

EITI AND OPPORTUNITIES FOR INCREASING LOCAL CONTENT TRANSPARENCY




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Image credit: The Noun Project

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SUMMARY

While the EITI has typically focussed on the taxes and revenues paid by extractive companies to the government, a review of how EITI countries have covered local content in EITI Reports highlight the opportunities for EITI to contribute to local content transparency in the extractive sector. At least 24 EITI countries have decided to report local content information in EITI reporting.¹ This includes descriptions of local content policies and commitments by companies, figures on local content (employment, procurement, and purchase of goods and nationality of company owners), and commentary on the implementation of local content policies. This EITI Brief on local content shares some examples of such disclosures that can be used by stakeholders wishing to leverage the potential of EITI to contribute improved local content transparency.

1. BACKGROUND

Countries with significant or emerging oil, gas and mining sectors generally seek to ensure that extractive activities benefit the country and host communities close to extractive projects. A way of doing this is to design policies aimed at increasing local content in oil, gas and mining activities. **Local content is “the share of employment—or of sales to the sector—locally supplied at each stage of this chain”²**, or the contribution of oil, gas or mining project to the local, regional or national economy beyond the revenues paid to the government.

It is estimated that 90% of resource-rich countries have adopted a form of local content policy, and increasing local content is a high priority among these governments.³ EITI countries with local content policies or provisions either in laws or contracts include Afghanistan, Albania, Cameroon, **Central African Republic, Chad, Cote d’Ivoire, Democratic Republic of Congo, Ghana, Guinea,** Indonesia, Kazakhstan, Liberia, Madagascar, Malawi, Mali, Mauritania, Mexico, Mongolia, Mozambique, Nigeria, Norway, Philippines, Republic of Congo, São Tomé and Príncipe, Senegal, Sierra Leone, Tanzania, Timor-Leste, Togo and Zambia.

Countries have adopted different definitions or approaches to local content, through requirements in laws or individual contracts, or as a policy. The policies and provisions are generally aimed at supporting more jobs for the local population, boosting the economy, facilitating technology transfer and building skills among the local workforce. They are often directed at increasing local employment and training for local staff, providing subcontracting or service provision opportunities for extractive projects to national companies, or sourcing of local products used in extractive operations.

¹ These include Burkina Faso, Cameroon, Chad, Côte d’Ivoire, Democratic Republic of Congo, Ethiopia, Ghana, Guinea, Kazakhstan, Liberia, Nigeria, Madagascar, Malawi, Mali, Mauritania, Mongolia, Mozambique, Philippines, Republic of Congo, Senegal, Sierra Leone, Tanzania, Timor-Leste, Togo and Zambia.

² Tordo, S. et al (2013), “*Local Content Policies in the Oil and Gas Sector*”, World Bank, <http://documents.worldbank.org/curated/en/549241468326687019/pdf/789940REVISED000Box377371B00PUBLIC0.pdf>.

³ Local content was selected by member countries of the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development as their highest priority for guidance at their 2016 Annual General Meeting, representing over 60 countries (<http://igfmining.org/guidance-documents/igf-guidance-governments-local-content-policies/>)

Box 1: Examples of laws and contractual provisions related to local contentGhana Petroleum (Local Content and Participation) Regulations, 2013:

- *Preference to Ghanaian companies in awarding of petroleum licenses:* Ghanaian companies shall be given preference the award of oil blocks and all contracted projects. Non-national companies shall provide for at least 5% national ownership.
- *Provision of goods and services by national companies:* All operators shall as far as possible use goods and services produced or provided in Ghana by Ghanaian companies, including in cases where their prices are higher by up to 10%, maximum share of goods and services supplied by foreign companies.
- *Employment of nationals:* Qualified nationals should be given first consideration. The regulation outlines the required shares of national employees at different levels of management.
- *Transfer of technology:* Companies shall prepare and implement a programme for the promotion of technology to Ghana in relation to the petroleum industry.

Contractual provisions in Amu Darya Exploration and Production Sharing Contract with CNPCI, 2011:

- *Provision of goods and services by national companies:* The contractor shall give preference to goods that are produced or available in Afghanistan and services provided by Afghan nationals or companies, provided that such goods and services are similar in quality, quantity and price to imported goods and services.
- *Employment of nationals:* Preference to qualified Afghan nationals in employment as far as possible and gradually replace expatriate staff with Afghan nationals.
- *Training for national staff:* Training for Afghan nationals and for staff of Ministry of Petroleum, with minimum expenditures for training provided.

2. BENEFITS AND CHALLENGES RELATED TO LOCAL CONTENT POLICIES

While there are benefits from encouraging added value to the economy from oil, gas and mining activities, there are also significant challenges related to implementing local content policies. Experiences with local content policies appear mixed. Local content is not necessarily the most efficient way to boost local economic activities. Local industry and workforce do not necessarily have the experience or knowledge to perform technical jobs needed, and can lack capacity to deliver non-technical services and goods. Depending on the size of the project compared to the local economy, local communities can become overly dependent on the opportunities provided by a single project, with implications for longer-term development. Lastly, there are corruption risks related to local content, in particular in procurement, as experiences show that it has tended to benefit political elites, if not managed transparently.⁴

Despite the importance of transparency when it comes to implementing local content strategies, there is limited data available to fully allow stakeholders to understand how impact of local content in the extractive sector can be improved. Increased transparency in local content could

⁴ Examples of corruption risks related to local content can be found in the Natural Resource Governance Institute (NRGI) publication « Local Content -Strengthening the Local Economy and Workforce» (March 2015), https://resourcegovernance.org/sites/default/files/nrgi_Local-Content.pdf

incentivise companies to hire and buy services and goods locally. For companies, it could also help them maintain a social license to operate and help provide a more comprehensive picture of their contribution to the economy.

Some relevant data has been made available through reporting frameworks such as the Global Reporting Initiative (GRI), although the level of detail varies across countries and rarely provides data by project. For instance, data related to local procurement is usually provided by the supplier to the mining company and ideally submitted to the sector regulator, but is not necessarily publicly available. There are also ongoing efforts to improve local content transparency, such as the Mining Local Procurement Reporting Mechanism established by the Mining Shared Value initiative of Engineers Without Borders Canada, which provides a reporting framework for companies on local procurement.⁵

3. EITI AND LOCAL CONTENT DISCLOSURES

While the EITI has typically focussed on the taxes and revenues paid by extractive companies to the government, least 24 EITI countries have decided to include information on local content in EITI reporting.⁶ EITI Requirement 6.1 on social expenditure by extractive companies mandates disclosure of material and in-kind social payments by extractive companies. Mandatory social expenditures can take many forms, and commitments to local content in employment and procurement can be one of them. Related disclosures could cover expenditures on local procurement (absolute figures and share of total expenditures on procurement) or on capacity building and development programmes for suppliers of goods and services. EITI Requirement 6.3 mandates disclosure of data on the contribution of the industry to the economy including on employment. Most of the information disclosed in EITI Reports are descriptions of relevant local content requirements and figures on local versus foreign employment, but also includes further data such as on procurement of goods and services and commentary on the implementation of local content policy based on the data collected.

3.1 INFORMATION ON LOCAL CONTENT PROVISIONS:

Countries including **Burkina Faso, Cameroon, Cote d'Ivoire, Ghana, Kazakhstan, Liberia, Nigeria, Mozambique, Philippines, Republic of Congo, Senegal, Tanzania, Timor-Leste and Togo** described their local content policies or requirements covering the extractive sectors in their latest EITI Reports.

For example, Cameroon describes local procurement requirements as stipulated in petroleum contracts in the 2015 EITI Report, and explains that mining contracts include details about national staff employment and training, the percentage of local procurement of goods and services, and the percentage of extracted production that should be processed in the country. **Mongolia's** 2014 EITI Report explains how the government decides on a quota for foreign workers in each sector annually, and reports on the quotas agreed for different extractive sector operations. **Tanzania's** EITI Report briefly describes the local content policy and provides a link to the document published by the government.

Example from Cameroon of description of local content provisions in the mining law. (The report explains that in accordance with the law, mining contracts requires national staff employment and

⁵ Mining Local Procurement Reporting Mechanism (LPRM): <http://miningsharedvalue.org/mininglprm/>.

⁶ Annex A provides a country-by-country overview of coverage of local content in EITI reporting and related EITI objectives and activities.

training, a minimum percentage of local procurement of goods and services, and a minimum percentage of production that has to be further developed nationally.)

4.3.12. Contenu local

Dans le cadre d'une Convention Minière signée entre l'État du Cameroun et une compagnie minière, l'article 16 (1) du Code Minier amendé de 2010 dispose qu' « En vue du développement et de l'exploitation d'une découverte minière ou de leur financement, une convention minière est conclue entre le titulaire du permis de recherche et l'État. Ladite convention comprend notamment les dispositions relatives :

- aux obligations relatives à l'emploi, à la formation professionnelle et aux réalisations à caractère social ;
- aux relations avec les fournisseurs et sous-traitants locaux;
- au pourcentage de la production de substances minérales extraites à consacrer à la transformation locale ; et
- à tout autre sujet que les parties prenantes à la convention peuvent juger digne d'intérêt.

Il ressort du Code Minier que les conventions comportent des éléments qui s'inspirent des dispositions relatives aux obligations de contenu local. En plus des obligations en termes d'emploi, de transformation locale et de transfert de compétence, il peut y avoir des dispositions relatives à des dépenses sociales au profit des Régions accueillant les sociétés extractives

En plus des dispositions susmentionnées, certaines sociétés peuvent contribuer volontairement dans le financement de programmes sociaux ou de travaux d'infrastructures. Ces contributions sont généralement effectuées conformément à la politique RSE (Responsabilité Sociétale de l'Entreprise) de la société.

Source: [Cameroon 2015 EITI Report](#) (p. 59)

Example from Ghana of description of local content provisions in the mining regulation for different types of license holders

3.9 LOCAL CONTENT

The Minerals and Mining General Regulation 2012, LI 2173, which came into force on June 15, 2012, enjoins mining firms to submit localization plans to the Minerals

Commission detailing how they intend increasing employment of Ghanaian personnel. Pertinent stipulations are detailed in Table 3.18.1

Table 3.18.1: Local Content Requirement of Mine operators in Ghana

Designation	Legal Requirement
Mining Lease Holders	Threshold of 10% at commencement of mining operations and 6% after 3 years in operation.
Prospecting Licence Holders	Threshold of 10% skilled staff and 5% Technical and Supervisory staff at commencement of operations and 5% Technical and Supervisory staff after 2 years in operation
Mine Support Services	Threshold dependent on nature of service provided
Discretionary	Justification required for additional expatriates
Penalty	1 year expatriate gross salary for every month of illegitimate stay. Delisted from companies enjoining duty exemptions.
Procurement Plan	Mining lease operators to submit detailed support plans regarding Minerals Commission's local procurement list.
Tender Adjudication	Preference to companies with highest Ghanaian content in bids within 2% of each other by price.

Newmont Ghana, GSR Prestea/Bogoso and Wassa, Adamus Resources, Perseus Mining, Goldfields Tarkwa and Goldfields Damang, Chirano Gold, Ghana Manganese Ltd and AngloGold Ashanti Obuasi are implementing approved 5-year Procurement plans.

Source: [Ghana 2014 EITI Report on mining](#) (p. 29)

3.2 DATA ON LOCAL CONTENT (EMPLOYMENT, PROCUREMENT, GOODS AND SERVICES)

Chad, **Cote d'Ivoire**, Democratic Republic of Congo, Ethiopia, Ghana, Guinea, Kazakhstan, Liberia, Madagascar, Malawi, Mali, Mauritania, Mongolia, Mozambique, Nigeria, Philippines, Senegal, Tanzania, Timor-Leste, Togo and Zambia have disclosed data reported on local content. Most of this data relate to employment figures, distinguishing between foreign, national and local employees. EITI Reports **from Côte d'Ivoire, Mauritania, Senegal and Togo** calculate the share of national employees in the sector, while **Mozambique's** 2015-16 EITI Report provides further details on the nature of contracts for each of the employee categories. The Philippines discloses details on indigenous people employed as well as other employment and income-generating opportunities related to forestry activities beyond direct employment, as well as training.

Example from Ethiopia of employment figures disaggregated by national (local and non-local) and foreign employees

Annex 1: Employment figures in the reconciled companies

N°	Companies	Average number of direct domestic employees (Local)	Average number of direct domestic employees (Non local)	Average number of direct foreign employees (Expatriates)	TOTAL
1	Africa Oil Ethiopia B.V	10		2	12
2	POLY-GCL Petroleum Investments Ltd Ethiopian Branch	19		24	43
3	SouthWest Energy (HK) Ltd	70		5	75
4	NewAge Ethiopia Ltd	12			12
5	Delonex Energy Ethiopia Ltd	4		1	5
6	GPB Ethiopia Resources B.V	6		3	9
7	MIDROC Gold Mine Plc	1 301		27	1 328
8	Abijata-Shalla Soda Ash Sc	280	32		312

Source: *EITI 2014/15 EITI Report*, (p. 85)

Example from Mali of employment figures disaggregated by national/foreign, permanent/temporary employees, provided by extractive companies and their sub-contractors

Annexe 3 : Effectifs des employés

Société	Sous-traitant	Effectif des Nationaux permanents	Effectif des Nationaux temporaires	Effectif des Non Nationaux permanents	Effectif des Non Nationaux temporaires
Somilo SA		1569	218	155	0
	Sous-traitants	952	0	31	0
Goukoto SA		0	0	0	0
Semico SA		1216	0	188	0
Semois SA		926	75	31	0
Morila SA		220	137	2	0
	ENTREPRISE GENERALE TRAORE & FRERES SARL	63	0	0	0
	HYSPEC (AFRICA) LIMITED	1	0	0	0
	SGS Minerals Mali S.A.R.L.U (CFA)	11	0	1	0
	OP • ERATIONS D'ENERGIE DE MORILA	21	0	0	0
	AIR LIQUIDE - MALIGAZ	2	0	0	0
	UPS - RH	2	0	0	0
	AGENCE MALI MANAGEMENT SARL	70	0	0	0
	ATS	59	0	1	0
	AFRILOG MALI	1	0	0	0
	BINTHILY EXPRESS SA	10	0	0	0
	SHELL MALI (VIVO ENERGY MALI)	3	0	0	0
	FRASER ALEXANDER MALI SARL	46	0	2	0

Source: *Mali 2015 EITI Report*, (p. 93)

Kazakhstan EITI has collected extensive data on local content in purchases of goods, works and services in the extractive sector in their 2016 EITI Report (see Box 2). Mali has unilaterally disclosed payments made by goods and service providers in the mining sector in their 2015 EITI Report, although the data does not distinguish between local and foreign sub-contractors. Timor-Leste requested the operators of the two active oil fields to report on their local commitments, which includes company expenditures on training and employment of locals, and amount of local goods and services procured.

Example from Timor-Leste of reporting on company expenditures on local procurement of goods and services, training and employment

Local commitments (Mandatory)						
Description Social Expenditure	Company Name	Extractive Entity Payments	Government Receivables	Results of the initial request	Amount in US\$	
					Adjustments during Reconciliation	Results after Reconciliation
Others - ConocoPhillips Offshore Timor-Leste employees	ConocoPhillips	915,631	915,631	-	-	-
Other - Local goods and Services	ConocoPhillips	754,426	754,426	-	-	-
Other - Contractors Timor-Leste employees	ConocoPhillips	4,716,315	4,716,315	-	-	-
Others - contractors Timor-Leste good & Services	ConocoPhillips	6,252,915	6,252,915	-	-	-
Others - ConocoPhillips Dill office employee	ConocoPhillips	339,044	339,044	-	-	-
Others - Local goods and services - Dill Office	ConocoPhillips	616,634	616,634	-	-	-
Eni - Local goods and services	Eni	36,687,746	36,687,746	-	-	-
Eni - Training & Employment	Eni	26,130	26,130	-	-	-
Eni Sub-contractors - Local goods and services	Eni	653,265	653,265	-	-	-
Total		50,962,106	50,962,106	-	-	-

Oil and Gas companies operating in both TLEA and JPDA jurisdictions are recommended to procure goods and services produced or supplied by providers in Timor-Leste (and Australia for JPDA). In both jurisdictions, oil and gas companies and their sub-contractors are required to give preference in training and employment to Timor-Leste nationals and permanent resident.

The amounts reported by Entities were confirmed by ANPM and are identified on the annual reports prepared and send annually to ANPM review and approval.

Annually PSC Operators report regulatory reports with figures and information about their activities (including subcontractors).

The local commitments reported by the Extractive Entities (ConocoPhillips and Eni) under PSC article 5.4 are as follows:

ANPM works closely with Operators in JPDA and TLEA to measure Local Content performance in terms of local participation in procurement of goods and services as well as training and employment for petroleum activities in both jurisdictions.

More information available in the Financial Statements of ANPM:
<http://www.anpm.tl/2015-annual-report/>

Source: *Timor-Leste 2015 EITI Report*, (p. 85)

Box 2: Responding to national demands for local content data and building on existing frameworks in Kazakhstan

Local content is an issue that is high on the policy agenda in Kazakhstan. [The government has announced](#) that increasing Kazakhstan's content in the economy to at least 50% of GDP is a priority. The National Agency for Development of Local Content (under the Ministry of Investments and Development) maintains a [data portal on 'Kazakhstan content'](#) which contains a register of goods, works and services produced by Kazakh companies, a map of showing local content (procurement of goods and services) by region and annual reports on implementation of local content obligations by each company in open data format.



The [2016 EITI Report](#) presents Kazakh content data for the oil, gas and mining sectors for purchases of goods, works and services in 2016 (see [Annex 9](#)). The data is provided by the Ministry of Investments and Development and the Ministry of Energy.

**Information on Kazakhstan contents in purchases of goods, works and services for 2016
subsoil users of oil and gas sector**

№ s/o	Name of subsoil user	BIN	Oblast	Total amount of purchases, KZT thous.	Kazakhstan content, %
1	2	3	4	5	6
1	"Tengizchevroil" LLP	990140000483	Mangystau	123 381 422	80,52%
2	"Ozenmunaigas" JSC	120240020997	Mangystau	114 662 323	61,52%
3	"CNPC - Aktobemunaigas" JSC	931240001060	Aktobe	73 138 284	66,64%
4	"Joint Venture "Kazgermunay" LLP	940240000021	Kyzylorda	9 845 687	61,12%
5	"Embammunaigas" JSC	120240021112	Atyrau	82 313 611	84,91%

The data is broken down into the cost of goods purchased from domestic manufacturers, the cost of the works acquired from domestic suppliers, and the cost of the services acquired from domestic suppliers. The information is provided per company in absolute and relative terms, and the total value for each sector (oil, gas, mining) are included.

Purchases volume of goods, KZT thous.	including		Purchases volume of works, KZT thous.	including		Purchases volume of services, KZT thous.	including		Total
	The cost of goods purchased from domestic manufacturers, thous. KZT	Kazakhstan content, %		The cost of the works acquired from domestic suppliers, KZT thous.	Kazakhstan content, %		The cost of the services acquired from domestic suppliers, KZT thous.	Kazakhstan content, %	
7	8	9	10	11	12	13	14	15	16
13 067 927	5 779 495	44,23%	48 127 863	39 037 763	81,11%	62 185 632	54 524 721	87,68%	99 341 979
17 163 185	5 281 884	30,77%	66 951 265	38 829 345	58,00%	30 547 873	26 426 214	86,51%	70 537 444
16 903 185	3 445 808	20,39%	23 264 909	15 580 833	66,97%	32 970 190	29 716 111	90,13%	48 742 752
3 089 460	622 078	20,14%	4 360 241	3 309 885	75,91%	2 395 985	2 085 983	87,06%	6 017 946
6 943 651	5 180 247	74,60%	55 484 445	46 435 706	83,69%	19 885 515	18 273 072	91,89%	69 889 026

To be able to identify the nationality of companies subcontracted in the extractive sector, Liberia included sub-contractors of oil, gas and mining companies in the scope of companies requested to disclose their beneficial owners as part of the [pilot disclosures in 2015](#). The information provided was disaggregated by origin (foreign/local). An increasing number of EITI Report also provide some information on the nationality of the shareholders of the companies operating in the extractive sector ([Ethiopia's 2014/15 EITI Report](#) is an example).

3.3 COMMENTARY ON LEVEL OF LOCAL CONTENT AND IMPLEMENTATION OF PROVISIONS

Some EITI countries have gone beyond reporting and also included some analysis of the data and comments on the level of **local content in their country's extractive sector** in the EITI Reports. These examples demonstrate the potential for EITI to highlight local content issues and gaps in implementation of local content policies in countries where this is a priority area.

Ghana's latest EITI Report (2014) includes a description of the local content provisions. Companies were also requested to report on local versus foreign employment and procurement. The report comments that the provisions have been complied with and highlights the challenges related to implementing the provisions. Philippines 2015-16 EITI Report comments on the level of locally sourced workers for companies included in the EITI Report as well as on the indirect contribution of the extractive sector to the economy beyond revenues (see Box 3).

Example from Ghana of commentary on compliance with local content regulations on employment (oil/gas sector) and procurement (mining sector)

LOCAL CONTENT

The Petroleum (Local Content and Local Participation) Regulations (LI2204), 2013 mandates oil and Gas companies (both IOC and ISP) to meet certain stipulations regarding human resource and supply chain requirements. Table 3.12 shows its progress in implementation by end of December 2014.

OICs and ISPs ¹⁰	Operation Date	Ghanaian Staff	Expatriate Staff	LI 2204 Target	% Actual
Tullow Ghana	2006	255	127	70%-80%	66.8
ENI Ghana	2009	24	16	70%-80%	60
Baker Hughes	2009	95	56	70%-80%	62.9
FMC Technologies	2009	72	24	70%-80%	75
KOSMOS Energy	2004	32	1	70%-80%	96.9
MODEC Ghana	2010	138	66	50%-60%	67.6
NOV Ghana	2009	34	8	70%-80%	81
TECHNIP	2009	36	6	70%-80%	85.7
SCHLUMBERGER	2008	420	166	50%-60%	71.6
EXPRO Ghana	2008	27	34	70%-80%	44.3
MEDEA	2013	5	0	30%	100
WEATHERFORD	2008	8	3	70%-80%	11
YINSON Production	2014	6	2	30%	8
HESS Ghana	2005	15	1		93.8
Total		1167	510		

Source: *Ghana 2014 EITI Report on oil/gas* (p. 30)

In 2014, of the total procurement of US\$ 183million, US\$ 148million was from local companies and individuals. However, true local sources of goods and services amounted to US\$ 143 million and represents about 78% of total mining procurement made in 2014. Table 3.19 lists the amounts of various goods and their percentages.

Table 3.19: Comparing 2014 Overall Procurement with local and True local procurement.

Product	Total Procurement (US\$)	Local Procurement(US\$)	% Local	True Local Procurement(US\$)	% True Local
Grinding Media	67,947,404	33,606,086	49.5	30,022,809	44.2
Heavy Duty Electrical Cables	2,292,580	1,388,044	60.5	172,698	7.5
HDPE/PVC Pipes	5,010,304	5,010,304	100	4,935,196	98.5
General Lubricants	1,264,1802	12,300,029	97.3	12,300,029	97.3
Quick/Hydrated Lime	30,236,784	30,236,784	100	30,236,784	100
Tyre Retreading	1,441,519	1,441,519	100	1,441,519	100
Explosives	60,668,569	60,668,569	100	60,668,569	100
Cement	3,585,735	3,585,734	100	3,585,734	100
Total	183,824,700	148,237,073	80.6	143,363,341	78

Source: Minerals Commission

The above notwithstanding, implementation of LI 2173 is met with some challenges which include the following:

1. Skilled Ghanaians are accepting expatriate positions outside Ghana.
2. Limited local production capacity of available products.
3. Narrow range of products currently in Ghana's manufacturing scope.
4. Unreliable power supply for production and frequent tariff increases.
5. High cost of capital.

Source: *Ghana 2014 EITI Report on mining* (p. 30)

Liberia's 2014/15 EITI Report describes the local content provisions applicable for entering into petroleum agreements in accordance with the Oil and Gas Law 2002. These include making 10% of equity available for purchase by Liberian nationals and purchase contracts valued at USD 3 million or less to be awarded to Liberian contractors. The report explains that the provisions had not been enforced for the first two oil and gas bidding rounds since the passing of the law due to the lack of implementing guidelines. It further states that enforcement of the local content provisions for the **ongoing third bidding round depended on the legislature's issuance of guidelines**. Petroleum agreements (containing local content provisions) are made available online on the Liberia EITI website.⁷

⁷ <http://www.leiti.org.lr/contracts-and-concessions.html>

Box 3: Determining the contribution of mining to the economy beyond revenues in the Philippines

The Philippines 2015-16 EITI Report seeks to provide a comprehensive picture of the direct and indirect contribution of the extractive sector to the economy. The report provides detailed employment figures and analyses the information, noting that less than 1% of the total workforce employed are foreign and that labour is substantially sourced locally (pp. 114-119).

To provide a fuller understanding of the contribution of the sector to the economy, the report has a dedicated section on the indirect impacts of the mining industry on the economy, i.e. “multiplier effects” (expenditure, household income and employment multipliers) of the major mining operations (pp. 87-91). This section seeks capture the effect of expenditure of mining firms on the gross domestic product (GDP), household income and employment, based on the annual reports disclosed by mining companies. The 2015-16 EITI Report disaggregates the result by type of mineral, showing for instance that chromite mining has a higher impact on employment than other types of mining. The report analyses the information and comments that the direct and indirect contribution of the extractive sector to the economy is low, due to the nature of the sector being mostly focused on production with limited processing being done in country.

Table 53. Induced impacts of the 45 largest mining firms' operations

Year	Revenues In million PHP	Output Million pesos generated per peso of revenue	Multiplier impact	
			Household Income Million pesos generated per peso of revenue	Employment No. of jobs generated per billion pesos of revenue
Multipliers		2.054	0.256	1,209.8
Industry				
2015	94,118	193,318	24,094	113,864
2016	56,548	116,149	14,476	68,411
Per-firm Average				
2015	2,092	4,296	535	2,530
2016	4,350	9,679	1,206	5,701

Table 51. The mining multipliers

	Output multiplier	Household income multiplier	Employment multiplier
Copper mining	2.16	0.26	1,229
Gold mining	2.07	0.24	1,134
Chromite mining	2.12	0.29	1,370
Nickel mining	2.03	0.26	1,229
Other metallic mining	1.89	0.23	1,087
Average	2.054	0.256	1,209.8

Source: Philippines 2015-16 EITI Report (pp. 88-89).

4. OPPORTUNITIES FOR EITI TO CONTRIBUTE TO POLICY DEBATES ON LOCAL CONTENT

There appears to be an increasing demand among implementing countries to use the EITI to address sector-specific issues related to local content. Countries such as Burkina Faso and Tanzania has had objectives in their EITI work plans related to local content. **Tanzania's 2013-2015** work plan outlined activities to undertake a study on local supply-chain in mining, oil and gas to determine local content potential and gaps, while in the 2017-2018 work plan a workshop for district directors on local content is planned. **Mozambique, Malawi and Zambia's** beneficial **ownership roadmaps include objectives to promote their citizens' participation in monitoring of** extractive activities, including local content provisions. In Ghana, Ghana EITI has organised a workshop dedicated to local content, with presentations made by industry representatives.

Stakeholder consultations from Validation documented statements from government representatives in Cameroon, Ghana, Mozambique and Tanzania regarding the usefulness of detailed information on local content to better understand the contribution of the sector to the wider economy and to local communities. In Tanzania, parliamentarians have requested that the EITI Report disclose the number of foreign and Tanzanian nationals employed by extractive companies and the cost associated with each of these two employee categories. Increasing local content appears also to be a priority for civil society in Burkina Faso, Cameroon, Ghana and Mozambique.

Given the varying experiences with implementing local content provisions, the EITI does not seek to promote the establishment of local content rules in the oil, gas and mining sector. It can however be a tool to ensure that implementation of local content policies and rules are transparent, and that stakeholders have the information needed to make informed policy decisions on the issue. The EITI will continue supporting EITI countries in which there is demand for improving local content transparency in the extractive sector. The below are some opportunities that EITI stakeholders and multi-stakeholder groups (MSGs) can consider:

- i) Providing reliable information on local content: As demonstrated in this brief, there are various types of information depending on each country context that the EITI can help provide to the public on local content. This can include an overview of the applicable local content framework and data related to actual local content (national/local employment, procurement, goods and services and related expenditures). MSGs may consider going further in using the data disclosed to comment on compliance with the existing rules on local content, or inform the development of new local content policies.

It will be important to take into account what government and company data is already made available, to make sure to build on existing systems and avoid duplication of reporting. There are also existing reporting frameworks that MSGs can draw on, such as the [Mining Local Procurement Reporting Mechanism](#), which suggests a set of disclosures for companies to integrate in their regular reporting.

- ii) Contribute to ongoing discussions on local content transparency where there is demand: Some EITI countries have organised workshops or stakeholder meetings involving mining community and industry representatives to discuss local content issues. This is often driven by demand from stakeholders and the multi-stakeholder group. The EITI can also contribute with stakeholder coordination. For instance, in Zambia, the government is

developing a local content policy, and Zambia EITI is bringing together the interested stakeholders to provide input to the drafting process.

(ii) Ensuring linkages between EITI activities and national priorities on local content: As with any EITI objectives, ensuring that the activities take into account government priorities for the industry is key. EITI activities should take into account any upcoming reforms related to the oil, gas and mining sectors or local content frameworks, and be undertaken in consultation with the key government agencies responsible for overseeing the industries and any local content rules. This is important to avoid duplication of efforts and that EITI activities are responsive to the wider policy environment, as well as to stakeholder priorities.

5. FURTHER RESOURCES

- ➔ Columbia Center on Sustainable Investment (CCSI), “Local Content Laws & Contractual Provisions” with local content legal profiles on 17 resource-rich countries:
<http://ccsi.columbia.edu/work/projects/local-content-laws-contractual-provisions/>
- ➔ Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF), “Guidance for Governments: Local Content Policies” **guidance page**,
igfmining.org/guidance-documents/local-content-guidance/
- ➔ Mining Shared Value 2017, Local Procurement Reporting Mechanism,
<http://miningsharedvalue.org/mininglprm/>
- ➔ Natural Resource Governance Institute (NRGI) 2015, “Primer: Local Content”,
<https://resourcegovernance.org/analysis-tools/publications/primer-local-content>
- ➔ Organisation for Economic Co-operation and Development (OECD) 2017, Local Content Policies in Minerals-Exporting Countries, Case Studies,
[http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=TAD/TC/WP\(2016\)3/PART2/FINAL&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=TAD/TC/WP(2016)3/PART2/FINAL&docLanguage=En)
- ➔ World Bank 2016, “Local Content in Oil, Gas, and Mining” resource page,
<http://www.worldbank.org/en/topic/extractiveindustries/brief/local-content-in-oil-gas-and-mining>

ANNEX A: COUNTRY-BY-COUNTRY OVERVIEW OF LOCAL CONTENT IN EITI REPORTING

Country	Report year	Type of information disclosed	Summary of coverage of local content in EITI
Burkina Faso	2015 EITI Report	Description of legal provisions	<p>The 2015 EITI Report describes the legal provisions in the Mining Code related to local procurement of goods and services, employment and training obligations (p. 38).</p> <p>The MSG has considered local content in the mining sector to be a key issue, and the 2016-2018 EITI work plan highlighted the provisions in the Mining Code to promote the local private sector. The MSG played a key role in the revision of the mining code, and local content requirements remain a key priority for civil society.</p>
Cameroon	2015 EITI Report	Description of legal provisions	Local procurement requirements in oil contracts are described in the 2015 EITI Report (p. 48). It also explains that mining contracts include details about national staff employment and training, the percentage of local procurement of goods and services, and the percentage of extracted production that has to be processed nationally (p. 59).
Chad	2015 EITI Report	Employment figures	The 2015 EITI Report provides figures on sector employment disaggregated by national and foreign employees (p. 52).
Côte d'Ivoire	2015 EITI Report	Description of legal provisions and employment figures	The 2015 EITI Report describes the local content requirements in the oil (p. 37) and mining sectors (p. 51), highlighting that local service providers should be favoured if they offer goods and services of similar quality, price, quantities and with similar delivery dates. The report also highlights that 94% of employees in the sector are nationals (p. 58). The MSG has discussed the potential for addressing local content during their meetings.
Democratic Republic of Congo	2015 EITI Report	Employment figures	The 2015 EITI Report provides figures on sector employment disaggregated by national and foreign employees (p. 66).

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Ethiopia	2014/15 EITI Report	Employment figures	The 2014/15 EITI Report provides employment figures disaggregated by direct domestic (local), direct domestic (non-local), and direct foreign employees (expatriates) (p. 85)
Ghana	2014 EITI Reports (oil/gas and mining)	Description of legal provisions, employment figures, details on subcontractors and assessment of compliance with provisions	<p>The 2014 EITI Reports include a description of the local content provisions in the petroleum (pp. 27-28) and mining sectors (p. 66). Companies were requested to report on local versus foreign employment and procurement, and the corresponding values of the contracts. The reports comment on whether provisions have been complied with and highlights the challenges related to implementing the provisions.</p> <p>Local content is a key concern for stakeholders in Ghana, and Ghana EITI organised a stakeholder capacity building event on local content in the petroleum sector in 2015.</p>
Guinea	2015 EITI Report	Employment figures	The 2015 EITI Report provides figures on sector employment disaggregated by national and foreign employees (p. 55).
Kazakhstan	2016 EITI Report	Description of legal provisions, purchases of goods and services	<p>The 2016 EITI Report describes the relevant local content provisions affecting the extractive sector, and discloses further details on local content including purchases of goods, works and services (see Annex 9 of the report and Box 2 in this brief). The information is provided by company for each sub-sector (oil/gas and mining).</p> <p>The information on local content disclosure has been disclosed in EITI Reports dating back to 2012.</p>
Liberia	2014/15 EITI Report	Description of legal provisions, employment figures and nationality of sub-contractors	<p>The 2014/2015 EITI Report describes the local content provisions for the petroleum sector (p. 22) and provides figures on sector employment disaggregated by national and foreign employees (Annex 10, p-79).</p> <p>Liberia EITI's beneficial ownership pilot report also distinguished between foreign and national owners/shareholders of oil, gas and mining companies within the scope and their sub-contractors.</p>
Madagascar	2014 EITI Report	Employment figures	The 2014 EITI Report provides figures on sector employment disaggregated by national and foreign employees (p. 89).
Malawi	2014/15 EITI Report	Employment figures	The 2014/15 EITI Report provides figures on sector employment disaggregated by national and foreign employees (Annex 1, p. 76).

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Mali	2015 EITI Report	Contributions by sub-contractors, employment figures	<p>The 2015 EITI Report includes sub-contractors of oil, gas and mining companies in the revenue reconciliation. Sub-contractors report their payments to the national and regional tax authorities and customs. These payments represent about 26% of extractive sector revenues. The payment disclosures do not distinguish between foreign, national or local sub-contractors.</p> <p>The 2015 EITI Report provides figures on sector employment, including by sub-contractors, disaggregated by national (local and non-local) and permanent and non-permanent employees (Annex 3, pp. 93-94).</p>
Mauritania	2015 EITI Report	Employment figures	<p>The 2015 EITI Report provides figures on sector employment disaggregated by national (local and non-local) and foreign employees (Annex 6, p. 116). The data is disaggregated between the types of contracts (permanent and temporary). The report also highlights that 97.7% of employees in the sector are nationals (p. 62).</p>
Mongolia	2015 EITI Report	Employment figures	<p>The 2015 EITI Report provides information on the number of employees working in the mining sector and number of foreign citizens employed in the mining and quarrying sector (pp. 57-58). The 2014 EITI Report explained in further detail the government's process for determining a quota for foreign workers permitted in the country, and explains the actual quota determined in the reporting year.</p>
Mozambique	2013-14 EITI Report	Description of legal provisions, employment figures	<p>The 2015-16 EITI Report briefly refers to the local content regulations applicable to the extractive sector (p. 28). The 2013-14 EITI Report also provided figures on sector employment disaggregated by national, foreign and 'other' employees (Annex 6, p. 116). The report further distinguished between the types of contracts (permanent and temporary).</p>
Nigeria	2015 EITI Reports (oil/gas and solid minerals)	Description of legal provisions, payments to local content fund, employment figures	<p>The 2015 EITI Oil and Gas Report describes the provisions related to local content, and reconciles the levy paid by companies to the Nigerian Content Development and Monitoring Board and the Nigerian Content Intervention Fund (pp. 102-105).</p> <p>The 2015 EITI Solid Minerals Report provides figures on mining sector employment disaggregated by expatriate, national and local employees (p. 48).</p>
Republic of Congo	2015 EITI Report	Description of legal provisions	<p>The 2014 EITI Report briefly mentions local content requirements in its overview of the petroleum sector legislation (p. 41).</p>

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Philippines	2015-16 EITI Report	Employment figures and employment/training opportunities provided for local communities, calculation of indirect effects of mining company expenditure on the economy	<p>The 2015-16 EITI Report discloses details on employment by region, and share to regional employment (p. 86). Further disaggregated figures distinguishing between local and foreign, whether there are indigenous people or not, and the type of contract (regular or contractual) (p. 114-119). The report analyses the figures provided.</p> <p>The report has a dedicated chapter on the indirect impacts of the mining industry on the economy, i.e. “multiplier effects” (expenditure and employment multipliers) of the major mining operations (pp. 87-91). This chapter seeks to capture the effect of the mining industry on national company revenues, improved household income and employment opportunities, based on the reports submitted by mining companies.</p> <p>The MSG has had various discussions related to local content, such as improving disclosures on employment statistics (including considering requesting companies to report on local sub-contractors and goods/service suppliers).</p>
Senegal	2016 EITI Report	Description of legal provisions, employment figures	<p>The 2016 EITI Report describes the local content requirements in the legislation for mining (pp. 41-42) and petroleum (p. 61). The report further provides figures on sector employment disaggregated by national and foreign employees (Annex 5-6, pp. 126-127). The data is disaggregated between the types of contracts (permanent and temporary). The report also highlights that 95% of employees in the sector are nationals (p. 71).</p>
Tanzania	2014/15 EITI Report	Description of policy, employment figures	<p>The 2014/15 EITI Report briefly describes the local content policy for the oil and gas sector and provides a link to the actual document (p. 24). Employment figures are provided by mine and disaggregated by local and expatriate (p. 65).</p> <p>The 2013-15 EITI work plan outlined a planned activity to <u>undertake study on local supply-chain in mining, oil and gas to determine local content potential and gaps, and</u> Tanzania EITI has also considered providing further information on the amount of goods and services procured from local companies in the extractive sector. According to the latest EITI Report, parliamentarians have requested more detailed figures on national versus foreign employment in the oil, gas and mining sectors. Stakeholder consultations during Tanzania’s EITI Validation also highlighted that local content was a priority for the government, and that there were opportunities for TEITI contribute to the debate on whether to include local content provisions in the draft petroleum sector regulations.</p>

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Timor-Leste	2015 EITI Report	Description of local content policy and local commitments by companies	<p>The 2015 EITI Report includes a section outlining the government’s local content policy for oil and gas companies (p. 85). Details on the local commitments by the two petroleum companies operating in the country are reported, which includes company expenditures on training and employment of locals, and amount of local goods and services procured. This information has also been disclosed in previous reports (2012-2014).</p> <p>The EITI 2016 Annual Progress Report also highlights that the MSG has considered EITI recommendations to ensure that the nature and value of in-kind commitments are disclosed (p. 23)</p>
Togo	2015 EITI Report	Description of legal provisions, employment figures	<p>The 2015 EITI Report describes the local content requirements in the legislation for mining (p. 26) and that petroleum contracts contain local content provisions (p. 36). The report further provides figures on sector employment disaggregated by national, non-national and sub-contractors (Annex 2, p. 81). The report also highlights that 91,17% of employees in the sector are nationals (p. 36).</p>
Zambia	2015 EITI Report	Work plan objective related to local content	<p>The 2015 EITI Report does not disclose information relevant to local content, while previous reports covering 2012 and 2013 provided data on foreign and national employment in the mining sector. One of the objectives in Zambia’s EITI beneficial ownership roadmap is to “promoting Zambian citizens’ participation in the monitoring of extractive activities, including local content provisions”.</p> <p>The government is currently developing a local content policy for the mining sector, while the Chamber of Mines (which is represented on the MSG) has an active local content programme.</p>

The EITI (Extractive Industries Transparency Initiative) is a global standard that improves transparency and accountable governance of oil, gas and mineral resources. The standard is implemented by governments, in collaboration with companies and civil society.

Countries implementing the EITI disclose information on issues such as tax payments, licenses, contracts, production and national oil companies.

