



USAID
FROM THE AMERICAN PEOPLE

SPEED
For a Better Business
Environment

Assessing Policy Options for Strengthening Local Content in Mozambique: What it means for business

ACIS Business Link Conference

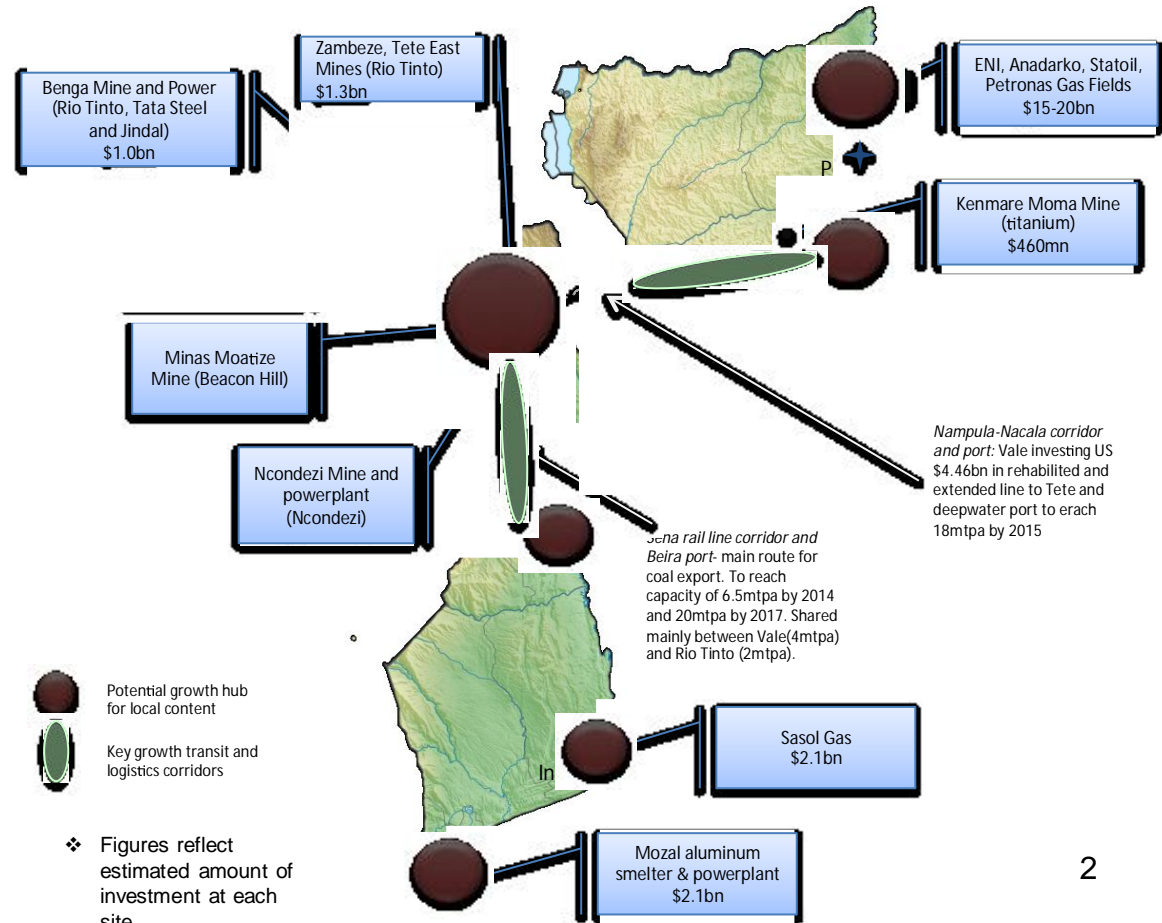
Zachary A. Kaplan, DAI

October 17, 2013



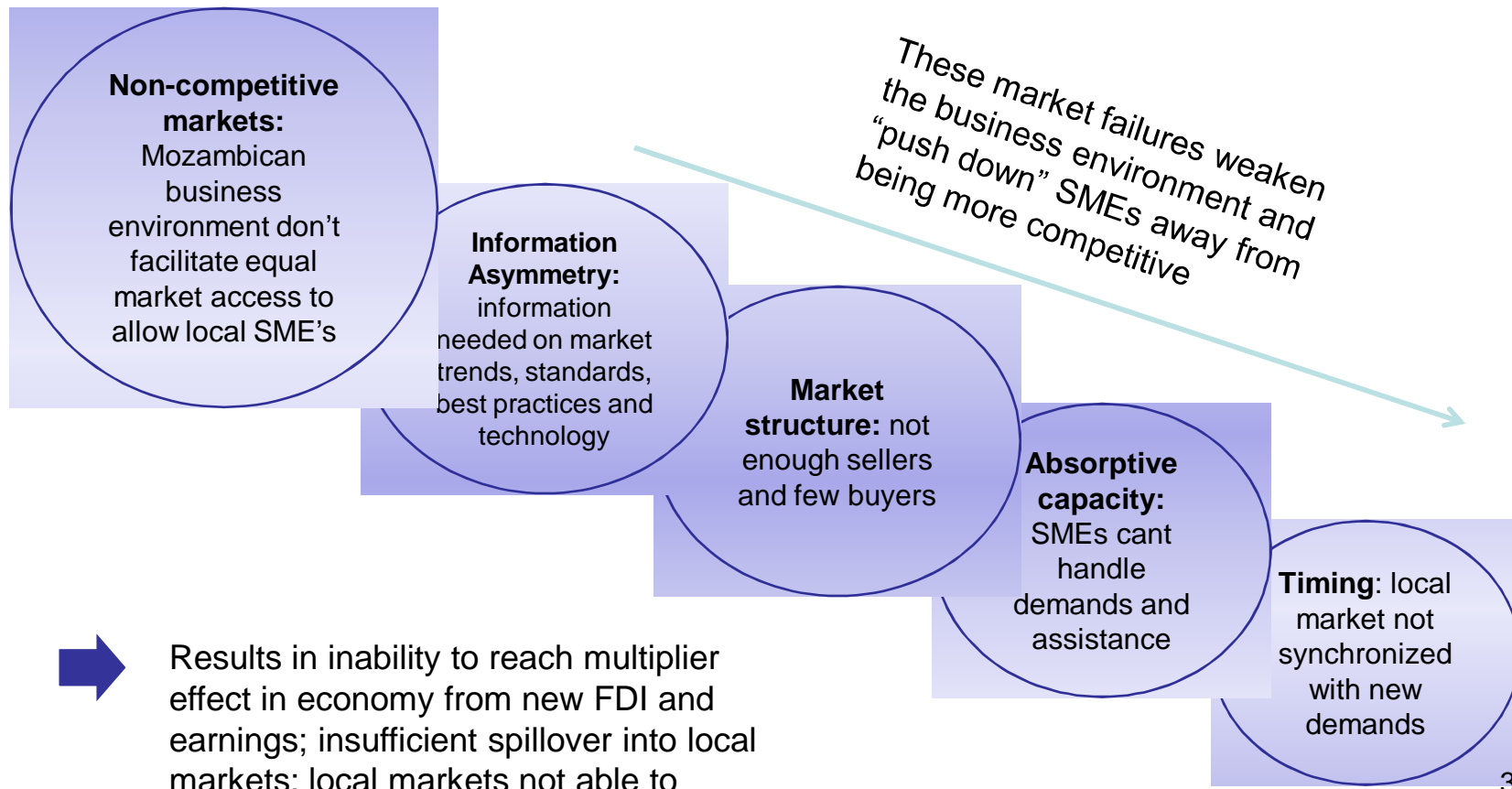
Large investments in infrastructure and services in the extractive sector is opening up new markets for local SMEs

- Potential size of new end market generated from these investments is around US\$20-35bn in next 5-10 years
- Already at least US\$5-6bn has been spent in Mozambique





What are some of the key issues LC will try to address?



Results in inability to reach multiplier effect in economy from new FDI and earnings; insufficient spillover into local markets; local markets not able to leverage new opportunity to increase competitiveness

Other country experience with local content can inform Mozambique's action

The Government will look to others to learn from their experiences....

	Nigeria	Ghana	South Africa	Trinidad and Tobago
Policy Instrument	Nigerian Oil and Gas Industry Content Development Bill, 2010	Local Content and Local Participation in Petroleum Activities Policy, 2010; legislation pending, 2013	Broad based socio-economic Charter for the South African Mining and Minerals industry, amended 2011	National Policy Guidelines for the Utilization of Local Goods and Services for Government and Government related projects, 2004
Local price margin	Yes, within 10%	Yes, within 10%	BEE specific targets	No
Tender requirements	Nigerian content plan Employment plan	Employment and training plan within 12 months of license	Employment and training plan 4 year period	Encourages J/Vs; creation of Local Content Chamber;
Distinguishing features	Highly prescriptive by sector and good; requires significant growth of institutions; development Fund	Process started with a Policy before law; sets vision; designs development Fund	Guidelines on how to calculate local content; highly complex system of procurement and enforcement;	Limited to Policy; establishment of Local Content Chamber; use of J/Vs to transfer skills and technology



Recommended Option

Option 3- Establish a Local Content Policy Framework

Principles of the Policy for Local Content

- ✧ Set clear vision, strategy and approach for local content
- ✧ Transparency and information sharing, public and private
- ✧ Focus on jobs not definitions of business ownership
- ✧ Partnership between public and private sectors
- ✧ Alignment- target sectors that have greatest commercial appeal to extractive sector consumption to maximize sustainability
- ✧ Require local content procurement and employment plans
- ✧ Incentive-based rather than regulatory based
- ✧ Strengthen entire business environment

Key Content

- ✓ Local Content Procurement Plans
- ✓ Local employment plans and targets
- ✓ Full disclosure and open bidding
- ✓ 3rd Party Local Content Center of Excellence (funded by special development fund)
- ✓ M&E strategy based on strong quantitative information to track progress
- ✓ Incentives for investors (i.e. tax)



USAID
FROM THE AMERICAN PEOPLE

SPEED
For a Better Business
Environment

Principles of engagement for private sector

- Be proactive: lead rather than follow
- Form partnerships: with public sector and amongst private sector
- Pool resources and target focus sectors
- Strive to meet industry standards and ratings
- Help shape policy moving forward
- Engage civil society



USAID
FROM THE AMERICAN PEOPLE

SPEED
For a Better Business
Environment

Thank you

Zachary_Kaplan@dai.com