



Local Content Policies: IGF Members' Guidance

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LCP Guidance

- Members directed IGF to produce at 2016 AGM
- Primary audience is governments
- Will be produced in hard copy, as well as an on-line resource



Elements of the Guidance

1. Local procurement of goods and services;
2. Direct employment of locals or disadvantaged persons;
3. Downstream linkages (beneficiation);
4. Domestic ownership and national champions in the mining sector;
5. Horizontal linkages: spillover benefits to non-mining sectors and populations.

Cross-cutting: legal elements, impacts of technology



Local Procurement

Starting questions:

- *What objectives served?*
- *How to decide whether or not to pursue*
- *What information needed?*
- *How to define local*

Local Procurement: Policy Options



Demand side:

- Mandated percentage
- Targeted lists of types of goods that should be locally sourced
- Requirements to provide a local procurement plan
- Tax preferences for achieving a prescribed goal in local procurement or to purchase locally
- Provision that local goods and services will be given preferential treatment or purchased to the extent feasible
- Requirement to consult communities.

Supply side:

- Supplier development programs, including training to bid
- Financing



Local Procurement

Preliminary considerations:

- Need a clear definition of local;
- Need both supply and demand-side policy measures;
- Regulations need to be grounded in the reality of the country context;
- Industry and supporting actors need to be at the table during all phases.

Case studies to be included: Australia, Botswana, Canada, Ghana, Kazakhstan, South Africa, Zambia.

Direct Employment of Locals



Starting questions:

- *What objectives served?*
- *How to decide whether or not to pursue*
- *What information needed?*
- *How to define local or disadvantaged?*

Direct Employment of Locals: Policy Options



Demand side:

- Mandated percentage of locals employed in overall workforce;
- Mandated percentage of locals employed in specific job types;
- Required to register plan for boosting local percentages;
- Tax preferences for achieving prescribed goal in local hiring;
- Provision that locals will be hired to the extent feasible.

Supply side:

- Government incentives to firms to engage in skills development;
- Government support or joint support for technical vocational education and training.



Direct Employment of Locals

Preliminary considerations:

- Need a clear definition of local or disadvantaged;
- Supply-side efforts needed in parallel, to avoid high turnover rates, low productivity results;
- Critical to understand the needs of the employer in the mid- to long-term;
- Policies need to be in harmony with wider national development goals.

Case studies to be included: TBD



Downstream Linkages

Starting questions:

- *What objectives served?*
- *How to decide whether or not to pursue*
- *What information needed?*

Downstream Linkages: Policy Options



- Incentives (subsidies, tax preferences)
- Prescriptive measures (export restrictions on raw materials)
- Negotiation (as condition of concession agreement)
- Bidding (points in bidding regime for downstream activities)
- Government-led investments (e.g., SOEs)



Downstream Linkages

Preliminary considerations:

- For processed commodities where power demand makes up a large proportion of operating costs, access to cheap and reliable power is of critical importance;
- SEZs can work provided there is good logistics and port infrastructure located at strategic trading routes, and conducive business environment;
- Governments have a stronger negotiating position if they have a world class deposit, or have significant market power in the supply of a commodity;
- Primary processing is capital intensive, creates little employment.

Case studies to be included: Singapore, Indonesia, Australia, Botswana, Afghanistan, Nigeria

Domestic Ownership and National Champions



Starting questions:

- *What objectives served?*
- *How to decide whether or not to pursue*
- *What information needed?*

Domestic Ownership and National Champions:



Policy Options:

- Technology transfer requirements
- Joint venture requirements
- Free carry obligations
- Creation/promotion of state-owned actors as sole or main player
- Expropriation of existing operations.

Domestic ownership and National Champions



Preliminary considerations:

- Important to understand how existing commitments under international investment law may limit the use of these policies;
- Joint venture only works well where both partners bring something of value to the deal;
- Technology transfer requirements often result in older technology being transferred;
- SOEs require rigorous governance and transparency, especially in the face of high rents.

Case studies to be included: Singapore, Indonesia, Australia, Botswana, Afghanistan, Nigeria



Horizontal Linkages

Starting questions:

- *What objectives served?*
- *How to decide whether or not to pursue*
- *What information needed?*

Horizontal Linkages



Policy Options:

- Supplier development aimed at serving diversified clients;
- Requirements for construction of shared infrastructure (e.g., roads, rail, water treatment, electricity, Internet);
- Investments in the “national system of innovation”
- Public “venture funds” (funding to support training, market research, infrastructure or other public goods, etc.)



Horizontal Linkages

Preliminary considerations:

- Linkages through shared infrastructure are more common than through building capabilities to “break out” of the mining sector;
- State role in horizontal linkages through capabilities/technology requires complex and arduous coordination, integrated policy making.

Case studies to be included: Chile, South Africa, Mozambique, Guinea, Tanzania; Norway, Australia



Cross-cutting issues

- **Legal questions:** what limitations to policy options imposed by international trade and investment law?
- **Impact of technology:** if new technology reduces employment, to what extent does it also reduce the potential for successful local content policies?



Thank you

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