Local content in West Africa: challenges and advances

IGF Annual General Meeting
Geneva, October 2017
Outline

- Context
- Challenges
- Advances
Supporting LC policy in West Africa

Mali

Regional WA: Senegal / Guinea / Ghana


Burkina F. / Ghana

WALPI
Burkina F. - Liberia

Côte d’Ivoire

Burkina F. / Ghana / Mali / CI

World Bank & Kaiser EDP
Gold
Bauxite /alumina
Iron ore
Mineral sands
Zinc
Manganese
Uranium
Phosphates
Diamonds
Copper
Coal

Significant mining activity in West Africa
Mining company value-added

Kinross

2014 Benefit Footprint

- Revenue from Metals Sales: 12%
- Payments to Governments: 17%
- Payments to Employees: 59%
- Purchase of Goods and Services: 0.20%
- Community Investments: 12%
- Available for Corporate Needs: 23%
- Breakdown of All Spending: 34%

Legend:
- Local
- In-Region
- Other In-Country
- Other Countries
- Corporate & Other
LC policies: international examples
Challenging LC context

- Economic structure
  - Skills / HR
    - Capital / Financing
      - Infrastructure
        - Business environment
Challenges: economic structure

Trade balance of manufactured goods between West African countries* and the rest of the world (in USD billion)

*N.I.: Sierra Leone, Liberia and Guinea Bissau
Data from World Trade Organization
Challenges: skills / HR

Data from UNESCO Institute of Statistics, 2016
Challenges: skills / HR

Data from Human Development Report 2015, UNDP
Challenges: financing

Data from IFC Enterprise Finance Gap Database (2011)
Challenges: infrastructure

Electricity cost per unit, total
(US cents per kWh)

Data from Africa Infrastructure Country Diagnostic, AfDB
Challenges: infrastructure

Logistics Performance Index

Data from LPI 2016, World Bank Group
Challenges: business environment

Doing Business 2017 - SSA
Distance to Frontier scores

Starting a Business (75.33)
Resolving Insolvency (30.16)
Dealing with Construction Permits (57.75)
Enforcing Contracts (47.73)
Getting Electricity (45.62)
Trading across Borders (51.10)
Registering Property (51.12)
Paying Taxes (55.88)
Getting Credit (37.50)
Protecting Minority Investors (42.92)

Doing Business 2017, World Bank Group
Defining local

1. Distinction in terms of geography
   - “Local-local”/“Localised”
     - National
     - Wider region

2. Participation by citizens
   - Ownership, management, employment

3. Extent of value-add taking place locally
   - Manufacturing or delivering service locally

**USING SPEND ON LOCALLY-REGISTERED FIRMS DOES NOT CAPTURE THE TRUE SOCIO-ECONOMIC BENEFITS**
Defining local

- **Locally-registered**: 21.4% (Liberia), 47.2% (Brazilian mine), 85.0%
- **Locally-owned**: 5.4% (Liberia), 4.6% (Burkina Faso), 63.1% (Brazilian mine)
- **Local value add**: 6.9% (Liberia), 6.9% (Burkina Faso), 20.0% (Brazilian mine)
- **Local value add and ownership**: 3.0% (Liberia), 4.6% (Burkina Faso), 61.7% (Brazilian mine)
Some key principles for LC policy in WA

- Involve subcontractors
  - Information sharing
    - Multi-stakeholder
      - Medium and long term
        - No universal approach
Practical guide (World Bank, 2015)
## Modules of the Guide (1 – 4)

<table>
<thead>
<tr>
<th>Questions raised by stakeholders</th>
<th>Relevant module</th>
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</thead>
<tbody>
<tr>
<td>• Should we invest in supporting local procurement?</td>
<td>1. Selecting the best approach to local procurement</td>
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<tr>
<td>• If so, what is the best approach?</td>
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<tr>
<td>• How should we define local procurement given our socio-economic priorities and wider legislative context?</td>
<td>2. Defining local procurement and estimating the baseline</td>
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<tr>
<td>• What are our current levels of local procurement based on that definition?</td>
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<tr>
<td>• How do we identify the most attractive and realistic local procurement opportunities in the short, medium, and long-term?</td>
<td>3. Identifying opportunities</td>
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<tr>
<td>• How do we ensure full, fair, and reasonable access to opportunities?</td>
<td>4. Enabling local suppliers to compete</td>
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<tr>
<td>• What capacities do suppliers need to develop in order to compete?</td>
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<tr>
<td>• How can we support suppliers to develop those capacities and create a more competitive operating environment?</td>
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## Modules of the Guide (5 – 8)

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</table>
| • Do we need local procurement policy, law, or regulation?  
• If so, what should be in policy vs. law vs. regulation vs. guidelines or practice notes?  
• If customs exemptions or regulation are currently being used as an incentive for mining FDI, how does this need to be aligned to support local procurement? | 5. Public policy, law, and regulation                                           |
| • Should our mining company have a local procurement plan and if so, what should be in it?  
• How do we integrate our local procurement plan into our overall company planning, operational systems, and reporting?                                                                                                        | 6. Mining company local procurement plans                                      |
| • How can we work across multiple organisations to deliver on the various aspects of our local procurement approach?  
• How do we ensure our organisations have the capacity to implement the approach effectively?                                                                                                                                         | 7. Coordinating implementation and building institutional capacity             |
| • How can we track changes to local procurement levels in the most practical way?  
• How should we adapt our approach based on our experiences with implementation, and our changing environment?                                                                                                                    | 8. Measuring, monitoring and evaluating                                        |
Modelling of mining procurement data (BGR, 2017)

• **Purpose:**
  – Reduce investment risk in target markets
  – Orient local content support programs

• **Feature:** provision of market data (not otherwise available)

• **Mechanism**
  – Data analysis at BGR’s Department for international Cooperation and the German Mineral Resources Agency (DERA)
  – Advisory services by intermediary agencies (Chambers of Commerce or authorities in host countries)
BGR’s model: sample output
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