



INDABA 2018

IGF SUSTAINABILITY ROUND TABLE DISCUSSIONS ON LOCAL CONTENT

CAPE TOWN, SOUTH AFRICA

FEBRUARY 5, 2018

INTRODUCTION

The IGF organized a round table discussion on Sustainable Development and Mining in Cape Town, South Africa, on Tuesday, February 5, 2018 during the “Investing in African Mining Indaba” conference. The discussions focused on local content policies while also presenting valuable networking opportunities.

Local content policy is a topic of increasing interest to the IGF membership. At our 2016 Annual General Meeting, IGF members voted to mandate the Secretariat to develop a new guidance document on the subject. The IGF guidance for governments will help identify policies that encourage the following: local procurement of goods and services; direct employment for locals; downstream and horizontal linkages; and building domestic capacity in the mining sector.

Participants from government, the private sector, international organizations and academia exchanged views with leading experts and fellow practitioners from around the mining world on the key local content issues included in the draft

guidance. In a context where African states are increasingly aware of the need to adapt their regulatory tools in order to integrate the recommendations of the African Mining Vision, holding round table discussions on local content policies was timely.

The event featured parallel interactive roundtable discussions with over 100 people. The following provides a summary of topics and discussions.

DEFINING “LOCAL”

Two tables moderated by Jeff Geipel, Mining Shared Value Managing Director, Engineers Without Borders, and Emily Nickerson, Mining Shared Value Director of Programs, Engineers Without Borders.

Defining local is the foundation on which local content policies rest. The challenging task of defining the concept of “local” was tackled in two round tables discussions moderated by Mining Shared Value.

At the outset, participants noted the challenges and complexity in defining the concept of “local” and finding a consensus around a



definition. Decisions on who is “in” and who is “out” when determining the term directly affects communities and jurisdictions, as well as their share of benefits. The different conceptions of what should constitute local revolved around the criteria to be considered for the definition.

The geographic criterion: Some participants emphasized a national approach to defining local, covering nationally registered firms. Others stressed a local decentralized definition centred on populations or entities existing near mining sites. However, all recognized that the idea of geography and who is local is a complex idea—e.g., challenges arise when people move in when the mine is developed.

The citizenship criterion: While the geographical criterion can include foreign companies that are nationally registered, the citizenship criterion narrows down the definition of local to those that hold citizenship in the regulating jurisdiction.

The value-added criterion: Some participants stressed that the critical aim of local content policies should be to encourage more local economic activity, and thus emphasized the need to ensure that foreign goods imported and resold should not count as local—that there should be some minimum element of local value-added.

The participants considered the argument that those affected most by the mine should have more say. They have more interest in being local and in being defined as such. The discussion underlined that in the context of prior informed consent by affected communities, free and prior informing is a necessary precondition for consent. All agreed that early engagement about local benefit sharing is critical.

Furthermore, the participants agreed that policy-makers need to be involved in facilitating an inclusive conversation with communities—including those most impacted—and various levels of government. The participants discussed different scenarios for such dialogue, and how present industry practices can help to build that definition.

Conversations also focused around education and awareness of the economic benefits of mining, the environment that is needed to have each actor at the same table with the right amount of knowledge, and the timing in crafting



a definition, as sometimes it comes late in the process. For some participants, good examples of practical definitions could be drawn from the IFC finance department definition of local content, as well as the definition used in Canada with Indigenous groups negotiating with mining companies.

BUILDING SUPPLIER CAPACITY

Two tables moderated by Jerry Ahadjie, Principal Planning & Policy Officer, Ghana Minerals Commission and Andrew Cheatle, Mining Executive

The group highlighted that many of the thoughts and ideas around building local capacity are contained in the African Mining Vision. They stressed that the current situation is ripe for exploring opportunities to build trusting partnership between suppliers, mining companies and governments.

In that vein, they asked what measures can be taken to address a lack of capacity in the local supply chain to deliver at global standards for price, quality and reliability? The table discussions looked at the potential roles for governments, mining companies and the suppliers themselves in addressing those challenges.

The tables identified that suppliers need to better understand companies’ needs and expectations. They should be able to commit to long-term supply such as 10-year delivery. They should also improve communication with the mining companies; one participant simply suggested



interested suppliers need to phone the company and talk with them and ask about qualifying (the company in turn has to answer the phone).

The tables discussed the role of governments, which includes providing the legal and policy framework to help ensure that suppliers are trained, and providing guidelines and incentives for training by mining companies. Governments might also consider tax regimes that would treat domestic manufacturers preferentially to help them compete with cheaper imported goods.

Participants also stressed that governments have a role to play in addressing the critical challenge of financing, which is key if local suppliers are going to improve their capacity to supply. There is often a need for governments to intervene to help mobilize the funds that suppliers will need, to be able to successfully bid and to deliver on their commitments in supplying the mining firms.

It was noted that mining companies can play the role of trainers for local suppliers—perhaps with support from governments—particularly since they understand best what their needs are. It was also stressed that mining companies need to share adequate information, such that suppliers know what the opportunities are, along with the criteria for successful bidding.

Finally, participants noted the need to integrate gender, technology and youth issues in discussions about building local suppliers' capacity.

ECONOMIC DIVERSIFICATION (HORIZONTAL, DOWNSTREAM, POST-MINE)

Two tables moderated by Pierre Gratton, President and Chief Executive Officer, Mining Association of Canada, and Johannes Danz, Program Manager of Extractives and Development, BGR

These round table discussions focused on three main subjects.

Supplier development: There was common agreement that the mining firms, through their outsourcing activities, should be leaders in driving increased economic activity by suppliers, yielding economic diversification. That said, it was also noted that those firms will need to decide whether it makes sense in their circumstances to invest in supplier development; if mine life is short and existing supplier capacity is thin, it may not.

The tables also discussed the role of local communities, mining companies and governments and acknowledged that, in Southern Africa and some other locales, the record of those last two has not been great in terms of economic diversification through upstream linkages. Too often mining companies rush in the preparation of this sort of planning, while governments may lack the capacity to plan, execute and follow through. Moreover, both typically develop such plans with little involvement of local communities, on the mistaken assumption that they will have little to contribute.





The tables did identify a few successes and best practices where mine leaders sat at the table on an ongoing basis with local communities building trust, working to build capacity, and progressively over the life of mine enabling local communities to participate more actively in opportunities arising from the mining project.

The group reflected on the South African and Canadian experience in terms of policy. Participants noted that South Africa has recorded some mixed positive results. There have been some benefits in lower-value lower-skill supply sectors, if not as much for the high-value goods and highly educated workers. Participants highlighted the successful practice of joint ventures in Canada, and to some extent in South Africa. In Canada, mining companies and their suppliers have often collaborated with local Indigenous communities to set up joint ventures. Even though initially those joint ventures may be limited in terms of meaningful local engagement at the outset, over time they do show positive results in terms of employment participation and learning by doing, eventually leading to the creation of Indigenous-owned businesses. The ultimate goal is for the local partners to work with the mine and other regional entities during the life of the mine and gain the capacity to build their own business later on that can serve other sectors and succeed after the mine has closed. This dynamic, where it works, can be an important driver for economic diversification.

Downstream linkages: On beneficiation—adding value to the products of the mining industry—the tables started the conversation as a very focused discussion of what makes economic sense and moved quickly to discussing to what makes sense in terms of policy priorities. Downstream processing is highly competitive, and the margins are often low, particularly with the massive expansion of state-financed smelting and refining in China. Some participants suggested that the economic diversification benefits of downstream linkages may be a high enough policy priority that they merit subsidization, even if it is clear that the downstream sector may never be competitive. In some instances, given the size and value of the ore body, beneficiation is economically sustainable, and governments and industry should look for opportunities to enable it.

Mine closure: On mine closure and on what happens after mine closes, the tables discussed a few examples focused on creating alternative livelihoods that will survive after mine closure. They also discussed procedures for closing mines properly without causing any major environmental damage. There was a common agreement that that it is best to invest in mine closure strategies at the beginning of a mining project so that when the project reaches its end, companies have mine closure mechanisms already in place.





Technology Challenges (One Table), Moderated By Howard Mann, Senior International Law Advisor, IGF

This round table discussed the impact of the technology revolution in the mining sector in terms of employment and local content.

The group agreed that the changing technology landscape in the sector would mean that local communities and national governments will be losing a lot of the direct economic benefits from mining employment and procurement along with associated multiplier effects. There was agreement that technology change is happening across the industry. However, the group noted that the speed of technology change is uneven and that not every mine will be affected the same way.

The discussions moved then to consider alternative options available for national governments and local communities to address the coming challenges. An obvious strategy would be to look at the skills that will be needed in the future, and to retool education systems accordingly. Governments should be adapting training programs associated with mining to address the need for a higher level of education, technology-driven education related to mining, and to the types of automation technologies and programming that will be needed.

The group also discussed a less conventional way forward: exploring existing jobs within and around the mines that are not strictly defined as mining jobs. For example, monitoring and compliance of environmental and social obligations are not

seen as core mining skills, but they constitute important mining-related employment opportunities. For palpable local impact, such jobs could be focused in mining communities; this would be entirely appropriate for employment in areas such as compliance and monitoring. Those jobs would be relatively high-skilled and science-based, for example using new technology like drones as part of monitoring efforts.

It was noted that there may be an increased emphasis on downstream beneficiation as a replacement for mining jobs, and a need to integrate that in the mine planning.

As a blue-sky exercise the group considered mines as share production facilities, such as:

- Mines that are contoured so as to produce solar PV electricity production around the site.
- Mines that also engage in or support indoor agriculture by drilling both for minerals and for irrigation water.

The group explored the notion of shared value and ownership issues. Technology diversification has the potential to change who owns the mine. If the technology can be purchased by anyone then maybe it wouldn't just be big companies or mid-cap companies that can be mine owners any more. Maybe ownership can become more diversified because the technology gives access to the tools needed to mine to more people, especially as the price of technology comes down? Can technology play a role in the potential for communities to become shareholders in mines rather than stakeholders?





The table discussed the potential for more opportunities for women in mining. Technology will change the nature of the jobs in the sector and thus open more doors for gender equity. Fewer people will be required at the rock face, for example, and more people will be required with engineering and technology training. Fewer manual jobs will reduce the need for migrant labour. If migrant labour is reduced and more women are working, that combination could result in more revenue staying in the local community where the mine is located, which could have very positive impacts.

SKILLS TRAINING, HUMAN RESOURCES DEVELOPMENT (ONE TABLE), MODERATED BY ROBIN WEISMAN, CORPORATE DIRECTOR AT B2GOLD CORP. AND INV METALS INC.

The group acknowledged that the discussion on skills development is broad. It also acknowledged that there is a huge need for skills identification and projected demand given the fast timeline that many mining projects are on. There is a need for governments to take a more active role in identifying needed skills for the sector and in having a dialogue and creating a solid foundation for collaboration with the private sector. It was recognized that governments would gain by identifying specific skills/sectors in which they want to work with mining companies and with other governments. In terms of training, governments can work with companies and collaborate with other countries in their region to create regional training centres (that respond to and address pooled needs of separate projects and may provide cross-cutting and other-sector-adaptable skills) that will respond to the needs of the industry. Some participants shared the experiences of a few countries where there was a lack of skills in electronics, or in repairing basic mining equipment.

Participants highlighted the need for designing training programs for youth and getting young people interested in scientific curricula and technology-related fields.

The group addressed gender challenges and how women's needs are considered in workforce and training programs. A number of challenges were raised, both internal and external to mine sites.

For example, the lack of changing facilities, lack of sleeping accommodations or security issues often limit women's mobility. In some jurisdictions women aren't allowed to work after dark, which limits their potential hours of employment. There is a need to empower women and to engage them more to understand their needs in order to design laws and regulations accordingly to better account for gender equity. The group discussed a non-profit initiative that encourages young girls to learn and get interested in engineering (<https://womeng.org/>).

The group considered initiatives that create a means for local communities to stay aware of the mining jobs that are currently in (and potentially coming down) the pipeline. Proactive information search and sharing by governments and mining companies were raised.

While discussing the interaction between government and mining companies' roles, participants acknowledged that there is sometimes ambiguity about the roles and responsibilities for governments and companies. Skills training requires coordinated action from all stakeholders to ensure a viable and successful mining sector. Regardless, the industry does need to take stock and consider its future skills needs—it should also be ready to discuss those evolving needs and how to make the transition collaborative.

POLICY OPTIONS: MANDATORY VS. VOLUNTARY REQUIREMENTS; REPORTING REQUIREMENTS (SUBMITTED PLANS); NEGOTIATED COMMUNITY AGREEMENTS (TWO TABLES), MODERATED BY NICHOLAS COTTS, VP EXTERNAL RELATIONS AND SOCIAL RESPONSIBILITY, NEWMONT MINING CORPORATION, AND ISABELLE RAMDOO, SENIOR LINKAGES AND INVESTMENT ADVISOR, AFRICAN MINERALS DEVELOPMENT CENTRE/UNECA

Both tables raised the importance of collaboration, transparency, flexibility, implementation and review of monitoring in local content policy development options.

The tables discussed the experience of different countries. Having a good representation of



countries around the tables resulted in an in-depth discussion about successful policies and those that failed to reach their goal.

Participants discussed the commonplace evolution from voluntary to mandatory policies, asking what ingredients contribute to success. It was agreed that a key ingredient was collaboration among stakeholders, and the need to bring all stakeholders into the conversation—especially those who will be most affected by the policy—striving for better uptake and understanding. It was noted that collaboration in the early stages of voluntary approaches builds the essential trust that can underpin subsequent success.

It was suggested that the direct employment aspect of local content is more straightforward than the local procurement aspects, the latter having many more moving parts. As such it may make more sense to pursue employment policies first, and subsequently focus on procurement.

Participants noted that in many jurisdictions the community agreements required by local content policies are not public documents, but that practice on this question varied. Every context being somewhat different, it was suggested that a variety of practices might be OK.

Another important issue raised by the group is the need for policy flexibility. The group argued that there is a need to provide for flexibility in the design of local content policies, to allow for adaptation of policy, and tailored application of voluntary and mandatory policies in the light of circumstances.

Policy implementation, reporting and monitoring are all challenges with which every jurisdiction struggles. Ghana was cited as a good example, where firms are being asked to submit plans that span three to five years. But it was suggested that since many mine lifespans cover decades, there might usefully be a longer-term view that can mesh with the short-term.

Two different approaches to implementation were surveyed: having a cross-sectoral agency in charge of local content policies and having a mining-specific implementing agency. There are pros and cons to both models. A mining-specific agency may better serve the mining sector, for

example, but a broader agency may be more successful at situating the mining sector within the broader economy, and at pursuing horizontal linkages.

It was noted that there is often troubling policy incoherence, as when mining companies are given duty-free import privileges as an incentive, but the covered goods compete with those potentially produced by locals. There may also be incoherence between international investment law obligations and policies such as mandatory local content requirements.

The group also highlighted that local content policies depend on a number of prerequisite supporting policies: skills training, research and development, and innovation. These are not local content policies as such, but they are critically important to its success. It was asked how we could ensure that such policies are in place, given that they lie across a number of ministerial jurisdictions.

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