



EMPLOYMENT, LOCAL PURCHASING AND THE SHARED VALUE PARADIGM: OPPORTUNITIES

Dr Lahra Liberti, Head of Natural Resources for Development Unit,
OECD Development Centre

IGF Annual Meeting, 26 October 2016





OECD DEVELOPMENT CENTRE:

Bridging OECD and non-OECD economies

- **Unique inclusive membership**, providing the institutional interface for policy dialogue and collaborative evidence-based analysis across OECD and non-OECD countries . The OECD Development Centre has **51 member countries: 27 OECD countries and 24 emerging and developing economies:**
- **Mission:** helping member countries find the **development trajectories that suit them best** to build and maintain **competitive economies and inclusive societies.**



Policy Dialogue on Natural Resource-based Development

Open to any producing countries/economies, all participating on equal footing, regardless of their OECD or Development Centre's membership.



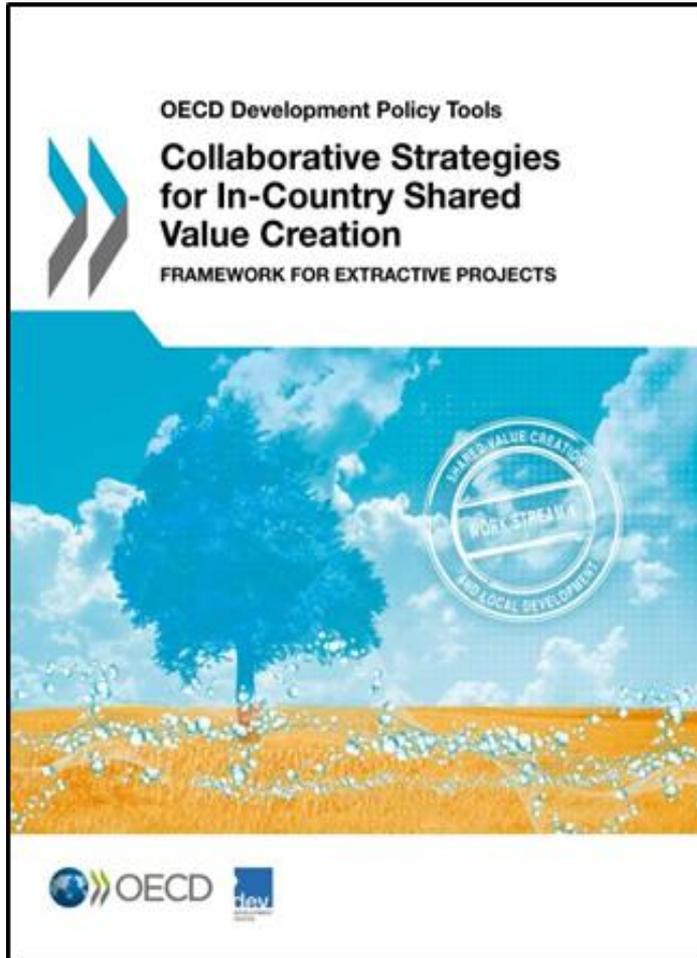


How to maximise opportunities from extractives: facing the dilemma

- Producing countries need to find workable options and tools that need to reflect the economic conditions under which the mining and oil & gas industry operate globally and at the same time manage the growing public expectations generated by huge investment projects and the widespread perception that benefits are not equally shared.
- There is no quick fix or a single route to achieving long-term benefits.
- Catalysing benefits is a long-term **process** which requires **coordination within government** and **collaboration across different stakeholders**



How? OECD Framework on Collaborative Strategies for In-Country Shared Value Creation



<http://dx.doi.org/10.1787/9789264257702-en>

<http://dx.doi.org/10.1787/9789264259409-fr>

An operational tool with **actionable steps to assist host governments and extractives industries to work together** in a structured and systematic way to realise shared value.

A guide to understanding **different roles and responsibilities** and potential for creating shared value

Dimensions of value **include local employment, local procurement, shared use of infrastructure, power, transport and innovation.**



5 Steps and key factors for win-win approaches

Step 1: adopt a **comprehensive long-term vision and implementation strategy** to build **competitive and diversified economies** → **systematic and integrated approach** calling for genuine and unprecedented coordinated efforts to align multiple investments decisions across sectors to support market development and public service provisions and continuous **alignment of interests** -- neither governments nor industry alone can achieve meaningful results.

Step 2: build an **empirical basis** to inform decision-making through an inclusive participatory process → **collective understanding of the underlying context, opportunities and gaps** within and beyond the extractive value chain to take informed policy decisions.

Step 3: Unlock **opportunities for in-country shared-value creation at different stages of project development**. Prioritise action in areas where a clear **business case** exists.

Step 4: Support and contribute to **innovation** leading to new products and services

Step 5: Establish effective and transparent **monitoring and evaluation systems** and **regularly review the collaborative strategy**



The Shared Value Paradigm: How?

Phase/Years	Employment opportunities	Procurement opportunities	How to identify opportunities?
<p>Exploration / Feasibility 1-10 years</p>	<p>Low, Intermittent, Short-term 0-250 jobs</p>	<p>Low Intermittent Short-term 0-3% of total spend</p>	<ul style="list-style-type: none"> • Early assessments of expected life of the mine. • Aggregation of industry demand for employment and supplies. • Understanding of stakeholder expectations • Industry to articulate the success factors for participation in extractives value chains (price, delivery reliability, safety, quality) and conformance to standards (environment, labour, industry specific requirements). • Collectively assess existing industry capacity, level of local participation, available local workforce capabilities and local supply base to inform strategic planning, skills upgrading and required technical training activities. • Collectively undertake a gap analysis assessing national education and training systems against current and future needs, fostering alignment between government plans and industry needs. • Evaluate the time and resources needed to close any identified technological, infrastructure, capabilities, and financing gaps. • Development of a shared vision for regional/ local economic development via cross-industry as well as public-private collaboration. • Development of a plan to realise the shared vision • Tailoring of existing government/support programmes (business mentoring, advisory support, financing, managerial capacity) to start addressing barriers to local participation and enterprise development.



The Shared Value Paradigm: How?

Phase/Years	Employment opportunities	Procurement opportunities	How to identify opportunities?
<p>Construction / Development 1-5 years</p>	<p>High Short/medium-term Direct 250-1 000s manual and technical jobs</p>	<p>High Short-term 10-25% of total spend</p>	<p>Alignment of training / capacity building programmes, including those supported by donors, with regional and national industrial development plans.</p> <p>Capacity building in local labour pools (e.g. technical mining specific training and transferable skills for post-closure industries).</p> <p>Collaboration among stakeholders to address local firms' lack of scale and capacity or pre-competitive collaboration to look for solutions to common challenges (environmental).</p> <p>Bridging of asymmetries of information through dedicated fora and online databases to share and manage information flows.</p> <p>Assessment of the potential for intersectoral linkages and alternative economic activities, during the mining life-cycle and the post-closure phase</p>



The Shared Value Paradigm: How?

Phase	Employment opportunities	Procurement opportunities	How to identify opportunities?
<p>Production 2-100+ years</p>	<p>High Long-term Direct and Indirect 1 000+ manual and low skilled labour & med-high skilled labour resulting from training</p>	<p>High 75-90% of total spend</p>	<p>Same as above + Identification and prioritisation of goods and services with sufficient aggregate demand from all private actors</p> <p>Identify segments with high growth potential, and any barriers to entry, including goods and services that are highly specialised or subject to strong competition</p> <p>Implementation of local SMEs development plans in agreed priority areas</p> <p>Identification and prioritisation of transferable skills (and on-going skills for environmental monitoring for example) to ensure post-closure labour market sustainability</p> <p>Identification of feasible inter-sectoral linkages and synergies for local suppliers to serve other sectors</p>
<p>Decommissioning 1-5 years</p>	<p>High Short/long-term Indirect 0-1 000+ jobs</p>	<p>Low 0-2% of total spend</p>	<p>Implementation of an economic development plan for the area post-closure</p>



The Shared Value Paradigm: infrastructure

Host governments

- Obtain extractive projects' projections for infrastructure needs (transport, power, water) to allow for early planning and effective coordination among relevant central and local authorities
- Consider opportunities and scale of possible power-gas and/or power mining integration
- Design appropriate pricing mechanisms applicable to infrastructure users
- Identify potential synergies and opportunities for infrastructure sharing across sectors and with local communities as well as opportunities for regional cooperation
- Allocate resources on competitive and equitable terms

Extractive industries

- Outline anticipated demand for infrastructure and potential contributions to infrastructure building
- Evaluate whether there is potential idle capacity in self-supply infrastructure facilities that could be used by other users
- Devise infrastructure plans that fit into government's plans for infrastructure development and local contexts.
- Collaborate with other extractives companies from the same basin to invest in infrastructures, considering domestic needs, including non-industrial use
- Assess the feasibility of renewable energy power generation options

- Undertake early consultations for infrastructures needs and plans to determine if there are synergies, efficiencies and other opportunities for shared value creation
- Clearly articulate government and company responsibilities and liabilities
- Consider infrastructure use in the equilibrium of the overall contractual agreement with the extractive industry

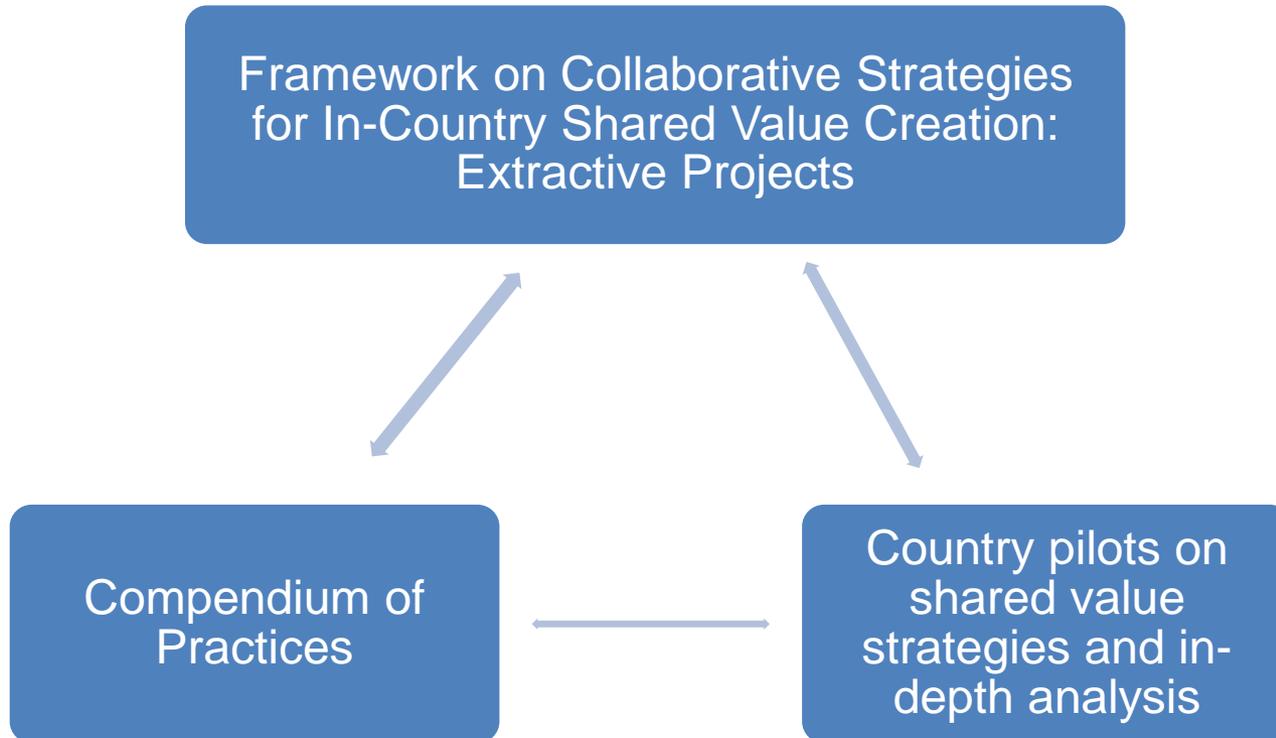


The Shared Value Paradigm: innovation

Host governments	Extractive industries
<ul style="list-style-type: none">• Identify evolving trends in global consumption and production patterns, changes to end uses for minerals, and carbon emissions trading• Consider trade-offs associated with technological innovation• Support research and development to identify, adapt and transfer technology, develop ties with universities, public research initiatives, etc.	<ul style="list-style-type: none">• Invest in specialised technologies with low environmental footprint• Leverage the extractive s sector operations to increase use of renewable energy (e.g. using green power or developing green supply chains)• Contribute to improving the innovative capacity of subsidiaries and subcontractors• Contribute to finding solutions to shared industry challenges
<ul style="list-style-type: none">• Engage in cooperation based on life cycle analysis, covering the entire value chain and offering the opportunity to exploit best practices of several sectors.	



Next Steps





Compendium of Practices - Input sought from the EILC Community of Practice

- **Format:** The Compendium is an **on-line knowledge base** which will be launched at the VII Plenary Meeting of the Policy Dialogue on Natural Resource-based Development on 30 November and 1 December 2016.
- **User-friendly and easily accessible:** practical and tractable examples linked to specific steps and actionable recommendations, showing what has worked well, key enabling factors, but also learning from mistakes and how to overcome challenges and obstacles.
- **Open-ended exercise:** the Compendium will be progressively populated as solutions to identified problems develop and are collected.
- **Standardised submissions:** A common template will be used for filing submissions to ensure consistency.
- **Validation :** examples will be validated through the Policy Dialogue meetings OR by stakeholders involved in the example that have direct knowledge of the example. Permission for attribution is encouraged, although not necessary.



Thank you

- WEBSITE: <http://www.oecd.org/dev/natural-resources.htm>
- CONTACT: **Dr Lahra Liberti**, Head of Natural Resources for Development Unit, OECD Development Centre
lahra.liberti@oecd.org