Promoting Backward Linkages and Transparency:
A Civil Society Guide to the Mining Local Procurement Reporting Mechanism

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Acknowledgements

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We are grateful for all of the time provided by PWYP organisations across West Africa who provided invaluable insights on the nature of their work.
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>BMZ</td>
<td>Germany’s Federal Ministry for Economic Cooperation and Development</td>
</tr>
<tr>
<td>CSO</td>
<td>Civil Society Organization</td>
</tr>
<tr>
<td>EITI</td>
<td>Extractive Industries Transparency Initiative</td>
</tr>
<tr>
<td>ESG</td>
<td>Environmental, Social, and Governance criteria</td>
</tr>
<tr>
<td>GIZ</td>
<td>German Corporation for International Cooperation GmbH</td>
</tr>
<tr>
<td>GRI</td>
<td>Global Reporting Initiative</td>
</tr>
<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
</tr>
<tr>
<td>IGF</td>
<td>Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development</td>
</tr>
<tr>
<td>LPRM</td>
<td>Local Procurement Reporting Mechanism</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental Organization</td>
</tr>
<tr>
<td>NRGI</td>
<td>Natural Resource Governance Institute</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
</tr>
<tr>
<td>PWYP</td>
<td>Publish What You Pay</td>
</tr>
<tr>
<td>SLTO</td>
<td>Social Licence to Operate</td>
</tr>
<tr>
<td>SOE</td>
<td>State-owned enterprise</td>
</tr>
</tbody>
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Introduction

Civil Society Organizations (CSOs) are at the forefront of the struggle for more inclusive and transparent natural resource-based development. One aspect that continues to be widely overlooked in its massive potential to address this challenge is the role of local procurement by the mining sector. Spending on goods and services is usually more than payments to governments, salaries and wages, and community investment combined.

This guide for PWYP networks and other CSOs advocates for increased transparency in mining sector local procurement. The guide provides CSOs with the necessary basic knowledge on mining procurement, as well as with practical steps and recommendations how they can advocate for more efficient and transparent mining local procurement in their respective countries. The guide presents an overview of:

- What mining sector procurement entails, and why procurement is such a massive potential economic impact in mining host countries and communities
- How transparency in mine site procurement processes helps empower suppliers and civil society, and improves governance given corruption risks in the procurement of goods and services by mine sites
- The potential of the use of the Mining Local Procurement Reporting Mechanism (LPRM) and how CSOs can use data created by mine sites using the LPRM to advocate for better policy from government and mining companies
- Comprehensive guidance for CSOs with options and suggested channels for advocacy governments and mining companies

The CSO guide is written by the non-profit Mining Shared Value initiative of Engineers Without Borders Canada, that pushes and helps the global mining sector maximize local procurement of goods and services, and to make it more transparent. The Mining LPRM was commissioned by the development agency GIZ, with the financial support of Germany’s Federal Ministry for Economic Cooperation and Development. The guide has been established through extensive consultations with leading representatives of PWYP coalitions in nine countries across West Africa (Burkina Faso, Guinea, Mauritania, Mali, Ghana, Togo, Senegal, Niger, Ivory Coast). This combines a rich expertise in mining sector procurement, added to the country contexts and evidence from a variety of countries in the region. The inclusion of leading civil society representatives also allows for comprehensive CSO advocacy recommendations that match the realities on the ground in West Africa and regions like it.

This guide helps CSOs in Africa and beyond to realize the full potential of local procurement in the fight for more inclusive mining governance, and it equips them to become active champions for the improvement of local procurement practices in their countries.
What is local procurement in mining and why is it important?

Countries across Africa are seeking more economic and social benefits from the mining activity that takes place on their soil. Civil society organizations (CSOs) have been at the forefront of this struggle to overcome the “resource curse” or “paradox of plenty” that stubbornly remains in place across many countries in Africa, where underdevelopment and poverty exist despite 100s of millions of dollars in mineral production. CSOs like Publish What You Pay (PWYP) and its member organizations, and a wide variety of other organizations inside and out of Africa have achieved huge gains in improving governance, especially in the area of transparency. There now are now twenty-six members of the Extractive Industries Transparency Initiative (EITI) across Africa as of early 2021, and due to the efforts of global coalitions, mining companies that operate in Africa based in the United Kingdom, Canada and Europe now all must report how much they are paying to governments where they operate.

However, one aspect in achieving inclusive resource-based development that has received relatively less focus from civil society is the role of local procurement of goods and services during mineral extraction.

Significantly, in virtually all cases procurement of goods and services is the single largest payment type made by mining projects and operating sites – usually more than payments to governments, salaries and wages, and community investment combined.
An average large scale mine site in Africa will spend 100s of millions of dollars each year on goods and services. The more of this spending that can stay within host countries, and that can be spent on goods and services produced by host country businesses, the more economic and social development that can result from mining activity.

And, with such huge sums of money at stake, there is also a huge risk of corruption and other problematic practices. Local elites may successfully pressure mining companies to funnel contracts to businesses they own, or mining companies may use procurement as a means of tax evasion through practices like transfer pricing. Suppliers themselves may engage in problematic environmental practices or human rights abuses, unbeknownst to the multinational mining companies that are purchasing their products.

It is time to put mining sector local procurement in the spotlight and increase transparency to improve the governance of mineral extraction.

1.1 Backward linkages and their role in economic development

Effective governance of natural resources to achieve inclusive resource-based development is an enormous challenge. For decades, academics, civil society, governments, and the private sector have been debating ideas and initiatives to ensure that resource-rich developing countries reverse the general trend that their commodity wealth brings about negative socio-economic effects. This so-called “resource curse” debate and the linked accusation that natural resource extraction often occurs in enclaves where benefits are concentrated in the hands of foreign companies and domestic elites, point to the fact that considerable work needs to be done to reverse these phenomena.

Creating economic linkages to overcome this enclave nature that so often characterizes mineral extraction in developing countries, is one of the key potential solutions for how natural resource wealth can be turned into a ‘blessing’ instead of a ‘curse’.

The concept of linkages is not new, and dates back to Albert Hirschman’s theory that in natural resource development, ‘one thing leads to another’, which means that activities go beyond the mere mining and exploitation process and spill-over to various diversified activities that ultimately touch other sectors and create a dynamic and diversified economy. Hirschman distinguishes between fiscal linkages (tax payments generated from activities along the mining value chain and beyond), forward linkages (localised refining of mineral outputs and their use in manufacturing, instead of simply exporting the raw commodity), as well as backward linkages (the use of domestically provided goods and services used in the mining process). Figure 1 from GIZ shows the different types of linkages involved in an extractive industry activity.
As mentioned, whilst fiscal linkages have been getting considerable attention from civil society through initiatives like PWYP, the establishment of the EITI, and widespread pressure for mining tax reforms, these backward linkages remain an area of lesser focus by CSOs despite their huge scale and potential for economic benefits in host countries.

**Why should backward linkages be placed in the spotlight of effective mining governance?**

1. **Backward linkages are a key to inclusive resource-based development and economic diversification**
   - Backward linkages increase the share of potential economic benefits that mining host countries keep, increasing revenue, jobs, taxes, and opportunities for skills and technology upgrading
   - Backward linkages also can help create horizontal linkages where the skills and capabilities that individuals and companies obtain from their engagement in the mining supply chain can be adapted to other sectors. Domestic businesses can use these capacities to supply non-mining sectors, and this helps diversification and reduces dependence on mining activities
   - When national businesses demonstrate they can competitively supply the mining sector — which has high standards in terms of quality and other standards — this shows other sectors, and other multinational companies, that they are reliable suppliers

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*Figure 1: Linkages in the Extractive Industries. GIZ report Linkages to the Resource Sector, page 14*
2. **Backward linkages have the power to address one of the biggest challenges of sub-Saharan Africa: poverty and youth unemployment**

- Institutions such as the World Bank, as well as international NGOs, and academics have been raising alarms that “Sub-Saharan Africa is experiencing a youth unemployment crisis of unprecedented magnitude.” The continent has an extremely young population. Countries in West Africa are often leading the global ranking of the youngest population. In 2015, the median age of Niger’s population was 14.8 years, making the country to lead the global ranking. A 2017 estimate by the World Bank believes that 60% of Africa’s unemployed are youth. Another issue is that those who do find paid opportunities rather engage in informal employment or employment that is below their qualifications.

- Youth unemployment and precarious employment creates frustrations, social unrest, crime, and continued migration. This can be seen across all of sub-Saharan Africa, but West Africa in particular is impacted by this development. This situation means that when mining activities start, considerable expectations by local populations exist in terms of direct and indirect employment. If these are not realized, frustrations can turn into violent protests.

- Local procurement is thus important for two main reasons: to alleviate youth unemployment, as well as to contribute to social peace and better relationships between communities and mining companies. Although mining is more capital-intensive than labour intensive, employment opportunities are not insignificant. Data from 2013 shows that direct employment in the gold mining industry alone across the African continent is 308,000, with 1,241,000 in indirect employment.

3. **Hundreds of millions of dollars are spent each year on procurement by a typical large-scale mine site, and these backward linkages are a risk for corruption and problematic transfer pricing practices**

- When mining sector procurement suffers from corruption, it has many negative impacts on host countries and communities. Mining companies can pay more than they should for products for example, lowering the amount of corporate tax they pay to governments. In other cases, politically connected businesses can obtain contracts at the expense of community-based suppliers.

- Tax evasion through the use of problematic transfer pricing involves the procurement of intentionally over-priced services. In this way concerns about tax evasion and transparent procurement processes are linked.
1.2 How much money are we talking about?

A lot. As the World Gold Council underlines in its "value distribution" reports that show what different types of spending its mining company members make in host countries:

"The biggest single element in benefit distribution for communities and government comes from procurement by mines."

With regards to gold mining as an example, out of a total expenditure in host countries of $26.4bn (US dollars) in 2013 by member mining companies, $26.4 bn was spent on payments to suppliers. This represents 71%. This is more than royalty payments to government ($4.6bn), people and communities ($6.4bn), and payments to providers of capital ($3.8bn) combined.
Globally, all of this spending on procurement of goods and services by mining companies adds up to an incredible amount. The Natural Resource Governance Institute (NRGI) estimates that between 2008 and 2017 globally, an average of $160 billion was spent on goods and services each year by the mining industry.¹¹

To see what this looks like for individual mine sites in Africa, the table below shows the breakdown of economic contributions by Teranga Gold in 2019 for its mines in Senegal and Burkina Faso. It shows the significance of local procurement compared to other economic contributions. Local procurement is not only the largest spending category within total economic contributions, but it even exceeds taxes, other payments and royalties, and support payments. This is the case both in Senegal and Burkina Faso.

<table>
<thead>
<tr>
<th></th>
<th>Senegal</th>
<th>Burkina Faso</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total economic contributions, including</td>
<td>202,603,028</td>
<td>95,661,843</td>
</tr>
<tr>
<td>• Payments to government</td>
<td>58,218,786</td>
<td>14,302,659</td>
</tr>
<tr>
<td>• Local payroll</td>
<td>10,616,169</td>
<td>5,928,858</td>
</tr>
<tr>
<td>• Community investment</td>
<td>1,079,762</td>
<td>275,823</td>
</tr>
<tr>
<td>• Local procurement</td>
<td>132,688,312</td>
<td>75,154,504</td>
</tr>
<tr>
<td>Direct Taxes</td>
<td>29,258,685</td>
<td>6,235,219</td>
</tr>
<tr>
<td>Indirect Taxes</td>
<td>11,233,402</td>
<td>6,545,894</td>
</tr>
<tr>
<td>Other payments</td>
<td>17,303,873</td>
<td>1,263,210</td>
</tr>
<tr>
<td>Advance royalties</td>
<td>146,705</td>
<td>N/A</td>
</tr>
<tr>
<td>Institutional Support</td>
<td>276,119</td>
<td>258,336</td>
</tr>
</tbody>
</table>

Table 1: Overview of 2019 Economic Contributions by category in Teranga Gold Mines in Senegal and Burkina Faso (in USD) Teranga Gold 2019 Sustainability Report, p. 57"
In another example from Ghana, Golden Star Resources spending in 2019 shows that procurement was the biggest recipient of in-country payments. Just like in the previous example of Teranga Gold, procurement spending by Golden Star Resources at its two sites exceeded salaries paid ($29,035,000 for the Bogosa/Prestea site and $36,280,000 for Wassa), payments to governments ($14,186,297 for Bogoso/Prestea and $30,613,979 for Wassa), and community investments ($131,438 for Bogoso/Prestea, $354,388 for Wassa). The table below shows how this procurement spend is then broken down by the origin of the company and mine site.

<table>
<thead>
<tr>
<th>Business unit</th>
<th>Host community (Local companies)</th>
<th>Host country (Other Ghana) companies</th>
<th>International companies</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Golden Star (Bogoso/Prestea) Limited</td>
<td>$10,916,000</td>
<td>$39,564,000</td>
<td>$9,041,000</td>
<td>$59,521,000</td>
</tr>
<tr>
<td>Golden Star (Wassa) Limited</td>
<td>$3,772,000</td>
<td>$97,684,000</td>
<td>$20,707,000</td>
<td>$122,163,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$14,688,000</td>
<td>$137,248,000</td>
<td>$29,748,000</td>
<td>$181,684,000</td>
</tr>
</tbody>
</table>

Table 2: Overview of Golden Star Resources local procurement spend in Ghana, 2019 figures in USD. Golden Star 2019 Value Sharing Data Tables.
1.3 What goods and services do mining companies buy?

Mining companies require diverse goods and services throughout all phases of mine activity.

There is no internationally standardized way to categories different goods and services used during the mining life cycle. The World Bank’s Practical guide to increasing mining local procurement in West Africa for example, provides an overview of three categories of goods and services:

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**Demand categorisation used in the WALPI project**

This categorisation was used to aggregate procurement data across mining companies in order to inform selection of opportunities. (see Appendix 7 for full results and methodology)

<table>
<thead>
<tr>
<th>Group 1: Plant &amp; equipment, construction and core services</th>
<th>Group 2: Consumables</th>
<th>Group 3: Non-core products and services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geotechnical and exploration services</td>
<td>Exploration consumables</td>
<td>Site related services</td>
</tr>
<tr>
<td>Geotechnical equipment and supplies</td>
<td>Explosives and accessories</td>
<td>Catering</td>
</tr>
<tr>
<td>Analysis and testing</td>
<td>Process consumables: chemicals, reagents, grinding media, etc.</td>
<td>Other camp management (integrated, cleaning, security)</td>
</tr>
<tr>
<td>Supply chain services</td>
<td>- Lime</td>
<td>- Onsite transportation</td>
</tr>
<tr>
<td>- Transport and logistics</td>
<td>- Caustic soda</td>
<td>- Office space construction/rental</td>
</tr>
<tr>
<td>- Freight forwarding/customs clearance</td>
<td>- Cyanide</td>
<td>- Accommodation/hospitality</td>
</tr>
<tr>
<td>- Purchasing/sourcing/contract or inventory management</td>
<td>- Activated carbon</td>
<td>- Corporate/administrative services</td>
</tr>
<tr>
<td>Environmental services</td>
<td>- Grinding media</td>
<td>- Travel/freight transport</td>
</tr>
<tr>
<td>Feasibility, design and engineering</td>
<td>- Crucibles</td>
<td>- Legal/regulatory services</td>
</tr>
<tr>
<td>Construction, and related materials and services</td>
<td>- Fuel and lubricants</td>
<td>- Professional services (accounting/tax/consulting)</td>
</tr>
<tr>
<td>- EPC</td>
<td>- Fuel</td>
<td>- Banking and financial services</td>
</tr>
<tr>
<td>- Civil works</td>
<td>- Lubricants and greases</td>
<td>- IT services</td>
</tr>
<tr>
<td>- Steel products and steel structures</td>
<td>- Tires</td>
<td>- PR/marketing</td>
</tr>
<tr>
<td>- Construction</td>
<td>- Non mining equipment replacement parts and tools</td>
<td>- Insurance</td>
</tr>
<tr>
<td>- Other construction materials</td>
<td>- Wear parts and ground engagement tools</td>
<td>- Community</td>
</tr>
<tr>
<td>Contract mining</td>
<td>- Electricity</td>
<td>- Administrative services (courier, etc.)</td>
</tr>
<tr>
<td>- Equipment &amp; plant maintenance &amp; repair</td>
<td>- Water services</td>
<td>- Personnel related services</td>
</tr>
<tr>
<td>- Equipment rental</td>
<td>(including general waste management)</td>
<td>- Education and training</td>
</tr>
<tr>
<td>- Drilling equipment and services</td>
<td>- Telecommunications</td>
<td>- Healthcare, safety, counselling</td>
</tr>
<tr>
<td>- Drilling equipment</td>
<td></td>
<td>- HR, labour brokerage</td>
</tr>
<tr>
<td>- Drilling contracting</td>
<td></td>
<td>- General maintenance &amp; repair</td>
</tr>
<tr>
<td>- Plant and equipment - mining/general</td>
<td></td>
<td>- Safety and protective equipment</td>
</tr>
<tr>
<td>- Excavation and loading equipment</td>
<td></td>
<td>- Overalls, gloves, workwear</td>
</tr>
<tr>
<td>- Materials handling equipment</td>
<td></td>
<td>- Helmets, boots, other</td>
</tr>
<tr>
<td>- Crushing, screening, grinding equipment</td>
<td></td>
<td>- Office supplies and equipment</td>
</tr>
<tr>
<td>- Processing equipment</td>
<td></td>
<td>- - IT equipment</td>
</tr>
<tr>
<td>- Heavy transport equipment</td>
<td></td>
<td>- - Furniture</td>
</tr>
<tr>
<td>Auxiliary equipment: ventilation, pumps, fueling systems, geotextile, piping, light vehicles, etc.</td>
<td></td>
<td>- - Software</td>
</tr>
<tr>
<td>- Light vehicles</td>
<td></td>
<td>- Camp/site supplies</td>
</tr>
<tr>
<td>- Plastic products, piping</td>
<td></td>
<td>- - Medical equipment and supplies</td>
</tr>
<tr>
<td>- Electronic equipment and supplies</td>
<td></td>
<td>- - Other camp supplies</td>
</tr>
<tr>
<td>- Electrical equipment and supplies</td>
<td></td>
<td>- Food and beverages</td>
</tr>
<tr>
<td>- Spare parts for mining equipment</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 3: Categories of goods and services required by mining companies. A practical guide to increasing mining local procurement in West Africa, World Bank Report, p. 37
Different companies use different types of categories for types of goods and services, and regrettably few companies provide public breakdowns of spending for each.

The tables below on procurement spending by category by Teranga, Diavik and Kumtor provide insight into the types of goods and services that are required by mining companies.

<table>
<thead>
<tr>
<th>Procurement by category</th>
<th>Senegal</th>
<th>Burkina Faso</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>3,610,353</td>
<td>37,347,869</td>
</tr>
<tr>
<td>Industrial equipment, spare parts and maintenance</td>
<td>575,029</td>
<td>4,065,278</td>
</tr>
<tr>
<td>Mining services and mining equipment</td>
<td>9,457,706</td>
<td>4,331,850</td>
</tr>
<tr>
<td>Staffing</td>
<td>17,197,029</td>
<td>3,536,053</td>
</tr>
<tr>
<td>Transport and Logistics</td>
<td>6,666,083</td>
<td>7,017,594</td>
</tr>
<tr>
<td>Utilities</td>
<td>1,906,634</td>
<td>10,636</td>
</tr>
<tr>
<td>Other B2B Services</td>
<td>12,929,943</td>
<td>10,385,429</td>
</tr>
<tr>
<td>Vehicles: rental, spare parts and maintenance</td>
<td>1,834,599</td>
<td>1,011,398</td>
</tr>
<tr>
<td>General goods and supplies</td>
<td>48,510,935</td>
<td>7,448,399</td>
</tr>
</tbody>
</table>

*Table 4: Overview of Teranga Gold’s 2019 Procurement by category spending (in USD), adapted from Teranga Gold 2019 Sustainability Report, p. 61*
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community relations</td>
<td>$5.3</td>
</tr>
<tr>
<td>Construction</td>
<td>$13.2</td>
</tr>
<tr>
<td>Consumables</td>
<td>$188.3</td>
</tr>
<tr>
<td>Financial</td>
<td>$21.4</td>
</tr>
<tr>
<td>Freight, cargo, transport</td>
<td>$45.9</td>
</tr>
<tr>
<td>Human resources</td>
<td>$1.9</td>
</tr>
<tr>
<td>Other</td>
<td>$0.7</td>
</tr>
<tr>
<td>Outsourced labour</td>
<td>$124.0</td>
</tr>
<tr>
<td>Passenger transport</td>
<td>$7.7</td>
</tr>
<tr>
<td>Professional services</td>
<td>$22.9</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>$4.8</td>
</tr>
<tr>
<td><strong>Total Spend</strong></td>
<td><strong>$436.1</strong></td>
</tr>
</tbody>
</table>

*Table 5: Spending by category, Rio Tinto’s Diavik Diamond Mine 2018 (in $mn), adapted from Diavik 2018 Sustainable Development Report, page B16*
Is it important to note that goods and service requirements vary per mining activity phase? For instance, construction and geological and exploration services are especially needed for the exploration and construction phase, whilst non-core products and services become more relevant in the production phase. Once a mine is in steady operation, it requires a steady and predictable flow of consumables, spare parts and maintenance services. Figure 5 below is a breakdown of goods and services needed at different phases.
### Figure 5: A breakdown of procurement needs at each stage of the mining life cycle from the World Bank, Increasing Local Procurement by the Mining Industry in West Africa. Road-test version, page 9

<table>
<thead>
<tr>
<th>Stage of Mining Life Cycle</th>
<th>Core Services</th>
<th>Construction Materials</th>
<th>Capital Equipment</th>
<th>Consumables and Replacement Parts</th>
<th>Bulk Services and Infrastructure</th>
<th>Non-core Goods and Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mineral resource assessment</td>
<td>Exploration and mineral resource assessment services</td>
<td>Grade control</td>
<td>Environmental services</td>
<td>Feasibility assessment</td>
<td>Engineering and construction services</td>
<td>Engineering</td>
</tr>
<tr>
<td>Exploration</td>
<td>Drilling</td>
<td>Steel inputs</td>
<td>Cement</td>
<td>Excavation, drilling, etc.</td>
<td>Processing and aux.</td>
<td>Electronic equipment</td>
</tr>
<tr>
<td>Mineral deposit assessment</td>
<td>Mining</td>
<td>Cement</td>
<td>Excavation, drilling, etc.</td>
<td>Processing and aux.</td>
<td>Electronic equipment</td>
<td>Electrical equipment</td>
</tr>
<tr>
<td>Mine complex development</td>
<td>Maintenance</td>
<td>Energy</td>
<td>Fuel and related</td>
<td>Fuel and related</td>
<td>Energy</td>
<td>Fuel and related</td>
</tr>
<tr>
<td>Mineral production</td>
<td>Drilling</td>
<td>Water and waste services</td>
<td>Telecommunications</td>
<td>On-site, non-core services</td>
<td>Supply chain services</td>
<td>Legal, regulatory and negotiation services, financial services</td>
</tr>
<tr>
<td>Closure and post-closure</td>
<td></td>
<td>Supply chain services</td>
<td>Supply chain services</td>
<td>Legal, regulatory and negotiation services, financial services</td>
<td>Uniforms, safety, protective equipment</td>
<td>Uniforms, replacement parts</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Office supplies and equipment</td>
<td>Legal, regulatory and negotiation services, financial services</td>
<td>Uniforms, safety, protective equipment</td>
<td>Personnel services: training, health</td>
<td>Personnel services: training, health</td>
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<td>Uniforms, safety, protective equipment</td>
<td>Personnel services: training, health</td>
<td>Office supplies and equipment</td>
<td>Office supplies and equipment</td>
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<td>Uniforms, replacement parts</td>
<td>Personnel services: training, health</td>
<td>Wider consumables</td>
<td>Wider consumables</td>
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1.4 What are governments doing to try to increase local procurement?

The Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF) analyses the role of governments in stimulating local content, including local procurement, extensively in its Guidance for Governments report. The IGF outlines that there are two types of policies that governments use to increase local procurement:

- **Demand-side intervention**, which encourage or require mining companies to procure goods and services from local businesses
- **Supply-side interventions**, which aim at providing support to local suppliers, so they are able to compete with global standards on price, quality, volume and reliability, as well as access mining procurement markets and get financing to develop their businesses.

At least some type of demand and supply side policies are present in most African mining host countries, with more being implemented each year. Demand side policies should always be matched with supply side policies, so businesses are supported to be able to competitively supply mining companies. The goal of local procurement policies should be to eventually build up local suppliers so they no longer need preferential treatment by mining companies and in regulation.

**Demand-side policy instruments:**

- Local procurement quotas – a defined percentage of local suppliers that need to be used by mining companies
- Mandatory local procurement list – defined goods and services that must be sourced locally
- Mandatory Local Procurement Plan – regular plan that is submitted by mining companies to the government with their local content plans
- Preferential Treatment to Local suppliers
- Community Development Agreements (CDAs) that include principles and agreements on local procurement
Demand-side policy instruments to stimulate local procurement. Examples from our case studies: Guinea

Guinea includes local procurement quotas in its mining code. Next to a procurement quota, the law also requires mining companies to submit an annual report to present data on their use of local SMEs in their operations. This report should then be sent to the ministry and it should be made publicly available.

Article 107: Priority to Guinean Companies

The holder of a Mining Title or Authorisation, and companies working on its behalf, must give preference to Guinean companies of its choice in respect of any contract, provided they offer comparable prices, quantities, qualities and delivery schedules. In any case, the portion of SMEs, SMIs and companies owned or controlled by Guineans shall be progressively increased in accordance with the following minimum thresholds:

Minimum thresholds of SMEs, SMIs and companies owned or controlled by Guineans for the supply of goods and services to mining companies.

<table>
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<tr>
<th>Exploration</th>
<th>Development</th>
<th>Operating Periods</th>
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<tr>
<td></td>
<td></td>
<td>1st - 5th Year</td>
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<td>6th - 10th Year</td>
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<tr>
<td>10%</td>
<td>20%</td>
<td>15%</td>
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<td>11th-15th Year</td>
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<td>25%</td>
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<td>30%</td>
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</table>

In order to promote private sector development, holders of Mining Operation Titles and Mining operation permits for Quarry Substances and independent companies, must implement the support plan for the building and/or strengthening of capacities of SMEs, SMIs and companies owned or controlled by Guineans for the supply of goods and services widely used in their activities.

Each holder of a Mining Title shall submit to the Minister, on an annual basis, a report on its use of SMEs, SMIs and businesses owned or controlled by Guineans, detailing the progress of the holder of the Mining Title towards achieving the minimum thresholds set out in this Article, as well as its activities towards creating or strengthening Guinean capacities. This report, a copy of which must be filed with the Ministry in charge of SMEs and SMIs, will be published in the Official Gazette and on the official Website of the Ministry in charge of Mines, or any other site designated by the Minister.

In our consultations with PWYP Guinea, it was also explained that Guinea has a so-called “liste minière” that contains items that cannot be imported.

Figure 6: Article 107 from Guinea’s Mining Code

20
CSO Guide to the Mining LPRM • July 2021
Supply side policy instruments:

- Supplier Development Programs – Measures and initiatives to develop capacity of local suppliers
- Supplier Networks and Facilitating Engagement – Support local companies to overcome barriers by better connecting them with companies, by better integrating them into the tender process
- Access to Finance – Provide financial support or facilitate financing opportunities for local companies
- Suppliers’ Portals – Establish mechanisms to connect mining companies and suppliers

Supply-side policy instruments to stimulate local procurement. Examples from our case studies: Burkina Faso & Guinea

Burkina Faso has a platform where suppliers can find public and private tenders that they can then respond to: Joffres.net

Guinea has a Supplier and Partnership Marketplace (Bourse de Sous-Traitance, BSTP). The BSTP was initiated by the Guinean Ministry of Mines in collaboration with the IFC and World Bank. On the platform, mining companies and suppliers that are signed up can post their tenders and respond to them. The platform also provides training and mentoring for local suppliers to build their capacities. Additionally, the marketplace also has a fund to support SMEs financially.

Figure 7: Image Retrieved from the Bourse de Sous-Traitance et de Partenariat's LinkedIn Page
Bourse de Sous-Traitance et de Partenariat (2021) BSTP Linkedin page https://www.linkedin.com/company/bstpgn/posts/?feedView=all
1.5 The other side: corruption and problematic practices in the procurement of goods and services

Despite the vast opportunities that mining sector local procurement can bring for inclusive resource-based development, there are important concerns that procurement of goods and services can facilitate corruption and other problematic practices. There is also the possibility that suppliers of the mining sector may engage in problematic practices themselves.

- Various academics, CSOs and other observers have conducted research into corruption in local procurement and the implementation of local procurement laws. Procurement from politically connected elites in Ghana\(^\text{20}\), the Democratic Republic of Congo and Nigeria\(^\text{21}\) for instance have been studied. In Guinea, recent research has shown that there are widespread concerns that local procurement initiatives may not only stimulate corruption, but also fears that personal, family, and ethnic ties could determine which local companies are getting contracts and benefits\(^\text{22}\). Political power dynamics, favouritism, clientelism, traditional caste and class systems, patriarchal structures, and generally the socio-economic environment and societal context could hinder a fair and inclusive local procurement process.

The OECD’s Corruption in the Extractive Value Chain - Typology of Risks, Mitigation Measures and Incentives explains many of the ways that corruption can be facilitated during the procurement practices of mining companies, including:

- Undue favouritism of suppliers
- Favouritism, cronyism, kickbacks and bribery associated with the misuse of local content requirements
- Bribery associated with mispricing practices in the procurement of infrastructure services
- Patronage and clientelism in the procurement of intellectual services\(^\text{23}\)

Problematic practices in local procurement across West Africa

Snapshots from our conversations

**Burkina Faso:** Companies that receive tenders are in some cases tied to politicians and their families. “There is a lot of conflict of interests in the provision of local contracts (…) this makes the competition biased”

**Mauritania:** The companies that get access to mining companies are always the same ones, and they are connected to a certain political clientele. “Our worry is about the actual ownership. Who are the suppliers? This is a transparency problem.”

The OECD’s Corruption in the Extractive Value Chain - Typology of Risks, Mitigation Measures and Incentives explains many of the ways that corruption can be facilitated during the procurement practices of mining companies, including:
There is however, growing awareness that extractive industry corruption can be facilitated through the procurement process. In 2019, the EITI commissioned a discussion paper to examine ways it could further deter and fight corruption. In the discussion paper, author Alexandra Gilles from the NRGI stated:

> "If the EITI was to assume a risk-based approach to prioritising what information should be required to disclose, the oilfield and mining services sector would be at the top of the list. It is a glaring gap in the EITI Standard and the industry constituency."

As will be explained in Part 3, for this reason, the EITI is increasingly incorporating procurement into its focus. The NRGI as well has recently argued that increased transparency is needed in both mining and oil and gas sector procurement in their report 2020 report, Beneath the Surface: The Case for Oversight of Extractive Industry Suppliers.

In addition to corruption during the procurement process, host country businesses themselves may engage unethical practices, including poor environmental practices, human rights abuses, and corruption. Over the last decade – particularly after the 2013 Rana Plaza garment factory collapse where 1,134 workers making clothes for major international clothing brands died – pressure has been growing on multinational corporations to ensure they are not buying from suppliers with dangerous or unethical practices. The mining industry is being asked these questions now as well, in particular by investors and environmental, social and governance (ESG) rating agencies who assess companies on their practices. Stakeholders want to know what mining companies are doing to ensure they are not purchasing from suppliers engaging in problematic behaviour. Now many governments in advanced countries are beginning to put in place new regulations requiring companies headquartered there or listed on their stock exchanges to put in place and report on supplier due diligence systems. For example, in early 2021, Germany’s government announced that from 2023 onwards German companies will be liable for environmental and social violations in their supply chains, including violations committed by their foreign suppliers.

This increase pressure from stakeholders, as well as new government rules on supplier due diligence, are key potential leverage points that CSOs can use in their advocacy, as will be seen in part 3.

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**A landmark message to companies operating overseas: The case of Nevsun Resources over the use of forced labour in Eritrea**

In October 2020, after a legal battle for six years, the Canadian company Nevsun Resources reached a settlement for an undisclosed, but ‘significant’ sum. Three Eritreans that fled their country were seeking justice for the use of forced labour under inhumane conditions in the Bisha mine by Nevsun’s local contractor, the Eritrean ruling party owned Segen Construction.

*Source: Business & Human Rights Resource Centre*
Example: Forced Labour in the supply chain backlashes to popular brands including Apple, Adidas, BMW and Volkswagen

A recent example that is very prominent is the persecution and use of forced labour of the ethnic Muslim Uyghur minority in China’s Xinjiang province. Research by the Australian Strategic Policy Institute revealed that in the supply chain of well-known brands, including Apple, Adidas, BMW and Volkswagen, forced labour was used. This led to a wave of public outcry, especially in Germany, the host country of BMW and Volkswagen. The German government is currently finalizing its new supply chain law, which will require companies to define their human rights priorities stronger and provide strategies to implement this in their supply chains, as well as reporting on their supply chains. The draft law now has the support of the German government and once it passes through parliament it will become effective from 2023 onwards. Accessible legal options in Germany for illicit activities along the supply chain are also included. This means that from 2023 onwards, companies like BMW and Volkswagen will be liable for human rights violations by their foreign suppliers if they are aware of the activities and if they fail to act. Moreover, companies like Daimler (Mercedes Benz) are already autonomously significantly reforming their supply chain management to become more sustainable and ethical.

Sources: Australian Strategic Policy Institute, Handelsblatt, Business Insider, Bundesministerium fuer wirtschaftliche Zusammenarbeit und Entwicklung, Tagesschau, Daimler
2.1 What is the Mining LPRM and why is it important?

The Mining Local Procurement Reporting Mechanism (LPRM) is a set of publicly available disclosures, structured similarly to the Global Reporting Initiative (GRI), to help standardize how mine sites report on their local procurement efforts and results. It is a powerful tool for CSOs to improve accountability for government and company efforts to increase local procurement, to advocate for fair and transparent procurement processes, and also to help build collaboration between mining companies and local businesses in targeting supplying opportunities.

Even though procurement of goods and services is virtually always the single largest payment made by a mine site in host countries, until the Mining LPRM there was no comprehensive information sharing and transparency framework for the mining sector to use to provide this information. Recognizing this gap, Germany’s Federal Ministry for Economic Cooperation and Development (BMZ) supported the creation of the Mining LPRM, commissioned by the development agency GIZ and written by the Mining Shared Value initiative of Engineers Without Borders Canada. The creation of the LPRM was guided by a Global Steering Committee with representatives of the NRGI, Government of Tanzania, World Bank, International Finance Corporation, International Council on Mining and Metals, Anglo American, Deloitte, and a supplier organization in Canada. To determine what information should be requested by the Mining LPRM, an extensive global consultation took place, as well as in-country consultations in Mali, Albania, and Mongolia.

How it works

The Mining LPRM is a set of disclosures that guides information on local procurement efforts and results at the site level. When mining companies share information "in accordance" with the LPRM for a given mine site, they are providing all of the information requested in the required disclosures of the LPRM – in a public manner. There are also additional "encouraged" disclosures that ask for information that may not be applicable for all mine sites in the world.
The disclosures of the LPRM ask for both quantitative and qualitative information about the local procurement efforts and results for a given mine site, including:

- Basic contextual information about the mine site in question – what stage of the mining cycle is it in? How many employees and how long is the expected mine life?

- How is the issue of local procurement managed at the mine site? Who is responsible?

- Procurement process information that explains how procurement takes place, and who potential suppliers can contact

- Quantitative data on how much spending is going to different categories of suppliers (e.g. national versus international)

- Supplier due diligence and anti-corruption information, that explains how procurement for a given mine site does not engage in or support corruption, and how it avoids buying goods and services from suppliers with problematic practices
DISCLOSURE 201: POLICY ON LOCAL SUPPLIERS
The reporting organisation shall report the existence of any mine site-specific local procurement policy and / or other company policies or company standards that include local procurement.

Note: Other company policies or standards could include, but are not limited to, a supply chain policy, a stakeholder engagement policy, or a CSR policy.

DISCLOSURE 202: ACCOUNTABILITY ON LOCAL SUPPLIERS
The reporting organisation shall report the name of the mine site departments responsible for local procurement.

DISCLOSURE 203: MAJOR CONTRACTORS AND LOCAL SUPPLIERS
The reporting organisation shall report if and how the mine site requires major suppliers / major contractors at the mine site to prioritise local suppliers. Explain how the reporting organisation evaluates its major suppliers / major contractors on their local procurement.

Figure 9: Some of the 200 category LPRM disclosures that ask for a company’s approach to local procurement, The Mining Local Procurement Reporting Mechanism, page 2035

When host country businesses understand the procurement processes, they can improve their practices and management systems to meet the needs of those processes. They can better understand who to contact about procurement opportunities, and what kinds of support might be available to them, such as supplier orientation sessions or training workshops. In Figure 6 below, Ivanhoe Mines lays out practical information on its procurement processes in order to report in accordance with the LPRM:
You can’t manage what you don’t measure

Mining company commitments to buy more goods and services locally from communities and from the wider national economy, as well as government regulations on local procurement, cannot be assessed without data. Despite the Africa Mining Vision being in place for over a decade, and multiple countries adopting local content regulations that include requirements for companies to prioritize and support local suppliers, there remains relatively little data publicly available on how much money is being spent by individual mine sites on goods and services.

When mining companies report in accordance with the LPRM for a mine site – specifically Disclosures 301 and 302, they provide information on how much spending is going to different categories of suppliers, such as national versus international, or ideally, also broken down into local, national and international. This allows civil society and the wider public to see where procurement spending is going, and to see if it is increasing or decreasing each year.

Figure 10: Ivanhoe Mines lays out local procurement practices in its 2019 Sustainability Report, Ivanhoe Mines Sustainability Report 2019, page 26
$152M
in Ghanaian procurement

$15M
in local procurement

8.1%
Local

75.5%
Other Ghana

16.4%
International

Figure 11: Using the Mining LPRM, for 2019 Golden Star Resources in Ghana reported in accordance with the LPRM and showed how much spending is going to three categories of suppliers: “Local”, “Other Ghana” meaning national but outside this local area, and “International” (goods and services provided by international firms). Golden Star 2019 Corporate Responsibility Report, page 34\textsuperscript{77}
Some companies even go further and show where their spending is going in terms of different types of goods and services. This allows suppliers, government, and other stakeholders to understand where the best opportunities are for supplying that may be pursued in the future. Increasing local procurement means targeting the right goods and services first, and so this level of detail is very helpful for everyone to understand how to create these linkages. Figure 10 below shows how Teranga Gold uses the LPRM’s 301 and 302 disclosures to show a detailed breakdown across several categories of local suppliers, and then also shows much spending is going to nine categories of goods and services. This information can be used by local and national businesses to understand where supplying opportunities may be and can help government to make policies and education and infrastructure investments to target the right opportunities.

The LPRM is a public good – a tool for all stakeholders to use to increase information on this huge potential economic benefit of mining, and to standardise it so that it is comparable between mine sites, and so that everyone is using the same language. While mining companies ultimately provide the information requested by the LPRM’s disclosures, the objective of the framework is to empower all parts of a national mining system to understand and use the data to work together. The visualization below shows how the different actors in a national mining system, by using the LPRM information, can collaborate.
2.2 Where to look for information on mining company procurement

As a start, it is important to understand where public information on a mining company’s local procurement may already be available. In advocating companies and the government to produce more information on the level of mining sector local procurement, civil society should be able to demonstrate they have investigated what is available.

Where public information about a mine site’s procurement may be available:

- The community relations office for the mine site in the form of information packages and other materials
- The website of the mining company operating the mine site
- A supplier portal website specifically for the company, where suppliers can register and access tender opportunities.
- A multi-party supplier portal where many private sector companies seek to provide information on procurement opportunities and post tenders in the same place. For example, Invest in Africa (IIA) is an CSO that runs supplier portals in many countries across Africa including Kenya, Ghana, Senegal, and Mauritania
- Chambers of Mines websites, for example the Ghana Chamber of Mines information portal on local content
- State mining company information, if that company operates mines, for example, the Zambian state mining company, “ZCCM Investments Holdings” has a Procurement page for information and tenders across different mines it operates
Why companies may already be choosing to share information on local procurement:

Fortunately, many mining companies are already showing leadership across Africa and are sharing some information on their local procurement practices and impacts.

Beyond supporting local suppliers to understand the procurement process, mining companies may have many different motivations for providing information on how much they are spending on local procurement in host countries, as well as what kinds of processes they use, including:

- To demonstrate their positive impacts in host communities and the areas most impacted by their activities, to build and maintain their social licence to operate (SLTO);

- To attempt to show to the government and wider public that they are creating positive economic impacts in the host country. Sometimes they may be doing this as part of negotiating with governments on things like tax rates, trying to argue that higher tax rates may limit their ability to operate and thus, lower the benefits they create through local procurement.

- To satisfy the needs of local content regulations that require information to be provided on local procurement spending and efforts to support local suppliers. Ghana and Tanzania are two countries where mining companies must provide local procurement plans and report on progress each year. Currently however, in both cases these plans and reporting go directly to the government and are not publicly available. CSOs in both countries should consider advocating for this reporting to be public so as to increase accountability for the government policy.

- To provide information requested by investors, and ESG rating agencies who want to assess if the company is a responsible corporate citizen – with huge implications for the corporation’s ability to seek investment;

- To meet the requirements of sustainability and reporting standards they may be using. For example, member companies of the World Gold Council have to follow the Responsible Gold Mining Principles (RGMPs), which requires that they have a publicly available Supply Chain Policy. Principle 3 (see Figure 11 below) of the Responsible Gold Mining Principles in by many World Gold Council member companies operating in Africa, requires companies have a publicly available supply chain policy. In providing this information a mining company would also be reporting in accordance with the LPRM 401 disclosure. The RGMPs also have a guidance document that suggests to mining companies what kinds of information to provide to demonstrate compliance with all of the principles, including 3.2 on local procurement.

- To achieve higher scores and rankings in external rankings. For example, the Responsible Mining index assesses a sample of the world’s largest mining companies every year, and local procurement is one of the areas for which the methodology creates a score for each company.
Principle 3 – Supply chain: we will require that our suppliers conduct their businesses ethically and responsibly as a condition of doing business with us

Supply Chain Policy
3.1 We will adopt and publish a Supply Chain Policy and support our contractors and suppliers to operate responsibly and to standards of ethics, safety, health, human rights and social and environmental performance comparable with our own. We will conduct risk-based monitoring of compliance.

Local procurement
3.2 We will promote access for local businesses to procurement and contracting opportunities generated by our operations and, where appropriate, provide capacity building support to help them improve their capabilities as suppliers.

Figure 14: Principle 3 of the Responsible Gold Mining Principles (RGMPs), World Gold Council: Responsible Gold Mining Principles, Page 540
Advocating for Use of the LPRM in Your Host Country’s Extractive Industries

The first sections of this report have outlined the importance of local procurement and the LPRM. This section will provide practical tools showing how CSOs can advocate for the use of the LPRM in the mining sector to contribute to effective local procurement that will lead to more inclusive resource-based development.

3.1 Why should you advocate for use of the LPRM?

The LPRM is a tool of promoting and increasing local procurement in the mining industry. As we have shown in part 1, local procurement, as a type of backward linkages, should be increasingly placed in the spotlight.

**Why should local procurement be placed in the spotlight of effective resource governance?**

1. The economic development potential of procurement in mining activities is immense (see 1.2)

2. These economic opportunities, when captured locally, can transform livelihoods, and contribute to inclusive resource-based development, diversification, and the alleviation of youth unemployment and poverty

3. This can help to ease tensions and create social peace and better relationships between communities and mining companies (more on this below)

4. Ultimately, these factors help to reverse the resource curse and enclave phenomena

**Why the LPRM in Africa?**

The previous section has presented the LPRM and how it creates statistical information on local procurement, as well as practical information on procurement processes. This guide has also shown how the ultimate goals of the LPRM are to improve company performance on local procurement, to empower host country suppliers, governments, and other stakeholders, and to increase transparency in procurement to improve governance.

The African context points to specific regional factors and a particular set of urgency which further reinforces the need to improve procurement practices through increased use of the LPRM:

1. A standardized local procurement reporting template. Many countries across sub-Saharan Africa are currently reforming their mining codes and implementing local content policies that include local procurement requirements (see box below). In many cases legislation requires information be provided by mining companies on procurement. Instead of each government going through a process of creating new rules, guidelines, and templates for reporting, the LPRM is ready to be used as a standardized framework all countries can use. This saves time, resources,
and avoids each mining company and country government having to create their own systems that might be incomplete. Also, with each country requesting use of the LPRM, it will allow all of the reporting to be comparable. Finally, to inform these policy interventions to increase local procurement, data is needed. CSOs and citizens that have a better overview of the current situation for local procurement can use this data to track progress, compare mine sites, and advocate for the adaptation of policies accordingly.

A standardized local procurement reporting template in times of local content reforms

Snapshot from our conversations

Guinea: The government has continued to expand its local content strategy through numerous legal application texts (see excerpts from the Mining Code above). The focus is now on the implementation of the legal provisions, as well as monitoring and accountability processes in cases of non-compliance. The Guinean mining code states that the Ministry of Mines is meant to publish procurement data by mining companies. This reporting has not yet occurred, and processes are still being finalized.

2. The LPRM is already gaining ground in sub-Saharan Africa. The LPRM is used to report on five mine sites across Senegal, Burkina Faso, South Africa, the Democratic Republic of Congo, and Ghana. Conversations with mining companies continue to increase, and the LPRM is receiving overwhelming support from various stakeholders.

3. EITI countries are starting to include information on local procurement in their reporting: As of March 2018, 24 EITI countries already collected some information on local content, including on local procurement. In October 2019, the EITI Global Board agreed to start exploring how the EITI could share best practices on procurement transparency, in response to ongoing interest from different member countries. Progress on this has been slowed by the coronavirus pandemic, but in the meantime, many EITI member countries are pressing ahead and collecting information on extractive industry procurement, such as EITI Senegal which launched its first Reconciliation Report to do so for 2018, in December 2019. For EITI countries wanting to include data on local procurement by the mining sector (and for the oil and gas sector – see below), the LPRM is ready to be used immediately.
Senegal EITI and Local Procurement Reporting

Country Example

The EITI Senegal is at the forefront of local procurement reporting. The 2018, as well as the 2019 reports included data on procurement spend by mining and oil and gas companies, broken down by national and international suppliers. The reports also provide an overview of regulations on local content in the mining and hydrocarbon sector.

![Table showing procurement data](https://eiti.org/document/2018-senegal-eiti-report)

Figure 15: Example of procurement reporting, EITI Senegal 2018 Report, page 111


Figure 16: February 2020 EITI Blogpost on Services and subcontracting: Unexplored ground for transparency, EITI Website

Companies operating in the oil, gas and mining sector spend between USD 745 billion and 1.3 trillion a year on the procurement of goods and services, according to estimates from the Natural Resource Governance Institute (NRGI). Goods and services range from catering and transportation to highly specialised inputs to exploration and production processes. Suppliers and service providers often make a significant economic contribution in terms of taxes, employment and building local capacity, but surprisingly little is known about the cost of procurement in these sectors.
Local Procurement and the EITI

- **March 2018:** 24 Countries are collecting some information on local content, and local procurement is one of the areas covered in some of these reports.

- **March 2019:** The EITI Standard 2019 encourages state-owned enterprises (SOEs) in extractive industries to describe procurement rules and practices and engage in procurement processes (including due diligence).

- **September 2019:** The Towards gender-responsive EITI implementation Guidance note encourages the use of data on procurement from women-owned businesses and employment data broken down by gender. The report includes the LPRM as an example of effective reporting.

- **October 2019:** EITI Discussion Paper ahead of The EITI Board Meeting States That Subcontracting is the risk EITI Has A Gap in Addressing.

- **October 2019:** The EITI Global Board Agrees io Start Exploring How the EITI could share best practices on procurement transparency.

- **February 2020:** The EITI showcases member countries collecting and reporting information on local procurement in their blog post Services and subcontracting: Unexplored ground for transparency, which also includes the Mining LPRM.

4. **The LPRM supports the Africa Mining Vision.** The Africa Mining Vision that was adopted in 2009 set out goals to increase backward linkages. Since then, numerous countries have followed this vision and started reforms to transform their mining industries into more localized and dynamic economies that aim to create as many linkages as possible. However, more than ten years since the beginning of this project, there is still no public measurement in place to evaluate the most important set of linkages – backward linkages. The LPRM is a tool that creates comparable data that allows stakeholders to track progress for the backward linkage goals of the Vision.

5. **The LPRM supports resilient local supply chains.** The Covid-19 pandemic has revealed how vulnerable complex international supply chains can be. The LPRM allows companies to analyse their procurement practices and find opportunities to improve and localize their procurement strategies in order to make their supply chains more resilient in the event of global disruptions.
3.2. Options for advocacy

Various channels for CSO advocacy

1. Advocating a mining company to use the LPRM

Enter negotiations with mining company and communities. Propose to mining companies to use the LPRM, especially in cases when there are calls for increased employment and local procurement. Inform about the LPRM, create handouts about local procurement and the LPRM and share them widely with key actors in the communities (local government, Community development office, traditional and religious leaders, individuals with contacts to mining companies). The images below show examples of procurement reporting and information about procurement processes provided by mining companies.

![Figure 17: Example of supplier information provided by Anglo American, Anglo American Website, Suppliers Section](image-url)
We value our suppliers and view them as business partners

The aim of our procurement approach is to maximise value to our business, whilst maintaining partnerships in strategic areas of spend. We apply a standard sourcing methodology, which does not tolerate poor safety, labour or business practices and which sets the foundation for our business relationship with a prospective supplier.

Supplier Code of Conduct

Procurement Standard Terms and Conditions

Figure 18: Example of information for suppliers by ERG Africa Source, ERG Africa Website, Procurement

Figure 19: Example of information for suppliers by Gold Fields South Africa, Gold Fields Website, Supplier Section

Shared value creation

Host Community Procurement And Employment

Gold Fields aims to support the host communities in which we operate by (wherever possible) incorporating local content as part of our supply chain.

In the South African region, the focus is on integrating broad-based, black economic empowerment principles in line with the South African Mining Charter as part of the supply chain. These suppliers are regularly monitored and reported on in terms of their ownership structure.

At Gold Fields, we are committed to working with trusted organizations and extending our buying footprint to support small-to-medium suppliers in our host communities. Suppliers can contribute to the creation of shared value by employing local workers and/or engaging locally owned suppliers as part of their supply chains.

Online supplier registration

Be One South Africa (BISA)

At Gold Fields in South Africa, we use the Be One South Africa (BISA) network to capture online supplier registration information. For further information, please visit: https://goldfields.bisa.co.za/Account/Login
2. Advocating for use of the LPRM in government regulation

In campaigns addressed to the government, ask for the LPRM to be used as a guiding resource when drafting local procurement policies, monitoring and evaluation mechanisms. In negotiations for new mine sites, bring up the inclusion of either the use of LPRM by the company or reporting in LPRM standard to the government that then makes the information public. Including the LPRM in contracts for new licences is an effective step. Where there are already rules to create local procurement plans and reporting (like in Guinea and Ghana, see below) the LPRM can be used as a guideline. CSOs can remind governments of the benefits of public reporting (see Section 1) and push for this information to be made available.

Advocating for use of the LPRM in government regulation

Country Example: Ghana

Ghana’s Minerals and Mining Regulations from 2012 (L.I. 2173) include clear regulations on procurement. These include:

Regulation 2- Procurement of local products

(2) A mine Support Service provider, a holder of a mineral right or a licence to export or deal in minerals shall submit to the Commission for approval, a procurement plan...
3. Advocating for the LPRM in EITI countries

Include the LPRM and local procurement in discussions and campaigns with the EITI. Advocate for procurement reporting using the LPRM model as orientation in EITI reports. Enter conversations with the EITI to push for the creation of a local procurement working group. Procurement data following the LPRM standard can inform such a working group in the multi-stakeholder groups and effectively inform and impact decision making. Without available data, and without a specially dedicated working group, discussions, and action plans risk to be too vague and general.

Advocating for the LPRM in EITI Countries

Snapshot from our Conversations

Senegal: The country has a defined local content strategy for the hydrocarbon sector. Various structures have been put in place by the government to increase local procurement. However, the mining sector does not yet have a comprehensive local content strategy, and both industries do not yet have widespread publicly available procurement reporting. The EITI Senegal has been using the LPRM as a guide to procurement reporting in their reports (see information box above). The PWYP Senegal coalition is involved in campaigns to create a local content strategy for the mining sector. This example is an ideal case where opportunities for PWYP coalitions and other CSOs exist to work together with the EITI to not only assist the government in reforming local content regulations, but also by using the EITI as a structure to conduct local procurement reporting.
4. Mining industry associations and other actors to advocate

Identify actors that have access to mining companies and that have bargaining power. Examples are the Chamber of Mines, but also investors. The International Finance Corporation (IFC) for instance is often involved financing mine sites, and the institution has contributed to improving procurement practices. The IFC country offices might be useful partners.

Country Example: Guinea

In Guinea, numerous stakeholders are involved in creating and implementing new local content legislation. A major component is facilitating local procurement. The IFC is a major partner that assists the Ministry of Mines and mining companies in establishing and implementing local procurement strategies. The Bourse de Sous-Traitance et de Partenariats (Supplier and Partnership Marketplace, BSTP) is another important actor that is meant to be a tool to stimulate local procurement. Guinea, as part of the Mano River Union, is also subject to a current regional West Africa project by GIZ that includes local content studies and analysis into tools such as the BSTP.

3.3. How to advocate

Step 1: Take Stock

✔ Obtain an overview of legislation
✔ Identify key players
✔ Gather procurement data
✔ Identify partners to advocate together with
✔ Familiarize yourself with Key documents on local procurement and previous studies
How to... obtain an overview of legislation

It is important to have an overview of existing legislation that is relevant for local procurement, and that might contain information and requirements for it. Whilst back in the days it might have been common to visit ministries and manually collect documents, a lot of this information is now openly accessible online.

An overview of mining legislation is provided by the website African Mining Legislation Atlas. It contains country summaries, and all openly accessible legal documents.
Information is now often also provided by the websites and/or social media accounts of the Ministry of Mines and other relevant ministries. Media sources, like newspapers, also increasingly share links or scans of legal documents.

**EITI Reports** are also a good starting point for getting an overview of existing legislation.

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**Contenu local**

Le Code minier (2016) prévoit :

- L’obligation pour les titulaires de titres miniers et leurs sous-traitants d’employer en priorité, a des qualifications égales et sans distinction de sexe, le personnel sénégalais ayant les compétences requises pour la conduite efficace des opérations minières (Article 109)

- L’obligation pour les titulaires de titres miniers, leurs fournisseurs et leurs sous-traitants d’utiliser autant que possible des services et matières d’origine du Sénégal, des produits fabriques ou vendus au Sénégal dans la mesure où ces services et produits sont disponibles à des conditions compétitives de prix, qualité, garanties et délais de livraison (Article 85)

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A simple website search through a search engine is also valuable. Not only does this lead you to legislation, but it also guides you to existing reports and studies on local content in your country. This includes reports of NGOs and organizations like the IFC, but also academic studies that usually provide an overview of legislation. Although many academic studies
are held in journals that need to be paid for, some are accessible openly through platforms like ResearchGate or Google scholar. Another route is to email the academic directly, to see if an open access copy, or perhaps a summary of the study is openly available. Contacting the researcher can also be valuable as they might be a key resource.

Figure 24: Example of results of a website search with the Key words “local content Ghana”
These steps also help you to familiarize yourself with key documents and previous studies.

How to… identify key players:

- If the EITI in your country collects some information on procurement, contact them to identify government and mining company representatives on local procurement

- Contact the chamber of mines to ask for contact information to get in touch with the procurement teams of mining companies

- Contact the ministry of mines and other relevant ministries and departments to identify government actors who work on local content, as well as consultants, and other partners (IFC, GIZ, etc.)

How to… gather procurement data

This report has shown examples of mining companies that provide some information on local procurement (see section 1 and 2 of this report). A good starting point is the website of the mining company to see if they have a section on procurement and/or suppliers. The next step is their sustainability report where they might share procurement data, as well as financial reports and information for shareholders. You can obtain information on ownership structures of the mining companies in resource contracts (The NRGI has created a platform that includes many resource contracts: https://www.resourcecontracts.org/), as well as EITI reports, and website searches.

Note: Mining companies present in your country might not have this information. However, the foreign parent company, the holders of major shares, and/ or investors, might have information on this.
Local procurement

EGA recognises that procuring goods and services locally increases the economic benefit of our activities for the countries in which we operate. Wherever we can, we maximise the utilisation of the local supply chain.

In the UAE, we spent over AED 6.8 billion (USD 1.84 billion) in 2019 on goods and services procured locally. However, the production of aluminium requires some raw materials that are not available in the UAE. For example, there is no bauxite mined in the UAE, so we are entirely dependent on imports in order to meet our demands for this raw material.

In Guinea, the mining industry has historically relied extensively on imported goods and services in the absence of competitive local suppliers. We believe that the development of a local supply chain is vital both for Guinea to realise the full economic benefits of its natural resources, and for the long-term success of mining businesses.

We prioritise the local sourcing of goods and services, choosing suppliers in Guinea before looking elsewhere in Africa and then outside the continent. To assist and encourage local business in Guinea to tender for contracts, we have developed a specialist training programme providing details related to our tender process, to help suppliers meet the quality and integrity standards we require.

Figure 5: Percentage of the procurement budget spent in UAE

<table>
<thead>
<tr>
<th>Year</th>
<th>UAE</th>
<th>International</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>62%</td>
<td>38%</td>
</tr>
<tr>
<td>2017</td>
<td>48%</td>
<td>52%</td>
</tr>
<tr>
<td>2018</td>
<td>38%</td>
<td>62%</td>
</tr>
</tbody>
</table>

Figure 6: Percentage of the procurement budget spent in Guinea

<table>
<thead>
<tr>
<th>Region</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guinea</td>
<td>19%</td>
<td>12%</td>
</tr>
<tr>
<td>Rest of Africa</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>Outside Africa</td>
<td>81%</td>
<td>87%</td>
</tr>
</tbody>
</table>

USD 81.39 million spent on local suppliers in Guinea

Figure 25: Example of procurement reporting of Emirates Global Aluminium (EGA), the parent company of the Guinea-based Guinea Alumina Corporation (GAC), EGA 2019 Sustainability Report, page 4857
As we have also shown throughout the report, the EITI might provide procurement data in their country reports.

Another source is communication from the ministry. For instance, the Guinean Ministry of Mines publishes regular reports with mining data, such as production, commodity prices, information about current holders of concessions, and it recently started to add information on employment in the mines, broken down by nationality. It could be that in the future this will also include information on suppliers.

Step 2: Kick-off the Conversation

- Enter multi-stakeholder conversations
- Organize a kick-off event on local procurement to get better insight into engagement and openness to work together constructively

Figure 26: Employment data in mines provided by the Guinean Ministry of Mines in their December 2018 Bulletin. Broken down by company, year and nationality of employee, Bulletin Statistiques Minieres Ministere des Mines et de la Geologie Guinee, Page 78
How to... enter multi-stakeholder conversations:

- Contact the Chamber of Mines
- Identify representatives of mining companies who are responsible for procurement/CSR/community relationship strategies. Get in contact with them
- If your country has a supplier platform, get in contact with their team
- With the ministry of mines, contact the key players who work on local procurement
- After initial meetings, remain in contact to continue the conversation
- Continue to spark interest and bring up the idea of an event
Step 3: Community Engagement

- Engage with local communities in mining areas and local Small and Medium Sized Enterprises and individuals to hear their needs and concerns with regards to direct and indirect employment opportunities and their expectations.

How to…. Engage communities

Our conversations have revealed that the community input is extremely valued by CSOs and that they are seen as an important pillar in any campaign. Ultimately, your goal is to improve procurement practices so that communities can benefit from mining activities in their areas. The community aspect might even be the strength of your organization. Use this for your benefit to learn from the experiences and expectations of communities to feed this to the government and mining companies. Work together with the community representatives, namely youth, women, (religious) leaders, local government and administrators, community representatives of mining companies, local SMEs and entrepreneurs. Organize community meetings, focus groups, in-depth interviews, questionnaires, walking interviews, and other means to hear about what has been done so far in terms of local procurement in their area, what knowledge they have on this issue, what expectations and needs are expressed in their community.

Step 4: Assessment and Recommendations

- With knowledge from Step 1-3 create a report on assessing local procurement current practices and opportunities for improvements
- Present report to government and industry stakeholders (Chamber of mines, mining companies)
- Discuss recommendations and concrete further steps

How to... compile an effective report with your assessment and recommendations

Once you have gathered all your necessary information and have collected insight from communities, it is time to provide an overview of your findings to create an assessment and recommendations to feed forward to the stakeholders you identified.

Your report can have the following outline:

- Context: What local procurement is, why it is important, and what the opportunities are (see section 1 & 2 of our guide)
- The status of local procurement in your country: legislation, developments, available data and studies
- Insight from the community: Experiences, needs and expectations
- Assessment: How you view the status of local procurement in your country compared to other countries and compared to the potential opportunities. How does current legislation match with the needs and expectations from the communities?

- Recommendations: What are the concrete next steps that need to be done by the government and mining companies to improve local procurement practices in your country in order to provide more opportunities for locals?

**Step 5: Awareness**

- During and after Step 4, initiate campaigns to increase awareness. Examples are campaigns on the radio, articles in newspapers, social media, engagement in local communities, etc. about campaigns on local procurement

- Once your report is finalized, this is the ideal moment to generate as much attention as possible through launch events, media features, community presentations, etc.

*Figure 28: Example of newspaper article by PWYP Coalition Mali on local procurement and the LPRM (January 2020), Echos [available in Print only]*
Step 6: Continued Assessments and Reporting

- Conduct regular assessments on efforts done by the government and each mining company
- Provide updated recommendations on how to improve
- Share your assessments and recommendations in the impacted communities to keep them informed and included

How to... provide continued assessments and reporting

Make sure that the issue of local procurement remains in your agenda. Include it in campaigns and reports in general as an element or provide a regular (such as annual) special local procurement assessment. You can also feature updates and reminders in your newsletters/ blog posts/ on your website/ social media, and other channels.

For instance, on Twitter, you can engage with publications by organizations on local procurement and direct employment in mines. This will make sure that the issue continues...
to be included in your social media contributions and will continue to be seen and represented on the agenda.

An example is the figure below that is a tweet by the Publish What You Pay Central Twitter page. You could comment on this by retweeting it and adding your observations from your country. Or it could feature in other social media channels of yours or your website.

Keep an eye on anything related to local procurement in mining!

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**Figure 30: Female Employment in mining companies, Tweet by Publish What You Pay @PWYPtweets, from 26 January 2021**
Figure 31: Example of Report with Assessment and Recommendations on local content in Mali (2015), Publish What you Pay Report
Endnotes


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