

Local Content: Strategic Options for Mozambique

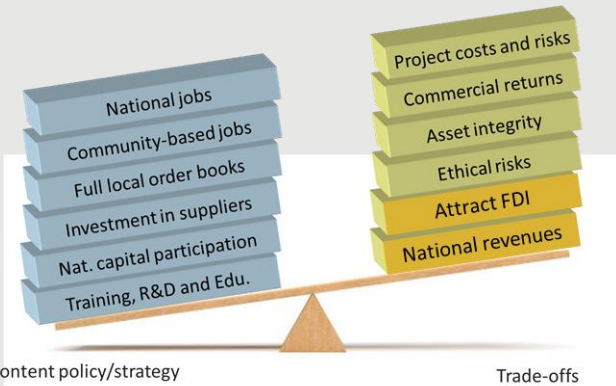
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Local Content Optimization...The search for “Fit-For-Purpose”:

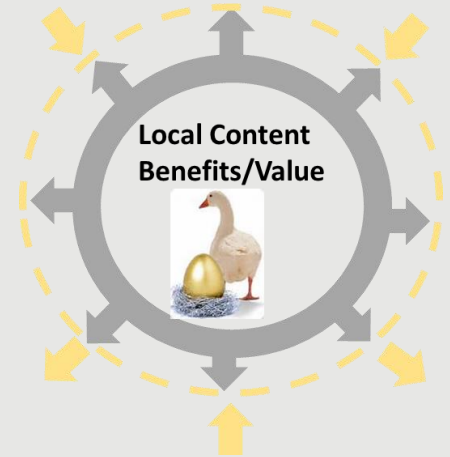
Local Content Trade-offs



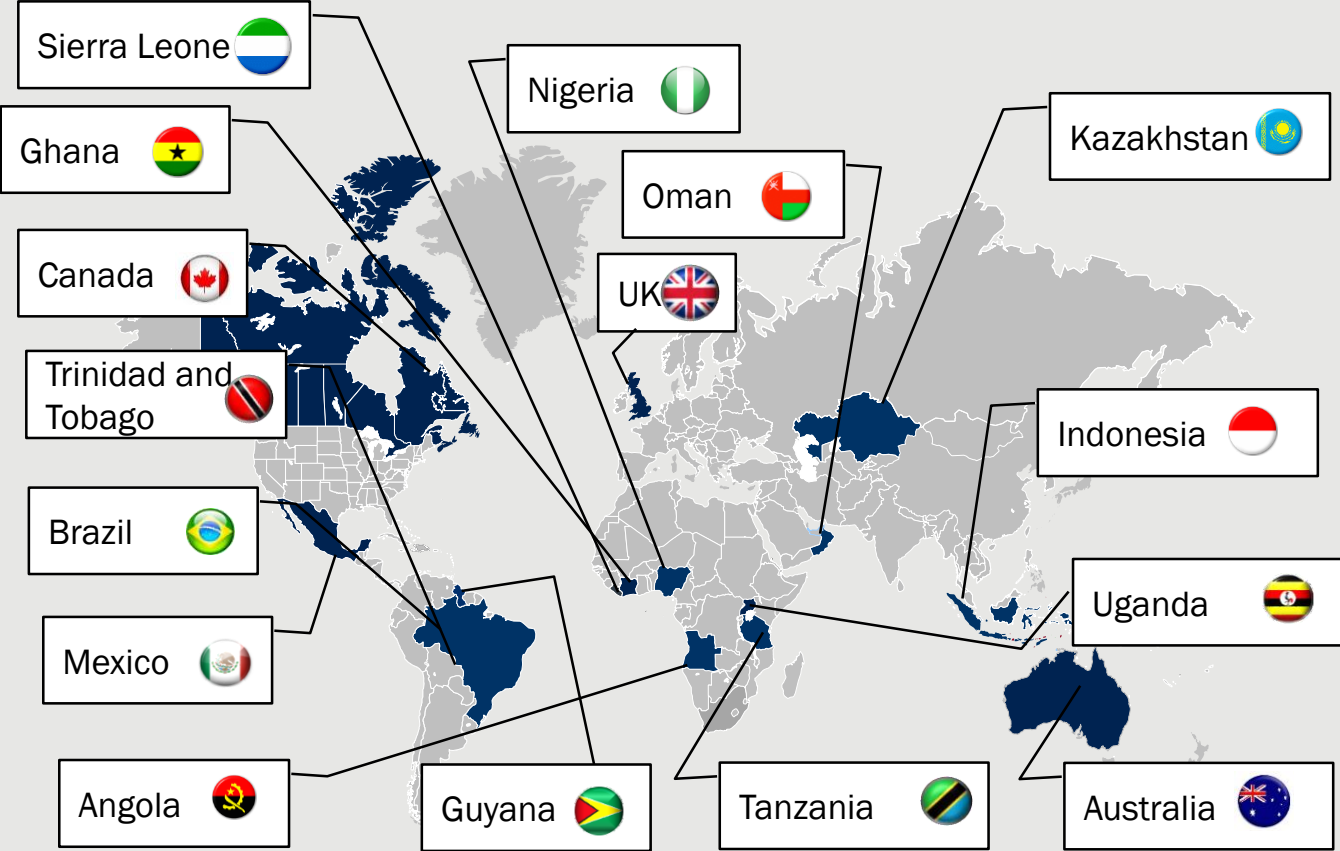
What is truly my purpose?

- What is the projected demand?
- How much LC is possible today ...and in 10 years?
- How big are the supply/demand gaps?
- Where are the biggest opportunities?
- What sectors to prioritize and not to prioritize?
- What aspect of LC delivers most actual value to economy?
- How to maximize ROI on investment in LC

Fit-for-Purpose



Governments are busy re-thinking their Local Content Policy and Regulations



Trend 1 – More Stringent Regulations

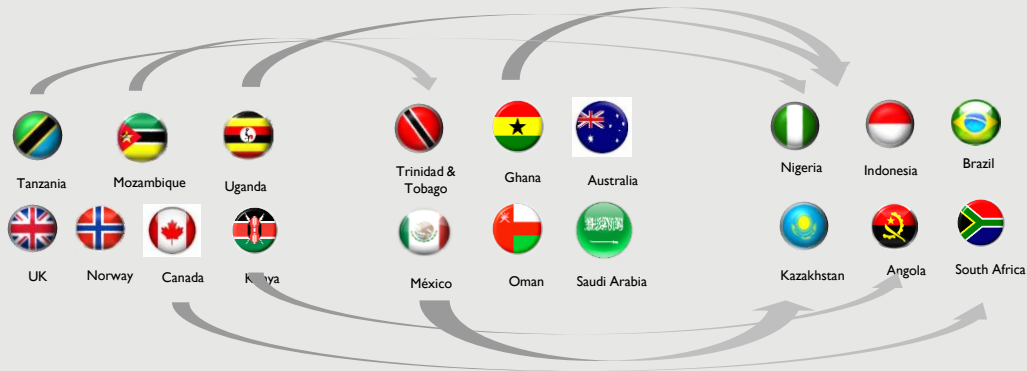
Promoting

Encouraging

Assertive

2010

2016



New Trends:

1. Fit-for-Purpose Regulations

2. Multiple Sectors

Promoting



Tanzania



Kenya



Uganda



UK



Norway



Trinidad & Tobago

Encouraging

Sierra Leone

- Multi-sector
- Realistic targets



Ghana



Mexico

Complex reporting method > simplified



Oman

- Leverage tenders via voluntary standards
- Mandatory reporting
- Multiple sectors

Assertive

Nigeria

- Workarounds for excessive targets
- Reform in the policy pipeline



Indonesia



Brazil



Kazakhstan



Angola



South Africa

4 Key Local Content Policy and Regulatory Considerations for Mozambique

Optimization

Growth & Diversification



Data & Analytics

Competitiveness

Local Content as a driver of competitiveness to stimulate growth and economic diversification across the economy

Increase in Competitiveness from Local to Global

Local Content in Oil & Gas drives competitiveness of local firms/supply chains

Oil & Gas Supply Chain, Skills and Assets



Competitiveness spill-over into broader economy

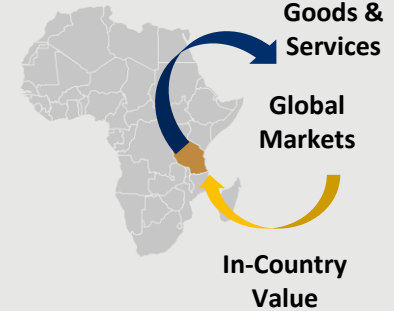
Transferable Supply Chains, Skills and Assets



Competitiveness drives development of other sectors

- Manufacturing
- Healthcare
- Tourism & Hospitality
- Fisheries
- Agriculture
- Mining
- Transport & Logistics

Competitiveness drives FDI and Export



Improvement in Business Enabling Environment & Investment Climate

Data & Analytics is increasingly being used to support various aspects of Local Content

Understanding Demand

Greater efforts to understand demand at a project, industry, economy and regional/global level

Understanding Supplier Capabilities and Competitiveness

Greater sophistication in assessing supplier markets from technical capability to holistic competitiveness

Policy and Program Design

Using data to inform the design of fit-for-purpose high impact policies and programs

Tracking Performance and Impact

Growing trends in using data to set realistic targets, refine metrics and simplify calculation methodologies while increasing accuracy

Forecasting and Decision-Making

Using data to model different local content scenarios and make informed decisions based on ROI



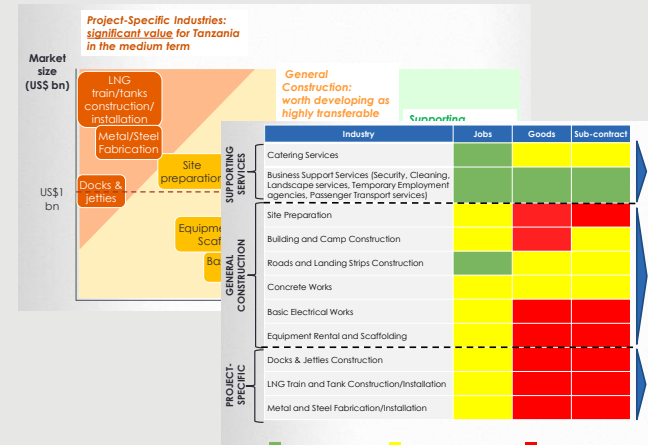
Assessing the Workforce

More robust labor market data to understand skills availability and gaps

Where do we stand?

Industrial baseline analysis: comprehensive forecasting of the capability of local vendors to meet demand across an entire project or operation:

- Estimate anticipated project spend, the “demand,” for all goods and services
- Assess local suppliers capabilities
- Develop detailed forecasting of Local Content % for jobs, goods and services against demand
- Prioritize/rank based on results



How to get to Fit-For-Purpose Local Content?



How does Local Content Policy in Petroleum weigh against other public policy priorities?

Is there clarity over Policy Priorities?


| Local Content in Petroleum | Local Content in all sectors | National Revenues from Petroleum | Attractive to Inward investment in Petroleum |
|---|---|----------------------------------|--|
| Leveraging Petroleum for wider Economic Transformation and Growth | Avoid Dutch Disease (Exchange Rate and Resource Movement effects) | 'Optical' considerations | others |

Where is the emphasis of Local Content strategy in Petroleum sector over time and across themes?

Is there clarity over Local Content Strategy?

| | Nationals in the Workforce and Training | Sourcing from Local Suppliers and retaining value from Goods and Services | Investment in Productive Assets (infrastructure, plants and equipment) | Investment in national institutions (TVET, education, R&D) |
|--------------------------------|---|---|--|--|
| Shorter-term Participation | | | | |
| Longer-term Development | | | | |
| Interaction with other sectors | | | | |

Has a clear understanding policy priorities and Local Content strategy informed the choice and timing of policy, legal and regulatory ‘instruments’?

| Policy, Legal and Regulatory Instrument Options | |
|--|---|
| Dedicated Local Content Primary Legislation for Petroleum |  |
| Dedicated Local Content Primary Legislation multi-sectors |  |
| Local Content provisions within a broader Petroleum Act, Directive |  |
| Local Content Negotiated Agreements |  |
| Dedicated Local Content Regulation |  |
| Official Guidance |  |
| Local Content Policy and Concession Agreement |  |
| Local Content Policy with detailed implementation plan/strategy | |
| Local Content policy and vision |  |

Is there clarity on the choice of 'tools' for Local Content policy delivery?

Demand/Supply Data and Analytics

- Strategic opportunities for local suppliers
- Strategic opportunities for value retention and sustainability
- Strategic opportunities for local skills development

Local Content Plans and Measurement

- Project level vs Project phase vs Primary Contracts
- Performance metrics and clear and unambiguous definitions

Procurement

- Local supplier registration and qualification assessment system
- Contracting Strategy – standard procedures vs principles
- Contract tendering to leverage local content – procedures vs principles
- Local supplier preferences vs first consideration vs full and fair
- Local supplier procurement notification process

Workforce

- Local hiring preferences vs first consideration vs full and fair

Training

- Government role in training and education of Nationals
- Company training of Nationals: off-site/on-the-job - sub-plans vs principles
- Internships, apprenticeships and scholarships

Is there clarity on the choice of 'tools' for Local Content policy delivery?

Strategic Investments and Programs

- Enterprise Development Centres vs Supplier Development Programs
- Investments in Vocational and Tertiary Education
- Investments in Local R&D
- Technology Transfer Programs

Productive Assets

- Public/Private investments in Productive Assets
- Up/Mid/Down-Stream
- Integration with other sectors

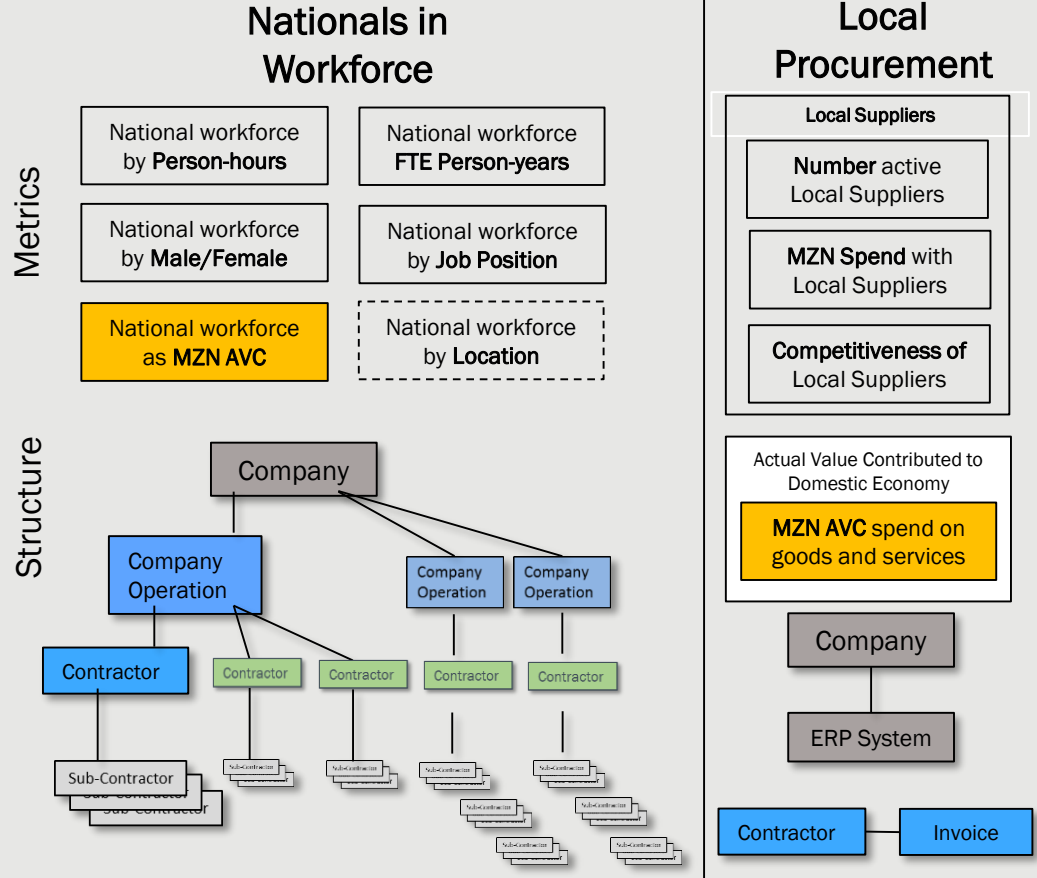
Monitoring and Reporting

- Metrics and Definitions – policy-aligned, clear and unambiguous
- Targets and Scorecards – principles vs numbers
- Reporting mechanism - manual vs on-line
- Economic value retention

Incentives

- Fast-track visa schemes
- Fiscal and tax incentive schemes
- Cost recovery eligibility rules
- Local supplier financing funds
- Local Content rewards schemes

Is there clarity on the metrics that will be used to measure performance against compliance requirements and policy goals?



Thank you!

SPEED+

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