



Standardizing Reporting on Local
Procurement to Harness the
Economic Impacts of Mining
Ryerson University – Toronto,
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Emily Nickerson, John Kielty
Mining Shared Value
Engineers Without Borders Canada



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**MINING
SHARED
VALUE**

An Engineers Without Borders Canada Venture

Suppliers are generally the biggest recipients of in-country expenditure from mining companies

In-Country Expenditure by Recipient



“One of the interesting facts in the report is the relative level of payments to suppliers. ... In order to maximize mining’s contribution to diversification through the use of local content” development, we need to focus on how these payments to suppliers can benefit local business more and promote economic development”.

Christopher Sheldon, Practice Manager, Extractive Industries, World Bank

This slide is from a World Gold Council presentation in March 2015



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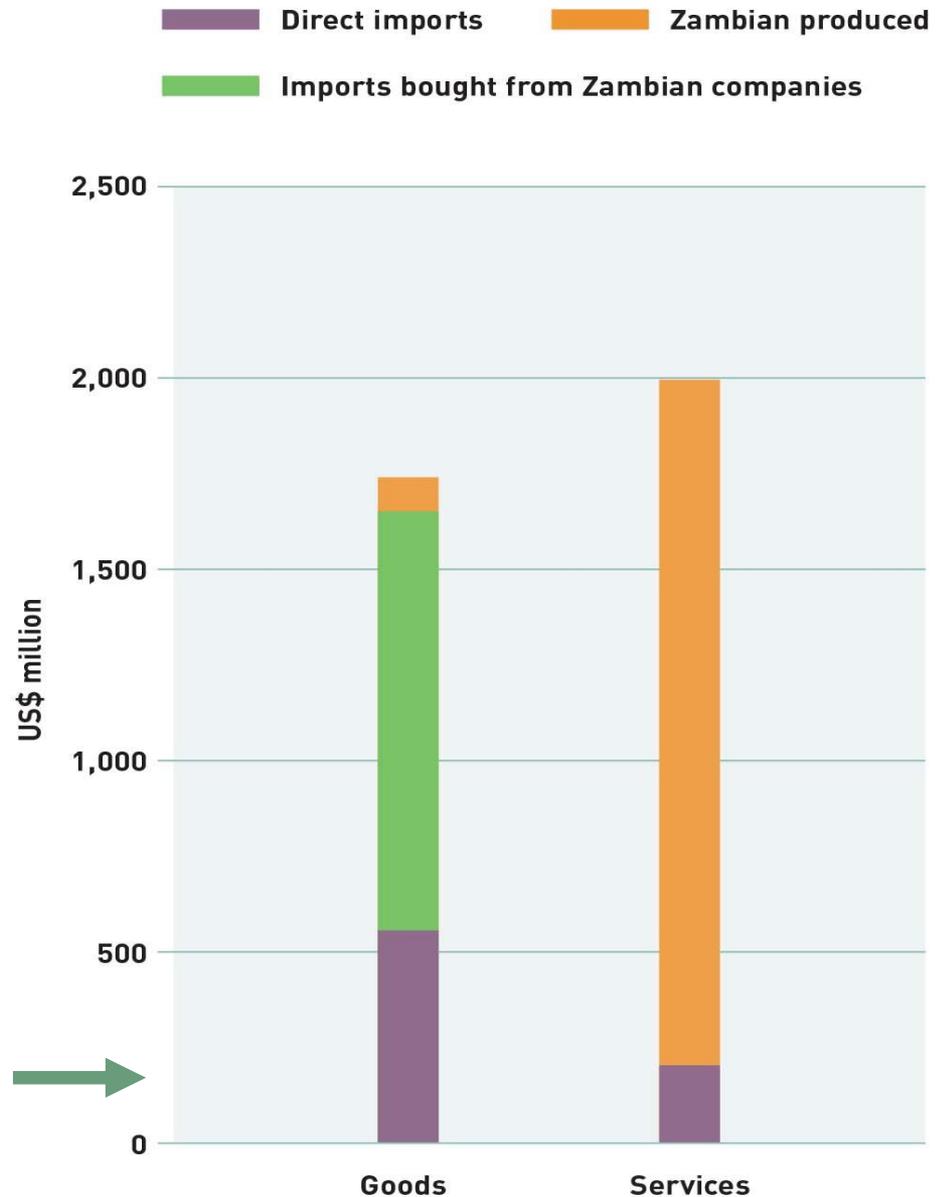
Where is the Data?

- Most mining companies do not typically provide data on their local procurement, especially across different sites.
- Huge progress in revenue transparency and tax payments via EITI, EU Regulations, ESTMA (Canada) that should be applauded.
- ***But no corresponding increase in reporting when it comes to local procurement of goods and services especially at the site level.***

A 2014 Chamber of Mines and ICMM study focused on mining in Zambia, shows most “local” procurement of goods is actually going to imported goods resold by domestic suppliers (over 90%), not goods *produced* in Zambia

Chamber of Mines of Zambia and International Council on Mining and Metals (ICMM). “Enhancing Mining's Contribution to the Zambian Economy and Society.” *Mining: partnerships for Development Spotlight Series* (May 2014) London, p.5

Figure 3: Mining company procurement (2012)



Source: Company data, OPM's calculations and Kasanga 2012.



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Reporting Matters

- Inspires / guides action by Zambian government, manufacturers, and UK DFID
 - Correctly identified goods, not services as the big opportunity
 - Manufacturers expo and trade show in Zambia targeting mining industry buyers, with involvement of Zambian government
 - Launch of Zam2b.com supplier portal to connect suppliers and buyers
 - DFID support PEP-Zambia, which runs Zam2b.com and other private enterprise initiatives

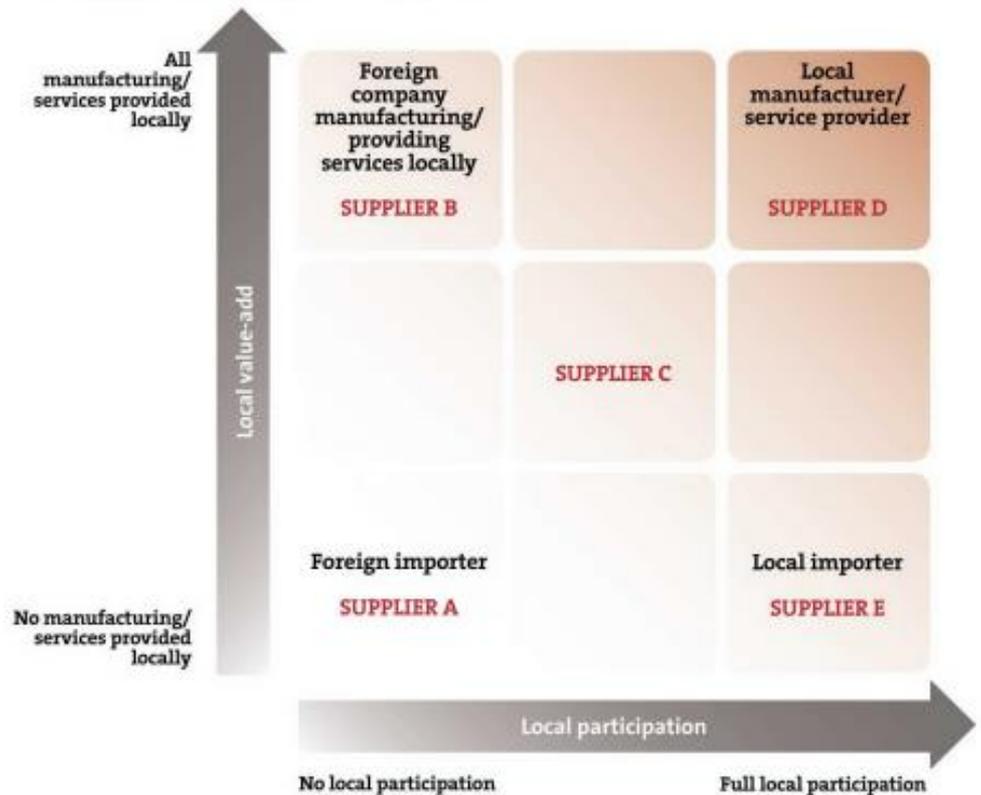


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Reporting Matters

- Existing international reporting frameworks lack the necessary detail to support and manage effective local procurement.
- Opportunity to create minimum requirements

FRAMEWORK FOR CATEGORISING SUPPLIERS



Reprinted from World Bank and Kaiser Economic Development Partners. *A practical guide to increasing mining local procurement in West* (2015), p.24

Procurement of goods and services is usually the largest single spend of any mining site – more than taxes, payments to employees and community investment *combined*

Why then are we all using different and conflicting language and systems to talk about mining's single biggest potential lever for development?

giz

Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH



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A Standardized Reporting Initiative

- Working with GIZ to create common reporting system for all global mine sites to report on local procurement.
- Will set minimum for what information should be reported by mines, allowing for:
 - Comparability between sites
 - Stakeholders using the same language
- More information allows for increased: collaboration between stakeholders, informed regulations, opportunity to strengthen social licence to operate.

Spend Family	Total		In Country			National			Southgobi		
	Total Spend Budget, m\$	Total Spend YTD, m\$	Target, %	Spend YTD, %	Spend YTD, m\$	Target, %	Spend YTD, %	Spend YTD, m\$	Target, m\$	Spend YTD, m\$	Spend YTD, %
Construction	\$ 14.2	\$ 0.5	93%	96%	\$ 0.5	71%	78%	\$ 0.4	\$ 0.1	\$ 0.0	3%
Fuel and Lubricants	\$ 71.1	\$ 5.7	100%	100%	\$ 5.7	100%	100%	\$ 5.7	\$ 0.2	\$ 0.0	0%
Fixed Plants & Equipment	\$ 72.9	\$ 4.3	25%	14%	\$ 0.6	2%	0%	\$ 0.0	\$ 0.0	\$ 0.0	0%
Logistics	\$ 27.5	\$ 1.5	97%	99%	\$ 1.5	97%	98%	\$ 1.5	\$ 18.2	\$ 1.0	63%
Mobile Equipment	\$ 116.1	\$ 5.0	98%	99%	\$ 5.0	33%	17%	\$ 0.8	\$ 17.9	\$ 0.5	11%
Repairs and Consumables	\$ 63.5	\$ 5.0	86%	73%	\$ 3.7	64%	48%	\$ 2.4	\$ 6.5	\$ 0.5	9%
Production Consumables	\$ 47.0	\$ 2.0	99%	91%	\$ 1.9	95%	89%	\$ 1.8	\$ 20.0	\$ 0.0	1%
Services	\$ 163.7	\$ 11.3	83%	72%	\$ 8.1	63%	64%	\$ 7.2	\$ 12.4	\$ 0.5	4%
Total	\$ 576.0	\$ 35.4	81%	76%	\$ 26.9	57%	56%	\$ 19.9	\$ 75.3	\$ 2.5	7%

2016 Oyu Tolgoi National Spend Report (Mongolia)

<http://ot.mn/spend-report-en/>



Positive Outcomes

- Economic Benefit Sharing & Community Expectations
 - Local procurement, local hiring, capacity building, community investment
 - Non-financial priorities
- Business Case
 - SLO
 - Costs
- Corporate Strategies and practices
 - Internalization
 - Bridging the gap



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Pilot



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Industry Insights

Ongoing Issues

- Flexibility
- Definition of local
- Sensitive financial data
- Depth of information
- Reporting burden
- Women Owned Business
- Volume of local procurement
- Fronting
- Global contracts
- Achieving buy in
- Sustainability
- Relationship with community relations
- Starting small
- Community investments
- Intensive hands on engagement
- Early stage cash issues
- Developing and developing contexts



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Next Steps

- Next draft of the reporting framework (December 2017)
- Steering Committee review (December to January 2017)
- Mali Pilot (January 2017)
- Indaba (Feb 2017) - sharing some final indicators
- PDAC (March 2017) - launch of final reporting framework
- Ongoing consultation with industry stakeholders
- Phase 2 - Engaging Companies, governments, mining associations and international organizations



Email: emilynickerson@ewb.ca
johnkielty@ewb.ca

MSV Website: miningsharedvalue.com

EWB Canada Website: ewb.ca

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