manner.’ The emphasis is on how governments, civil society and extractive industries can work together to achieve an in-country shared value which would ultimately contribute to economic diversification.

Approach

The framework is mainly policy oriented offering strategies and monitoring and evaluation mechanisms. It provides a tool for promoting public-private partnerships to advance some of the relevant sustainable development goals. While aiming to provide an ‘online compendium of practices and resources’, the framework is set to be reviewed on an ongoing basis to incorporate lessons from practical experience. It is organised around five steps, each highlighting the roles of host governments and extractive industries in a collaborative process. In step 1, it provides guidance in ‘adopting a comprehensive long-term vision and implementing strategy to build competi-

tive and diversified economies and create in-country shared value out of natural resources'. Step 2 recommends an inclusive decision making process. Step 3 is the most relevant to economic linkages and diversification and focuses on unlocking opportunities by identifying local workforce and local business development (downstream and upstream linkages) as one of the opportunities. For governments, it is advised to have a baseline assessment of local enterprises (sizes, participation, supplier landscape and skills); develop an inclusive local workforce and promote supplier participation with special consideration of vulnerable and excluded groups; endorse transparency as well as regulatory principles and standards around local procurement; and ensure contractual access and local content compliance. Extractive industries are advised to support local business capacity building; promote local supplier participation with consideration of vulnerable groups; enhance local businesses opportunities; and adopt favourable mechanisms which enable local businesses to enter the extractive sector value chain. Similar activities are also advised to be implemented by host governments and extractive industries working together.

Infrastructure linkages are accounted for as the framework identifies shared use and development of infrastructure (water, power and transport) as part of the opportunities recommended for unlocking via the various roles of stakeholders. In terms of horizontal linkages, Step 4 provides guidance on supporting innovation that could lead to new products and services. Governments are advised to support research and development to advance local technological capability and transferability such that there is readily available local capacity to respond to industry demands. Extractive industries' role would be to 'contribute to improving the innovative capacity of subsidiaries and subcontractors'. Step 5 then advises on establishing effective and transparent monitoring and evaluation systems to ensure that PPP are enhanced.

The guidance offered is quite high level with recommendations for each stakeholder across the five stepwise lists of areas, and as such offers limited detail on action-oriented specific roles of the respective stakeholders. The guidance in the framework is meant to be operationalized at country level thus informing further revisions to the framework. As such, it can guide high level decision making on diversification around the linkages created through businesses and infrastructure, but would need to be supplemented by other tools with specialised guidance for best operationalization.

Concluding remarks

The 25 ‘instruments’ assessed in this study are by no means exhaustive coverage of existing tools, guides, manuals and other documents relevant to economic linkages and diversification. However, the analysis of each of the ‘instruments’ presented above provides important highlights about each ‘instrument’ in terms of the selected categories of the navigator. It also offers an indication as to where such output on the topic is at, what common features exist, where the weaknesses are and to what extent such product has been used in guiding economic linkages performance in practice. Of the ‘instruments’ profiled, 17 are either developed by or commissioned with an involvement of an international donor organisation dominated by the IFC. Three are developed by the ICMM, with only one developed by an extractive company – Anglo American. This shows that donor organisations, whether government agencies such as the GIZ or a consortium of entities, are spearheading initiatives for improved linkages practice.

A general observation is that all of the ‘instruments’ profiled here address (with some predominantly focusing on) upstream linkages through local procurement and local supplier business development. A focus group discussion with GIZ practitioners also indicated that practitioners are mostly concerned with upstream linkages. Downstream linkages are covered by nine ‘instruments’, infrastructure and horizontal linkages by seven ‘instruments’ each, fiscal linkages by five ‘instruments’ and consumption linkages by three ‘instruments’. A few of the ‘instruments’ have relevance to four linkage types; namely, Instrument 16 (GIZ-2013/14 Mines to minds project), Instrument 21 (ITC-2001 Interactive trade map), Instrument 23 (ICMM/UNCTAD/WB-2011 Partnerships for development toolkit), Instrument 24 (NRGI-2014 Natural resource charter guide), and Instrument 25 (OECD Secretariat-2016 PPP framework for shared value). Instrument 20 (AMDC-2014 Country Mining Vision guidebook) is the only document that has content relevant to five linkage types. While having ‘instruments’ with relevance to more than one linkage types is commendable, the breadth and depth of the contents have significant room for improvement.

GIZ practitioners in the focus group discussion reasoned that the focus on upstream linkages especially the procurement and supplier development side is due to its more visibility and the ease with which it can be achieved compared to the other types of linkages, especially in a developing country context. The ‘instruments’ on fiscal linkages, for example, can possibly be applied in practice, but can be tricky as tax income is often not realised due to a number of reasons including tax breaks and other company manipulations. As a result, attempting to promote fiscal linkages becomes difficult and is often perceived as unrealistic. One of the best approaches suggested by discussion participants is to simplify the ‘instruments’ that practitioners can recommend to advance linkages, such as using scenario-based analysis to demonstrate the achievability of such linkages in reality.

The above analysis identified some gaps in each of the ‘instruments’ while pointing out highlights of the important provisions contributed. One of the issues with some of the ‘instruments’ is that they tend to have a broad scope catering for an array of topics whereby any economic linkages type ends up being a passing mention only, missing an in-depth analysis. For example, Instrument 10 (IFC-2007 CommDev information hub) and Instrument 22 (ICMM/UNCTAD/WB-2008 Resource endowment toolkit) could have benefited from a more in-depth analysis providing practical guiding tools with a specific focus on economic linkages. On the other hand, those ‘instruments’ that focus on only one type of linkages provide a crucially useful in-depth practical guide or local supplier-targeted SME development programme. Examples include Instrument 3 (IFC/Esso-2008 eProcurement manual), Instrument 5 (IFC-2011 Local procurement guide), Instrument 7 (World Bank-2015 Local procurement guide), Instrument 9 (ICMM-2015 Guide to responsible sourcing), Instrument 13 (RESA-PACE supply chain development programme), and Instrument 15 (CSR-2010 Procuring from local SMEs good practice guide), all focussing on upstream linkages.

Some of the ‘instruments’ provide a high level policy or strategy recommendation or advice that they become best utilised along with a more process-oriented practice-based in-depth guide or tool. The issue of participation of women and disadvantaged groups is missing in most of the ‘instruments’ with only a few ‘instruments’ highlighting the importance of addressing the issue. Those that have a relatively strong consideration of the issue include Instrument 1 (IPIECA-2016 local content guide), Instrument 5 (IFC-2011 Local procurement guide), Instrument 15 (CSR-2010 Procuring from local SMEs good practice guide), and Instrument 25 (OECD Secretariat-2016 PPP framework for shared value). Further gaps in existing ‘instruments’ relate to the weak focus on economic diversification. This might be due to the fact that diversification is a complex proposition to be made through ‘instruments’ especially when even the promotion of economic linkages in the extractives industry is still an issue. However, the focus group discussion argued that tangible scenarios that need to be pursued include diversifying into the tourism industry as well as construction sector.

There is a disappointing lack of application in practice or even follow up of the ‘instruments’ in terms of how they have been taken up or updated based on lessons learned. This was also highlighted in the focus group discussion with GIZ practitioners who recommended that the tools are best served when they are followed up on a regular basis. The focus group discussion agreed there is rare application of ‘instruments’ apart from the few ‘instruments’ that some practitioners have utilised like Instrument 8 (IFC-2002 SME toolkit). Instrument 1 (IPIECA-2016 local content guide)’s practice-based guide proved useful as it was applied by practitioners in their mission countries of Uganda, Tanzania, Kenya and Mozambique. The discussion identified the lack of time horizon around key performance indicators (KPI) in using the ‘instruments’. This affects their effectiveness as most linkages tend to unravel in the closure stage of a mine lifecycle when it becomes too late to assign responsibilities and measure sustainability in achieving linkages programme objectives. Lack of capacity from the part of governments in even understanding the ‘instruments’ was also mentioned as a challenge.

Most of the ‘instruments’ face the danger of ending up as one-off document publication randomly and occasionally referred to as existing resources. There seems to be a better chance of being implemented or applied in practice when an ‘instrument’ developed is taken up well and owned by an implementing entity whether it is government or private sector. Other instances would be when the IFC is involved either as an investment stakeholder or a partner of a social investment programme in which case some of the IFC developed ‘instruments’ are adopted; for example, Instrument 4 (IFC/Mozal-2008 SME development Manual), Instrument 5 (IFC-2011 Local procurement guide) and Instrument 6 (IFC/RT/Deloitte-2014 Financial Valuation tool). Some focus group participants consider an effective, though challenging, alternative if possibilities exist to making linkage programmes part of project contract agreement in order to have a binding obligation and responsibilities attached to all parties, ensuring better application of ‘instruments’. Using stabilisation or sovereign wealth funds to facilitate linkages was raised by focus group participants as one good instrument in this case. A stabilization fund can be a useful mechanism to stabilize volatile resource-revenues due to the volatile resource price. However, challenges exist with the functioning of such initiatives as sometimes they are politicized or there is a transparency issue.

It is important that responsibilities are shared and a sense of ownership is assumed by governments (especially local governments), specialised national or regional institutions and community groups so that linkage programmes are developed, monitored and sustained in the long-run. A critical point raised in some of the ‘instruments’ especially Instrument 23 (ICMM/UNCTAD/WB-2011 Partnerships for development toolkit) is the importance of forming partnerships among key stakeholders in particular extractive companies, host governments, donor agencies, civil society, NGOs and communities. This is quite crucial and was also identified by focus group participants as one that is featuring weakly in the existing ‘instruments’. Establishment of an independent linkages-focussed task force would ensure maintaining the partnership with effective functionality in terms of implementation, monitoring and evaluation of the linkages programme. While a navigator around existing ‘instruments’ on economic linkages and diversification is expected to play an important role in better utilisation of existing ‘instruments’, future effort towards the development of a new ‘instrument’ with more comprehensive and in-depth coverage of the relevant linkage types is crucial.

Appendix: Additional case study

Box 8. [Case study] BHP Billiton and Codelco World-class Supplier Programme

Rational:

- Lack of local suppliers that meet Chilean mining companies' needs
- International suppliers, unfamiliar with local challenges, may be unwilling to customize products and services for Chile, with response times slower than those of local suppliers

Launched by BHP Billiton in 2008 and joined by Codelco in 2011, the World-Class Supplier Programme aims to create a cluster of 250 world-class suppliers by 2020. The programme takes a two-pronged approach. First, the programme identifies and presents an operational challenge to suppliers instead of merely requesting existing, standardized solutions. Second, suppliers are given access to senior expert advice to support them in the innovation process. The programme engages local suppliers to develop innovative solutions to manage at least one aspect of mining identified as critical – such as water, energy, human capital, maintenance, dust control, acid mist control or leaching. The programme of world class suppliers is structured through a systematic process that takes into account challenges identification, selection process and portfolio management, and the commercial escalation of mining solutions developed by suppliers.

This programme is financed by the Chilean government innovation support, BHP Billiton, CODELCO and participating suppliers.

BHP Billiton and Codelco have made changes to internal procurement processes. They also prioritize the participation of companies from other industries. For example, 3M, a multinational conglomerate renowned for its innovative products, is contributing its know-how to improve suppliers' innovation processes, and opening its network to aid suppliers in their internationalization.

As of December 2012, the programme included 36 suppliers with a combined total of over 5,000 employees and US\$400 million in sales. With a BHP Billiton's investment of around \$50 million, the programme has an estimated US\$121 million in direct savings in the cost of inputs, goods, and services for BHP Billiton. Suppliers involved in the programme benefited from new revenue generation opportunities, increased efficiency and innovation, and greater access to finance and diversified markets.

As of 31 December 2014, 37 projects at Pampa norte and Minera Escondida were developed. Since the Programme was launched, over 70 innovation projects have been developed and some suppliers have begun to export the resulting solutions.

Source:

1. Ortega 2014. "Initiatives for Innovation in Firms and Supply Chains: Good International Practices and Opportunities for Suriname" @ www.iadb.org/Document.cfm?id=38926559
2. Smith et al @ <https://sharedvalue.org/groups/bhp-billiton-and-codelco-foster-innovation-supply-chain>

References

- Auty, R. M. (2001).** Resource abundance and economic development: Oxford University Press.
- Bravo-Ortega, C., & De Gregorio, J. (2005).** The relative richness of the poor? Natural resources, human capital, and economic growth. *Natural Resources, Human Capital, and Economic Growth* (January 2005). World Bank Policy Research Working Paper(3484).
- Calder, M. J. (2014).** Administering Fiscal Regimes for Extractive Industries: A Handbook: International Monetary Fund.
- CCSI (2016).** Linkages to the Resource Sector: The Role of Companies, Government and International Development Cooperation. Columbia Center on Sustainable Investment, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.
- Dobbs, R., Oppenheim, J., Kendall, A., Thompson, F., Bratt, M., & van der Marel, F. (2013).** Reverse the curse: Maximizing the potential of resource-driven economies: McKinsey Global Institute.
- Franks, D. M. (2015).** Mountain movers: mining, sustainability and the agents of change: Earthscan and Routledge.
- Freudenburg, W. R., & Gramling, R. (1998).** Linked to what? Economic linkages in an extractive economy. *Society & Natural Resources*, 11(6), 569-586.
- Gelb, A. (2010).** Economic diversification in resource rich countries, IMF: Center for Global Development.
- Guj, P., Bocoum, B., Limerick, J., Meaton, M., & Maybee, B. (2013).** How to Improve Mining Tax Administration and Collection Frameworks: A Sourcebook.
- Hailu, D., Gankhuyag, U., & Kipgen, C. (2014).** How does the extractive industry promote growth, industrialization and employment generation, Paper presented to the United Nations Development Programme and Government of Brazil, Brasilia, Brazil, 3-5 December.
- ICMM. (2012).** Mining's contribution to sustainable development, International Council on Mining and Metals, InBrief, June.
- Janneh, A., & Ping, J. (2011).** Minerals and Africa's development: the international study group report on Africa's mineral regimes. Economic Commission for Africa, Addis Ababa.
- Marcel, V. (2013).** Guidelines for Good Governance in Emerging Oil and Gas Producers. London, UK: Chatham House.
<https://www.chathamhouse.org/publications/papers/view/194059#sthash.1PGain0d.dpuf>.
- Maré, J. H. (2011).** Economic diversification in Africa: a review of selected countries, OECD, United Nations.
- Mehlum, H., Moene, K., & Torvik, R. (2006).** Institutions and the resource curse*. *The economic journal*, 116(508), 1-20.
- Mireftekhari, S.P. (2013).** Local Content Strategy, solution for successful global oil and gas projects in emerging economies. Master Thesis, Norwegian University of Science and Technology.
- Nunnenkamp, P., & Spatz, J. (2003).** Foreign direct investment and economic growth in developing countries: how relevant are host-country and industry characteristics?

O'Higgins, E. R. (2006). Corruption, underdevelopment, and extractive resource industries: Addressing the vicious cycle. *Business Ethics Quarterly*, 16(02), 235-254.

Pegg, S. (2006). Mining and poverty reduction: Transforming rhetoric into reality. *Journal of Cleaner Production*, 14(3), 376-387.

Sekwati, L. (2010). Botswana: A note on economic diversification. *Botswana Journal of Economics*, 7(11), 79-85.

Wyse, H., & Shtylla, S. (2007). The role of the extractive sector in expanding economic opportunity. Harvard University: Economic Opportunity Series.

■ **Additional readings:**

Melia, E. (2016). The Political Economy of Extractive Resources. Discussion Paper, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.
<http://star-www.giz.de/starweb/giz/pub/servlet.starweb?path=giz/pub/pfm.web&r=42530>

Weihert, U. (2015). Sustainable Economic Development in Resource-Rich Countries. Guidelines for Technical Cooperation, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.
<http://star-www.giz.de/starweb/giz/pub/servlet.starweb?path=giz/pub/pfm.web&r=37765>.



Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH

Registered offices
Bonn and Eschborn

Friedrich-Ebert-Allee 36 + 40
53113 Bonn, Germany
T +49 228 4460-0
F +49 228 4460-1766

Dag-Hammarskjöld-Weg 1 - 5
65760 Eschborn, Germany
T +49 6196 79-0
F +49 6196 79-1115

E info@giz.de
I www.giz.de