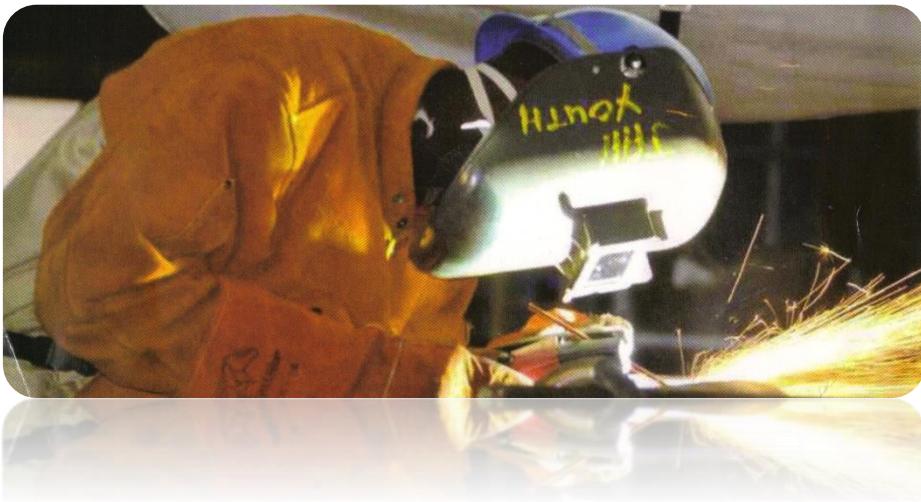




## DAI Local Content Masterclass

12<sup>th</sup> – 14<sup>th</sup> August 2019

St. John's  
Newfoundland



# Day 3 Program

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DAY 3		Local Supplier Development and Local Content/Benefits Reporting
9:00 – 9:30am		Local Supplier Registration and Pre-Qualification
9:30 – 10:00am		Writing a Winning Bid as a Local Supplier
10:00 – 10:30am		Local Supplier Development Programs and EDCs
10:30 – 11:00am		Coffee
11:00 – 12:30pm		Exercise #8: Designing Local Supplier Program/EDC
12:30 – 1:00pm		Exercise #8: Group Pitches and Debrief
1:00 – 2:00pm		Lunch
2:00 – 3:15pm		Local Content/Benefits Reporting and Metrics
3:15 – 3:30pm		Coffee
3:30 – 4:45pm		Exercise #9: Local Content/Benefits Performance Reporting
4:45 – 5:00pm		Wrap Up

# DAI Local Content Masterclass - Course Map

## DAY 1 Local Content Policy, Regulation and Plans

Definitions

Policy and  
Regulation

Stakeholder  
Dialogue

Policy Trade-  
offs

Local Content  
Plans

## DAY 2 Local Content Forecasts and Procurement

Industrial Baseline  
Studies

Local Content  
Forecasting

Contracting  
Strategy

Major Contract  
Tendering

## DAY 3 Local Supplier Development and Local Content Reporting

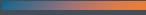
Registration and  
Pre-Qualification

Writing a  
Winning Bid

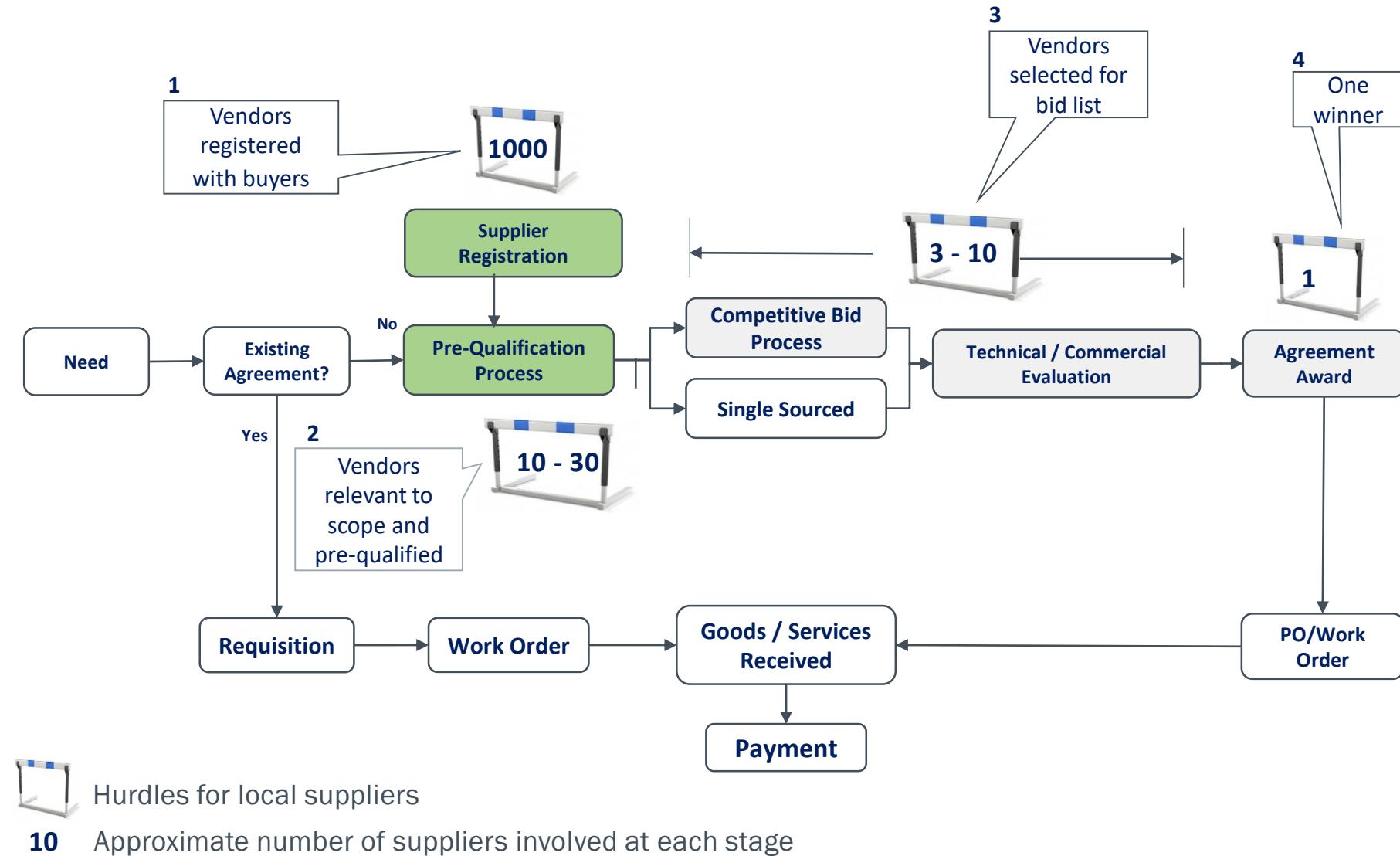
Local Supplier  
Development and EDCs

Reporting and  
Metrics

# Supplier Registration and Pre-Qualification



# Hurdles for Local Suppliers to Win Work



Hurdles for local suppliers



10 Approximate number of suppliers involved at each stage

# What Makes a Successful Local Supplier

---

Not every local supplier will win work. Operator and primary contractors will award contracts to local suppliers and contractors that align with the project objectives.

They will be looking for:

- **Safety and Health:** protect the safety and health of personnel involved in the Project, and achieve zero Lost-Time Incidents
- **Environmental Compliance:** Comply fully with applicable laws, rules, regulations and guidelines on environmental protection
- **Assure Quality:** processes for product manufacturing and service delivery are consistent with best international petroleum industry practices and standards
- **Anti Bribery and Anti-Corruption:** consistency with operator's obligations
- **Control Cost:** contribute to optimizing its costs and maximizing project revenues
- **Vendor Performance:** adhere to recognized business standards for qualifying, bidding and delivering work for operator and contractors
- **Schedule Completion:** contribute to the project staying on schedule
- **Local Content:** support for local jobs and supplier development

# Supplier Registration

Vs

# Supplier Pre-Qualification

## SUPPLIER REGISTRATION (Basic information)

- Company details, including ownership
- Commercial/financial details
- (possible) listing of services and goods provided

## SUPPLIER PRE-QUALIFICATION (Assessment of capabilities and capacity for forthcoming scope/scopes of work)

- Workforce capabilities
- Company track record and experience
- Details of services and goods provided
- Quality management
- Safety and Health management
- Environmental management
- Security management
- Bribery and Corruption due diligence

# Common Supplier Registration Information

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## COMPANY DETAILS

- Company trading name and address
- Company Phone, Web-site, Internet
- Company tax number
- Country of legal registration/incorporation and number
- Organisational structure and ownership (eg 51% local ownership)

## COMMERCIAL DETAILS

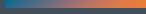
- Share **ownership** and associated proportions
- Audited **accounts** for last 2 years\*
- Annual **turnover** for last 2 years (USD\$)\*
- Name and address of company **bank account**
- List the types, value (USD\$) and provider of **insurance cover** for company and its services/products, and name of insurers
- Insurance claims gone to **litigation** in the last 5 years or any claims outstanding\*

\* may change due to buyer requirements

## GOODS AND SERVICES

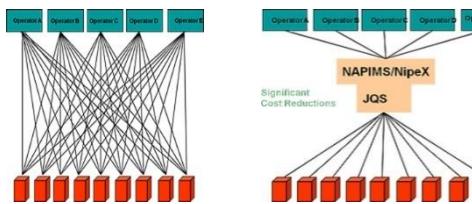
- Generalised listing of goods and services to enable a ‘search’ by buyers

# On-line Portals and Systems for Supplier Registration and Pre-Qualification



# Online Supplier Registration & Pre-Qual Systems

- Creates a **single window** system for the suppliers to be validated and registered in a common pool of oil and gas supplier base
- Eliminates need for suppliers to register separately with each oil/gas operator



## Nigeria - NipeX Joint Qualification System (NJQS)

- used by oil and gas industry buyers to identify and select suppliers
- replaces the need for repetitive internally approved vendor lists
- eliminates duplication of prequalification

## Oman: Joint Supplier Registration System (JSRS)

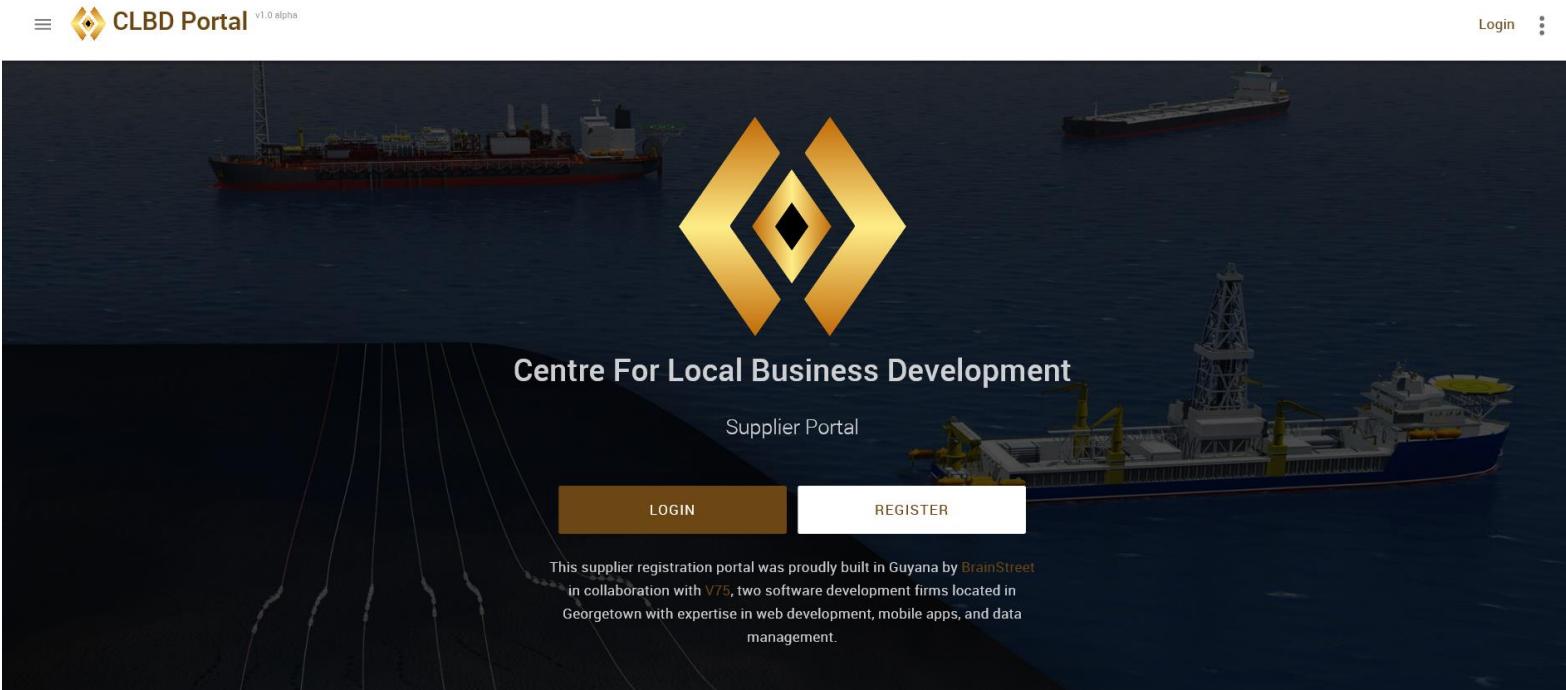
- Bring all credible Omani Companies (SMEs and Large) into one common B2B Platform

**FPAL:** Supplier Registration

**Achilles:** Supply Pre-Qualification

**CLBD Supplier Registration Portal (SRP)** Supplier Registration, Guyana, managed by DAI

# Centre for Local Business Development Supplier Registration System



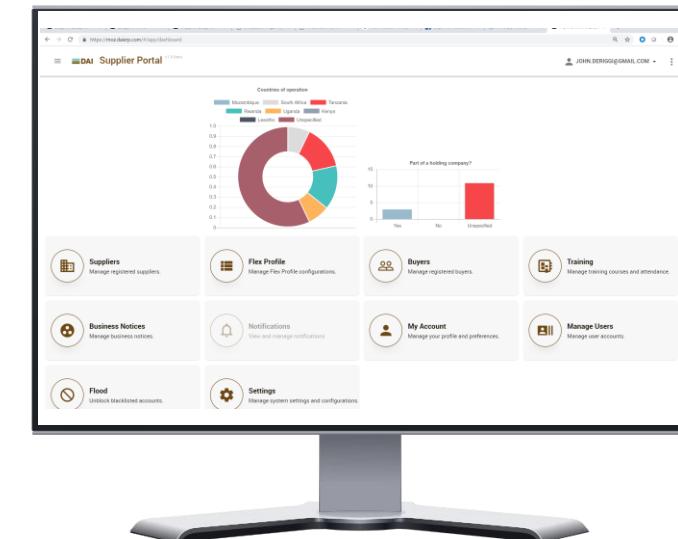
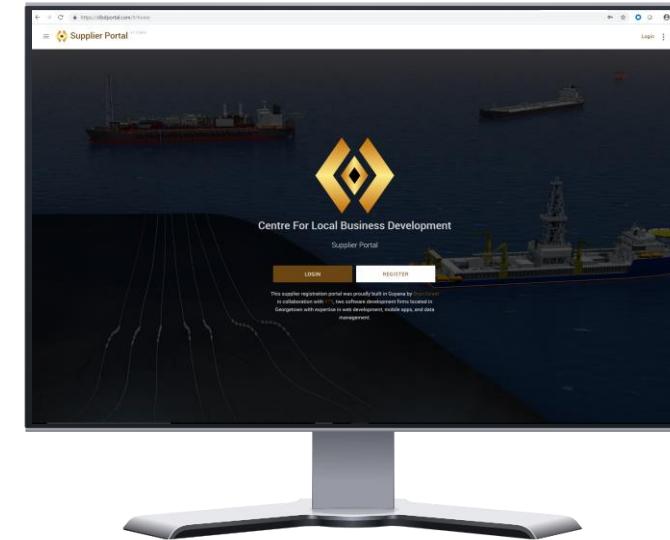
# SRP in Guyana

**CLBD Supplier Portal** Is the primary digital information management system for the Enterprise Development Centre in Guyana

**Over 2,000** Suppliers in the system as of October 26<sup>th</sup> 2018

**Extended reach to disconnected users** Text messages sent directly from the portal to users' phones through SMS

**Automated analytical reporting** The system saves time for analyst users by producing charts directly from the data



# SRP provides balance to problems stemming from asymmetric information

**PROBLEM:** Traditional supplier registration systems focus entirely on providing value to buyers.

## **BRINGING BALANCE WITH INFORMATION:**

If the SRP serves also to bring a balance to the natural asymmetric information problem in most international buyer - local supplier dynamics, then:

- Enterprise development programs and government entities will have an easier pathway towards building trust with the SME community
- Local suppliers will get better deals
- Supplier participation in business development programs will be more authentic



Vietnam: Enhancing Enterprise Competitiveness and SME Linkages

*Lessons from international and national experience*

Trade and Competitiveness Global Practice  
The World Bank Group

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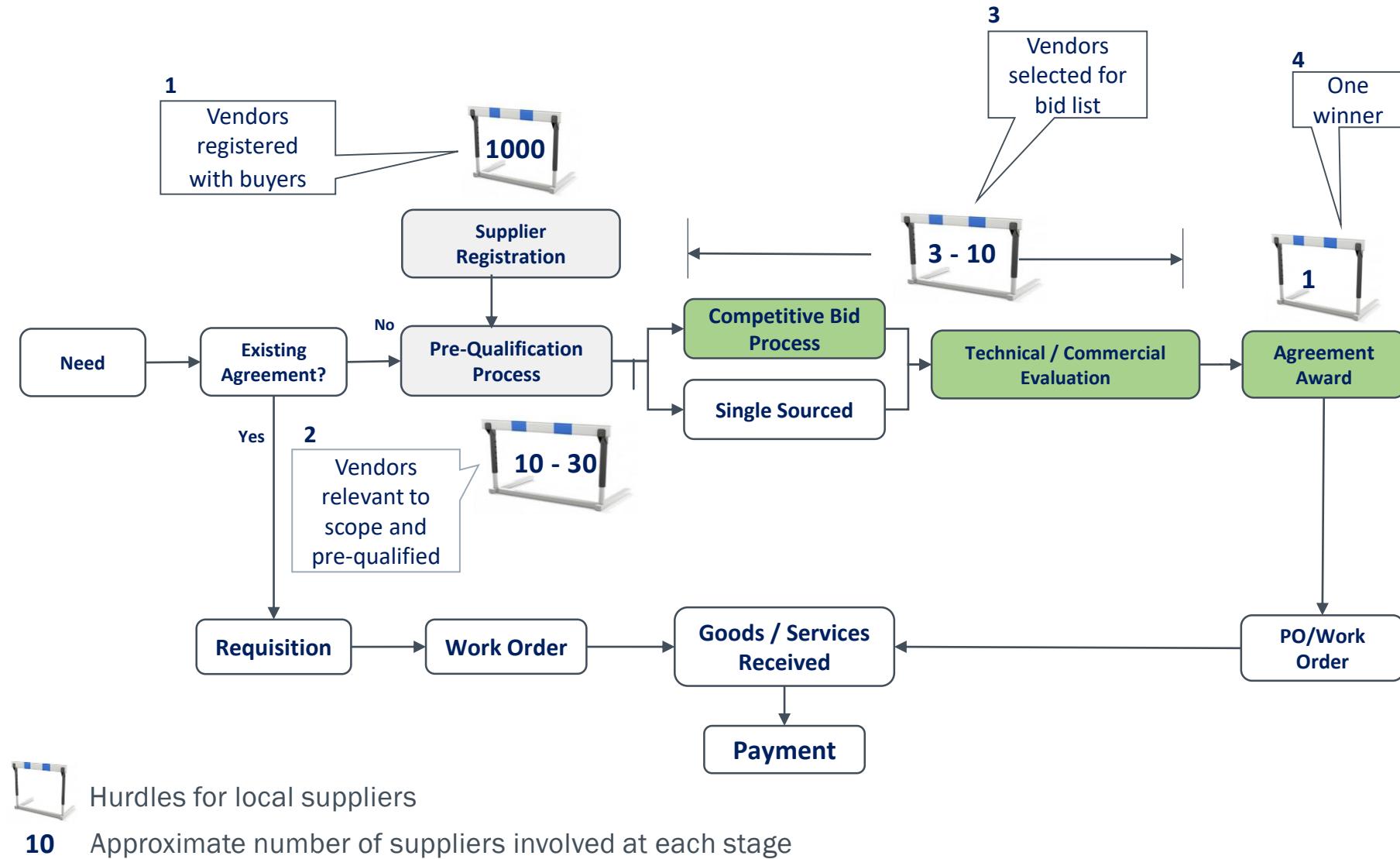
Writing a  
Winning Bid

Local Supplier  
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# Writing a Winning Bid as a Local Supplier

# Hurdles for Local Suppliers to Win Work



Hurdles for local suppliers

10

Approximate number of suppliers involved at each stage

# Key Success Factors in Writing a Winning Bid:

## Strategic

---

- Learn all you can about how the buyer will **evaluate the bid**
  - Pass/Fail minimums
  - Applicable regulatory requirements
  - Weightings for different aspects of the tender
  - Approach to combining technical and commercial evaluation
- Modify your **internal data systems** so that you have the information to hand to rapidly respond to tender questions
  - What research do you quickly need to undertake
- Understand the **main strategic drivers** behind this contract for the buyer:
  - Price vs Quality
  - Schedule vs Price
  - Local Content targets
- Consider strengthening your bid through **alliances/consortia**
- Think: what will make our bid **stand out** from the crowd
  - Give you a higher technical score
  - Provide the buyer with an ‘alternative’ proposal
  - Beat your competitors in high scoring parts of bid



# Key Success Factors in Writing a Winning Bid:

*Tactical*

---

- **Submit exactly what is requested,**
  - if unsure of requirements request clarification
- **Read the instructions** VERY carefully
  - follow the given structure of the bid
  - identify key deliverables required in the bid
- **Provide a clear, unambiguous, base offer**
  - then consider additional options that deliver “best total value”, e.g. delivery, installation, maintenance, volume discounts
  - ...and show that you are willing to have “skin in the game”
- Avoid taking exception to buyer’s **Terms and Conditions:**
  - resistance to buyers standard terms is often unnecessary
  - ...only do this if the terms are genuinely a concern to material business interests



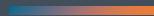
# Lessons from Local Suppliers in Guyana on winning work



- Get ahead of the game by assessing your internal capabilities and capacity against typical pre-qualification criteria in the industry, and upgrade as needed ahead of tenders
- Investigate financing options to upgrade: working capital, debt, equity, guarantees
- Gaps in adequacy of management procedures and systems may not necessarily preclude a supplier from acting as a sub-contractor 'if' they can find a partner (eg international contractor) who will lead the bid and has certified management systems applied to the local supplier
- Many management systems can be put in place fairly rapidly (weeks/months, not years):
  - Grievance procedures
  - Policies and procedures to manage and record health and safety issues
- Capacity is often overlooked. Buyers often seek a single, local, reliable supplier able to meet the volume of demand for a product or service



# Local Supplier Development & Enterprise Development Centres (EDCs)



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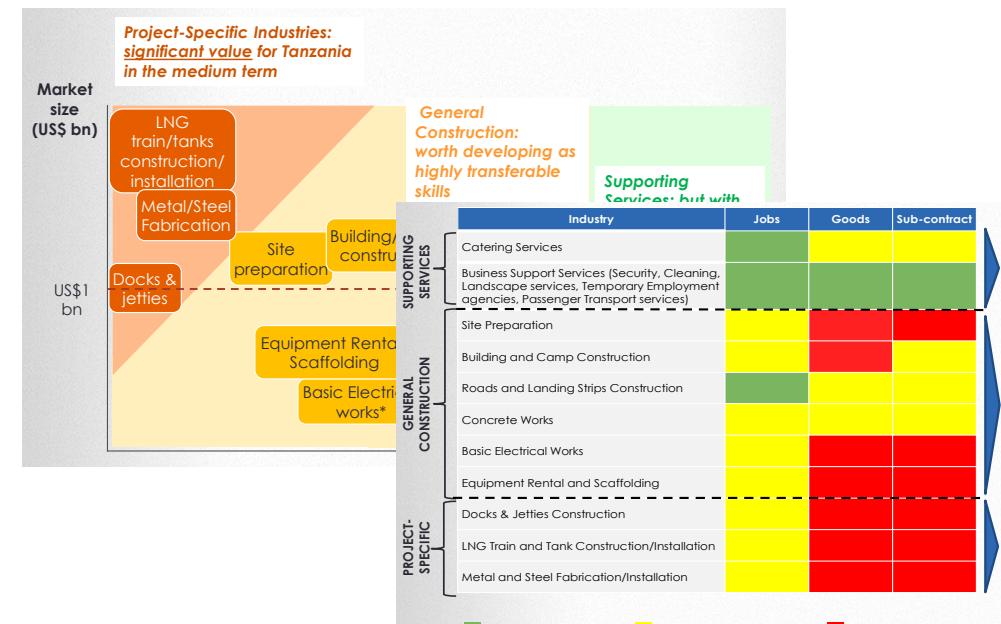
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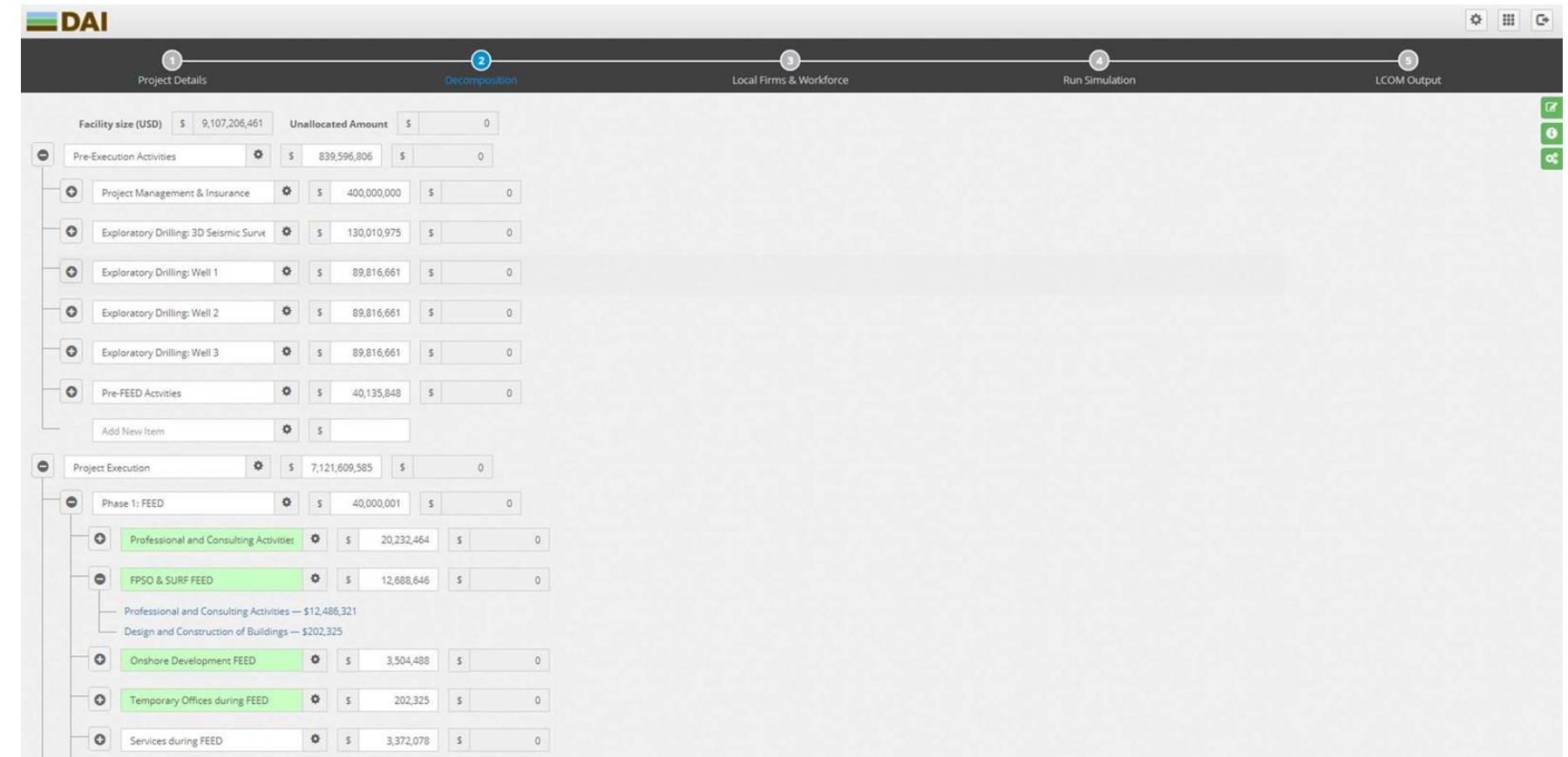
# Starts with Assessing the Local Supply Base

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

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



# Breaking Down the Demand



# Supplier Readiness Determination

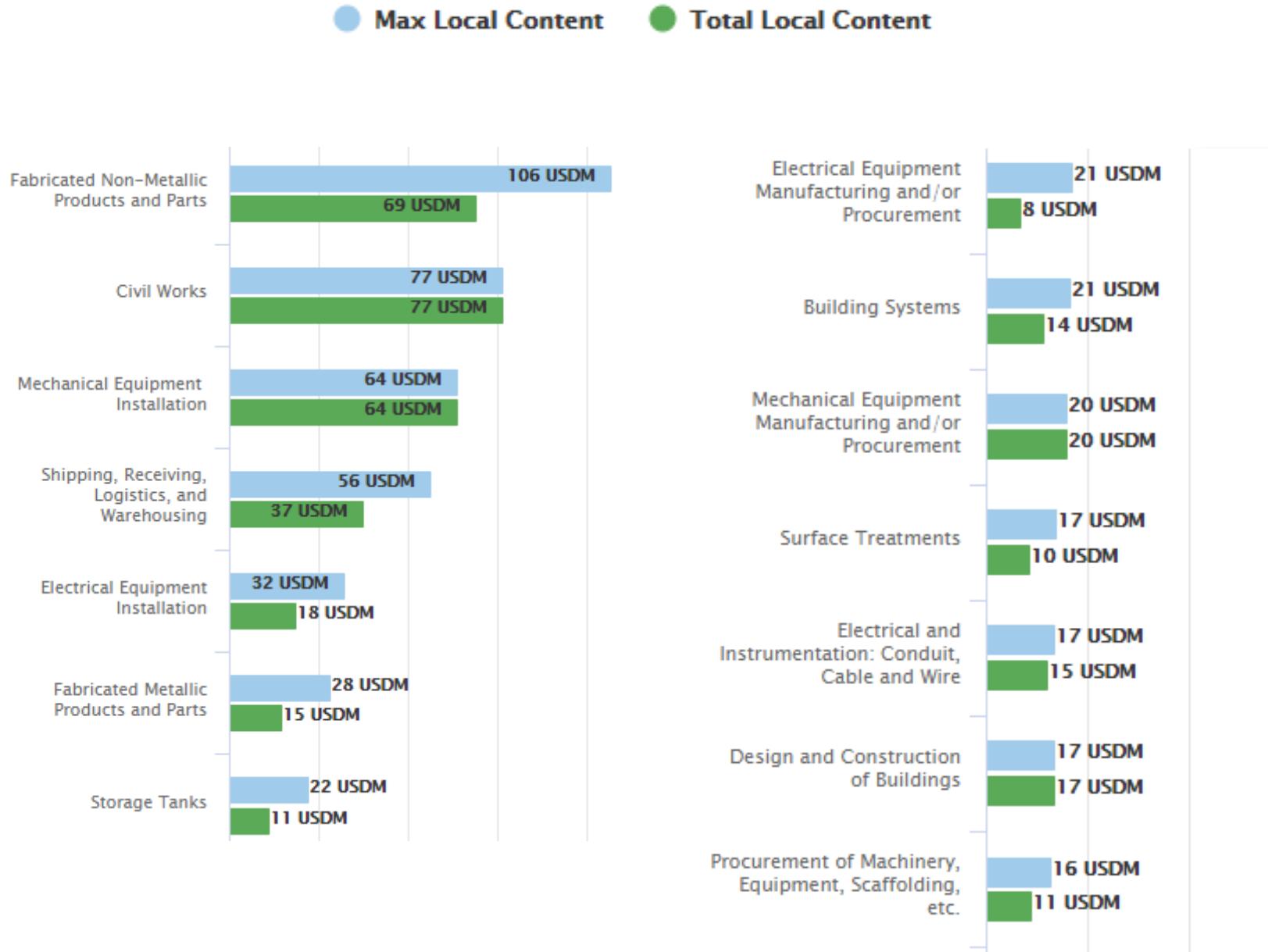


Supplier Competitiveness Assessment Matrix Score Weighting								
Capacity	Cost & Prices	Finance	Market Experience	Quality Standards	Supply Chain	Timeliness	Workforce Skills	Workplace Safety
25%	15%	10%	10%	5%	10%	10%	5%	10%

Supplier Competitiveness Assessment Matrix Scoring Guide								
1	2	3	4	5	6	7	Extremely Poor	Very Poor
Extremely Poor	Very Poor	Poor	Average	Good	Very Good	Excellent	Extremely Poor	Very Poor
Criterion does not appear to be treated seriously by any firms in the sector; problems are serious enough to threaten sector's viability.	Almost all firms in the sector have significant deficiencies in multiple aspects; clients express deep dissatisfaction and may seek alternatives to the local supply chain.	The average firm in the sector is significantly deficient in this criterion. The sector is viewed poorly by customers. Despite the poor ability of the average firm in this sector, there are a small number of firms that, individually, do have a strong ability vis-à-vis the criterion.	Firms have notable deficiencies but meet domestic clients' basic expectations. Most aspects of the criterion are addressed in an informal manner rather than through standardized systems and/or processes.	On average, firms are aware of and address the criterion in good faith. Some gaps and problems remain, however, and are addressed in an <i>ad hoc</i> manner without formal systems, controls, or certifications.	Nearly equivalent to international competitors but is deficient in one or two minor aspects. The average company in the sector uses clear systems and procedures in all aspects of the criterion, yet is lacking in int'l certification or other QA/QC approval.	Equal to or better than international companies or alternatives.	Extremely Poor	Very Poor

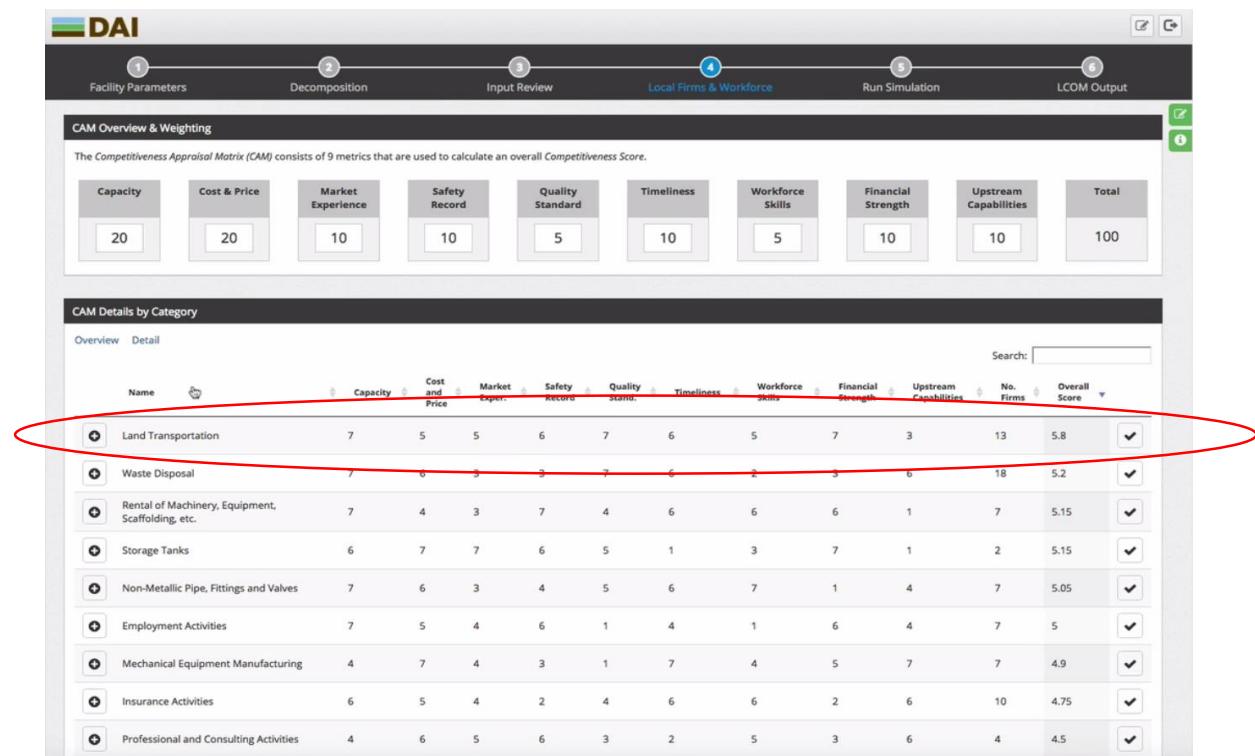
# Forecasting Results & Prioritizing



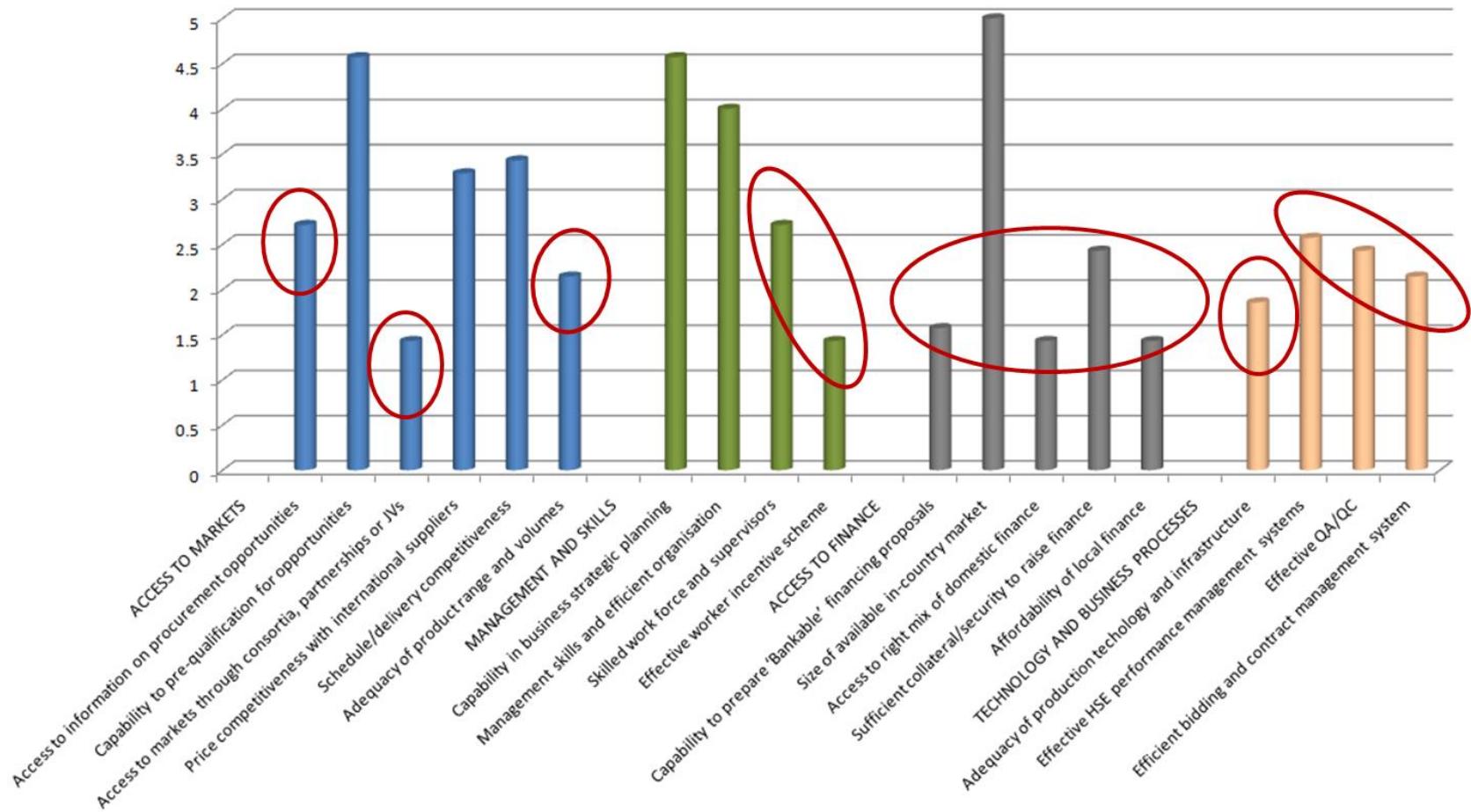
# Firm-level Gap Analysis on Priority Supply Chains Reveals Key Constraints

## 2. Supply chain-specific gap analysis/deep-dives

- a. One-on-one firm-level interviews
- b. Assess against international standards
- c. Generate gap assessment report



# Average Ratings Across All Suppliers: Some Common Constraints



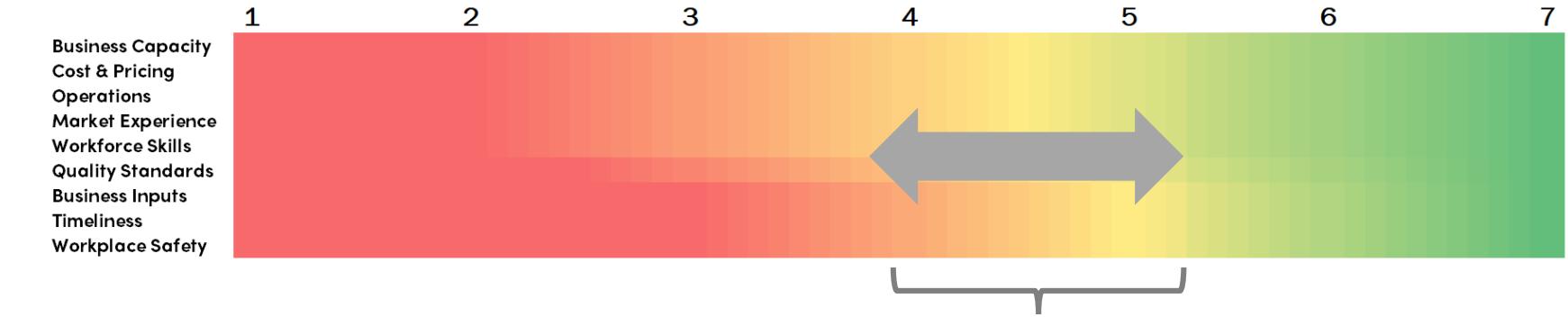


# Common Constraints for Local Suppliers

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1. Insufficient knowledge of the industry- development process, timelines, procurement cycles
2. Failure to meet industry technical standards
3. Non-compliance with Health, safety and environment (HSE) requirements
4. Lack of proven experience and demonstrated track-record
5. Capacity constraints: meeting tight schedule and delivering required quantities
6. Accessing new sources of finance for new capital investments and workforce training
7. Understanding how to do business using e-Procurement systems with IOCs
8. Difficulty in synchronizing business upgrades and improvements with investment and operational cycles
9. The global and strategic sourcing arrangements of operators and prime contractors which may disadvantage capable local suppliers from market access

# Constraints for Local Suppliers are potential Opportunities for International Suppliers, if willing to form alliances



Challenges to competitiveness for Local Suppliers may be overcome through alliances with more experienced international suppliers, ie through joint ventures, licensing, or as nominated-subcontractor in consortia bidding

Option #1 – Formal Int/Local JV	Option #2 – Licensing (manufacturing process, equipment, technologies)	Option #3 – Preferred Local Sub-Contractor/Supplier
<p><b>Pros</b></p> <ul style="list-style-type: none"><li>• Long-term commitment and willingness to transfer technology</li><li>• May meet regulations for national ownership</li></ul> <p><b>Cons</b></p> <ul style="list-style-type: none"><li>• Limits scope for domestic contractor to work with other foreign contractors</li><li>• Limits future choices for foreign contractor</li></ul>	<p><b>Pros</b></p> <ul style="list-style-type: none"><li>• Control of quality at set-up.</li><li>• Control of exclusivity</li><li>• Capital investment costs born by local company</li><li>• Rapid start-up in new country</li><li>• Income from royalties</li><li>• Meet national ownership regs</li></ul> <p><b>Cons</b></p> <ul style="list-style-type: none"><li>• IP risk (de-engineering)</li><li>• Loss of control of sales strategy</li><li>• Limited quality control in ops.</li><li>• License can be withdrawn</li></ul>	<p><b>Pros</b></p> <ul style="list-style-type: none"><li>• Combines immediate technology transfer with future market flexibility for parties</li><li>• Option for longer term partnership</li><li>• May fail ownership test</li></ul> <p><b>Cons</b></p> <ul style="list-style-type: none"><li>• Less incentive for either party to invest in long-term</li><li>• Can lead to 'poaching'</li></ul>

# Designing the Local Supplier Development Program:

## Key Principles and Criteria

---

- Fit-for purpose
- Data-driven design
- Leverage local and international supplier alliances
- Link into long-term development plan for country/region
- Industry-wide v. project-specific
- Target suppliers (small, medium, large or all)
- Sector
- Resources
- Timeline

# Experiences With Local Supplier Development Programs to-Date

---

1. Minimize investment in “bricks-and-mortar” costs
2. Build capacity of local partner institutions and implementing entities
3. Diversify away from petroleum sector SME development but have discreet list of other target sectors around which to build activities
4. Segment services between general business training and targeted business acceleration/coaching/mentoring
5. Use EDC to build awareness of oil and gas industry for local suppliers; learn opportunities, risks, and cyclical nature of industry
6. Base activities off solid analytics that measure market demand, identify opportunities and gaps, and set realistic expectations
7. Strong Communications Plan, internal (to EM) and external (government, civil society, local business community)
8. Plan sustainability from day 1
9. Position EDC as center of expertise to communicate, educate and engage Government on opportunities, constraints, risks, data and analytics of local content

# Case Study: CLBD Guyana

## Vision:

- To establish a center of expertise that spurs the development of Guyana's small and medium-sized enterprises (SMEs) thereby improving competitiveness and driving inclusive economic growth.

## Success:

- Market-wide understanding of oil and gas industry opportunities and constraints for local suppliers;
- Trained and qualified SMEs to support relevant sectors;
- Establishment of qualified and competitive set of local suppliers that can supply services and goods to EEPGL operations and extended industries;
- Transition of the Centre for Local Business Development to full local ownership.

# Centre for Local Business Development:

## Four Main Functional Activity Areas

1. Marine operations personnel
2. Civil Construction Services
3. Fabrication, inspection, and testing facilities and personnel
4. Warehousing, spare part management
5. Catering service personnel and supplies
6. Offshore supply and personnel
7. Safety equipment and personnel



# Keys to Implementation (and Risks)

---

## Keys to Implement

1. Speed – Simultaneous set-up and activities
2. Data Driven – Forecast into GAP Analysis into Supplier Registration and Pre-Qualification
3. Course Catalog – Literacy, HSE and Business Processes
4. Communications – Industry and public knowledge building

## Risks

1. Speed – Ability for all parties to handle the pace
2. Policy Issues – Government Action will affect the EDC
3. Confidential Information – Fluid Situations

# Concepts to Support Supplier Development

Information, access, market engagement	Training	Firm-level technical support	Local/International Supplier Facilitation
<ul style="list-style-type: none"><li>Supplier Registration Portal (SRP)</li><li>General business courses</li><li>Access to finance support- credit guarantee funds, lease buy-back facility, SME investment facility, matching grants</li><li>Industry awareness events</li><li>Supplier promotion events</li><li>Policy advocacy</li></ul>	<ul style="list-style-type: none"><li>General business development training- financial management, procurement, industry 101, HSE</li><li>Specialized training- ISO, BOSIET, financial modelling, food safety</li><li>Local content training to partners, government agencies, regulators, and international companies</li></ul>	<ul style="list-style-type: none"><li>Matchmaking with Tier 1 contractors</li><li>Direct lending facilitation</li><li>Embedded coaching and technical assistance</li><li>Gap study and business upgrading plans</li><li>Post-award contract support</li></ul>	<ul style="list-style-type: none"><li>Advice on Int/Local alliance opportunities with respect to Local Content policy incentives</li><li>Market surveys of high priority goods/service opportunities</li><li>Coordination of international trade fairs and match-making events</li><li>Advice to foreign suppliers to register businesses</li><li>'How to Pitch' training for both local and international suppliers</li></ul>

## Exercise #8:

### Design a Supplier Development Program

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## Scenario: Pitching an Enterprise Development Center

- Paxlandia is a country that has one small onshore gas development. It has just had a large commercial find of gas 100km offshore from the capital city.
- It is expected that first gas is 5 **years** away but the lead IOC will reach FID in 6 months. It is expected that work will commence fast after FID. The project is expected to cost around \$9bn and the CAPEX Phase will last 4 years comprising a single train LNG plant with associated offsite infrastructure.
- **\$6mn over three years** (mix of industry, government and development partner resources) have been allocated to develop and operate an Enterprise/Supplier Development Center (EDC). A **competition** has been issued for the design and implementation of the EDC.

## Exercise #8:

# Design a Supplier Development Program

### Scenario: Pitching an Enterprise Development Center

- The Government Regulator has also completed an Industrial Baseline Analysis.
- Review the results of the IBS analysis for local suppliers, and related competitiveness scores.
- You are now asked to take the next 45 minutes to prepare a pitch for your EDC. The pitch should answer the following key aspects:
  - **Name** - what is it and why? What is the meaning behind the name?
  - **Key program components and costs**
    - What kind of programs will you implement (quality certification; access to finance; procurement navigation training)?
    - Are you focusing on large, medium, small-size local suppliers or all of them?
    - Which supply chains offer opportunities for local/international alliances?
    - What resources will you require and what is the total cost?
  - Are you selecting all the **supply chain categories** or choosing a mix of several? Why?
  - What criteria are you looking at to make your decisions: competitiveness scores; size of the opportunity space; cost effectiveness; time to build capacity?
  - How are you **optimizing** local content development?
  - Are you using **local partners**? If so, what will be their roles? How will you ensure sustainability?
  - What are some of the **key messages** you have on how to position this Center?

Component	Activity	Size/Fatty Acids	Health Outcome	Media	Cost

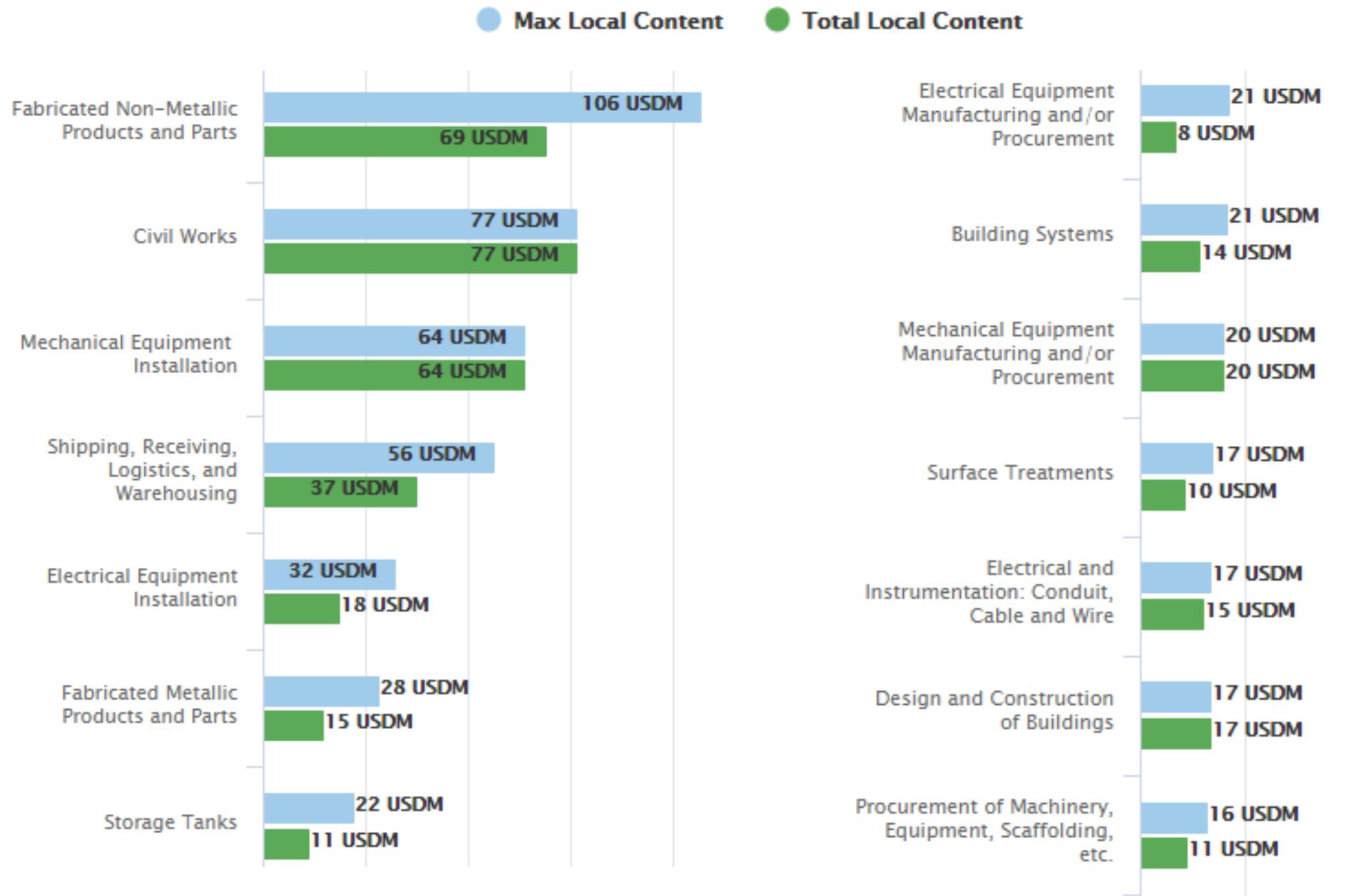
# Exercise #8:

## Design a Supplier Development Program

### Scenario: Pitching a Supplier Development Program

Three **panel judges**: International Industry Representative, Local Business Representative, Development Partner.

- **International Industry representative** is looking at budgets, fit with Government Development Agenda, practicality and feasibility, relevancy directly to industry and suppliers.
- **Local Business Representative** wants specific and tangible results directly related to getting local companies involved in the supply chain quickly.
- **Development Partner Representative** is looking at the overall broad impact of the EDC investment on the country- jobs created, value added, sustainability with a local partner, capacity building and links to SDGs; he/she cares about local content but also inclusive economic development such as getting female owned-business involved, SMEs, and ensuring that the EDC does more than just benefit a few select local firms that enter the supply chain.



Competitor Name	Competitive Assessment Matrix (CAM)										
	Business Capacity	Cost & Pricing	Operations	Market Experience	Quality Standards	Business Inputs	Timeliness	Workforce Skills	Workforce Safety	No. Firms	Overall Score
Fabricated Non-Metallic Products and Parts	3.68	3.86	2.52	1.72	3.79	2.67	4.29	1.85	2.70	15	3.08
Civil Works	1.76	3.43	4.15	2.86	2.20	4.18	2.78	2.36	2.95	49	3.08
Mechanical Equipment Installation	3.40	3.85	3.39	3.58	2.09	3.14	3.80	2.43	2.48	17	3.22
Shipping, Receiving, Logistics, and Warehousing	1.90	4.94	2.83	1.76	2.93	2.80	3.81	3.75	1.91	38	3.01
Electrical Equipment Installation	3.40	2.92	2.79	2.49	3.62	3.13	3.81	3.27	2.34	13	2.96
Fabricated Metallic Products and Parts	3.14	2.60	1.72	2.29	3.37	2.63	3.00	2.04	2.39	15	2.55
Storage Tanks	1.97	4.43	4.17	2.09	2.97	4.53	3.12	2.68	2.30	13	3.22
Electrical Equipment Manufacturing and/or Procurement	2.59	2.79	2.05	3.65	4.15	2.57	2.38	2.30	2.40	19	2.68
Building Systems	3.10	3.79	1.72	1.55	3.10	2.41	3.84	4.10	3.07	25	2.99
Mechanical Equipment Manufacturing and/or Procurement	2.13	4.48	2.54	2.15	3.19	3.23	3.27	3.35	2.26	29	3.01
Surface Treatments	3.57	3.66	2.98	2.93	2.96	2.12	2.54	3.35	1.95	11	2.85
Electrical and Instrumentation: Conduit, Cable and Wire	2.76	3.79	3.84	4.02	3.70	3.61	2.89	2.92	1.65	13	3.13
Design and Construction of Buildings	3.41	4.33	2.79	2.79	3.35	4.10	3.46	2.67	2.20	25	3.26
Procurement of Machinery, Equipment, Scaffolding, etc.	3.24	2.44	2.87	3.25	2.73	2.31	3.56	4.22	4.19	33	3.2

# CAM (Competitive Assessment Matrix)

# Supplier Development Program: Impact Estimation

Component	Activity	Target Supply Chain	Intended Outcome	Timeline	Cost

# Day 3 Program

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4:45 – 5:00pm		Wrap Up

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Policy Trade-  
offs

Local Content  
Plans

## DAY 2 Local Content Forecasts and Procurement

Industrial Baseline  
Studies

Local Content  
Forecasting

Contracting  
Strategy

Major Contract  
Tendering

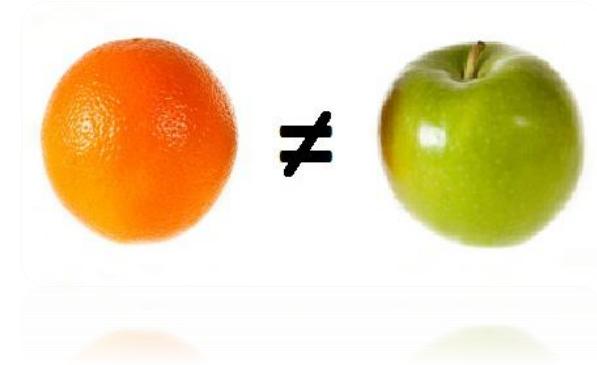
## DAY 3 Local Supplier Development and Local Content Reporting

Registration and  
Pre-Qualification

Writing a  
Winning Bid

Local Supplier  
Development and EDCs

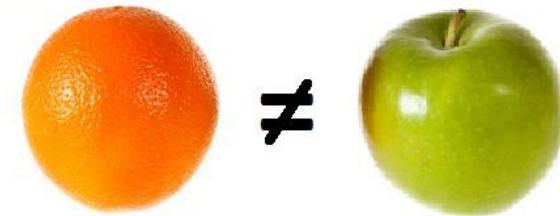
Reporting and  
Metrics



# Which is Better?

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.....to achieve 30% Local Content in goods measured by **actual economic value** retained within the domestic economy...



...or 50% Local Content measured by expenditure with **nationally-registered suppliers**?

# Why Does the Choice of metrics/KPIs Matter....

---

*...because it drives behaviour*

# Typology of Metrics

## Selected Metrics

Handout 3.1									
Metric	Key feature	Information source	Supply Chain Penetration	Stage of procurement	Expenditure Category	Confidence in data	Simplicity to administer	Economic Accuracy	
<b>LOCAL CONTENT</b>									
<b>IN-HOUSE</b> \$ value of wages, benefits and social taxes paid to FTE national citizens in Senior, Supervisory and Skilled positions (or other job or grade disaggregation), as % total	<b>Wages by job type</b>	Human Resources data	n/a	n/a	OPEX	Moderate	Moderate	Accurate	
<b>SERVICES AND GOODS</b>									
# contracts awarded to nationally-owned vendor (>50% equity), as % of total	<b>National equity</b>	Vendor Registration/National Company Register/Contracts Plan	1st Tier	Contract award	CAPEX or OPEX	Moderate/Poor	Moderate/Poor	Erroneous	
\$ value of contracts awarded to vendors with office address (PO or Invoice) within the country, as % of total	<b>Office address - national</b>	Contracts Plan/Company Vendor Register	1st Tier	Commitments (award) or Actuals (invoice)	CAPEX or OPEX	Good	Simple	Erroneous	
<b>SERVICES-SPECIFIC</b>									
\$ value spent on with FTE national employees under contract as part of services contracted directly or indirectly (sub-contracts), as % of total contract value	<b>Wages</b>	Information submitted by vendor, eg upon contract award and/or with invoice	1st and lower tiers	Commitments (award) or Actuals (invoice)	CAPEX or OPEX	Moderate	Moderate	Accurate	
<b>GOODS-SPECIFIC</b>									
\$ value of contracts less proportion of imported components of purchased goods, eg Cost-Insurance-Freight	<b>Build-down method</b>	Information submitted by vendor, eg upon contract award and/or with invoice	1st and lower tiers	Commitments (award) or Actuals (invoice)	CAPEX or OPEX	Moderate	Moderate	Accurate	
<b>LOCAL CONTENT DEVELOPMENT</b>									
<b>INPUT METRICS</b>									
<b>IN-HOUSE</b> # manhours training for nationals, as % of total national manhours	<b>Training by manhours</b>	Human Resources	n/a	n/a	OPEX	Good	Simple	Erroneous	
<b>CONTRACTED SERVICES AND PROCURED GOODS</b>									
\$ value of on-the-job management supervision and QA/QC to support nationally-registered suppliers under contract (including sub-contractors)	<b>Management supervision and QA/QC</b>	Information submitted by vendor, eg upon contract award and/or with invoice	1st Tier	Commitments (award) or Actuals (invoice)	CAPEX or OPEX	Poor	Complex	Accurate	
<b>OUTPUT METRICS</b>									
# contracts awarded to nationally-registered vendors on an internationally competitive basis	<b>Competitive contract award</b>	Contracts Plan/Company vendor register	1st Tier	Commitments (contract award)	CAPEX or OPEX	Good	Simple	Accurate	

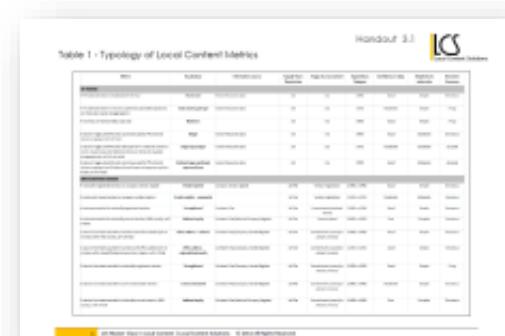


# Exercise #9

## Which Metrics?

In Pairs:

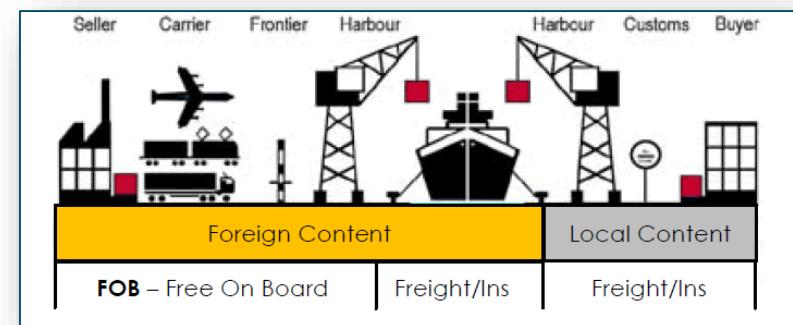
1. Review the **Local Content** metrics in Handout 3.1
2. If you had to choose *just three metrics* overall – which would you choose?



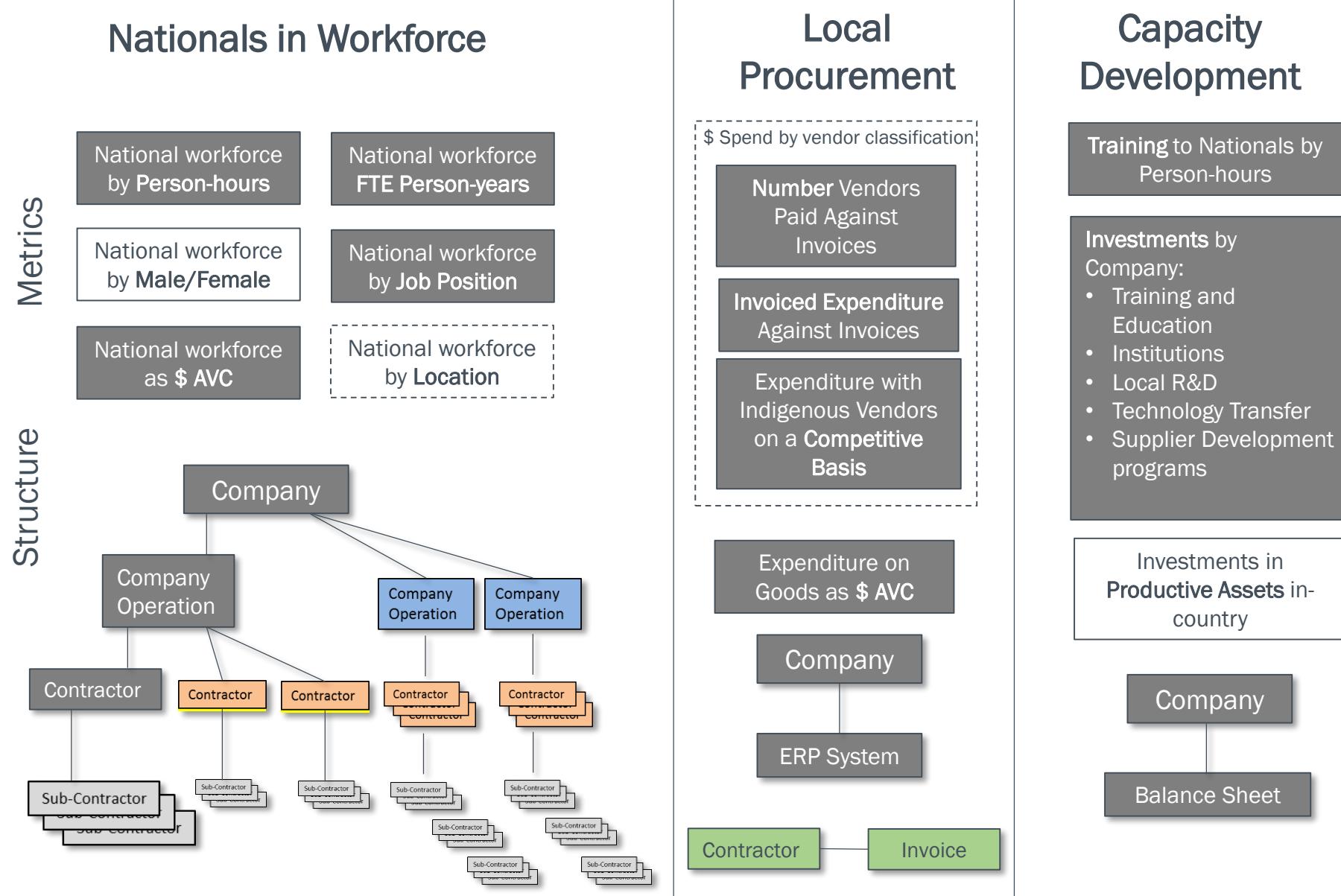
The table is titled "Table 1 - Typology of Local Content Metrics". It has 13 columns: ID, Name, Type, Description, Status, Last Review, Last Update, Last Version, Last Reviewer, Last Updater, Last Versioner, and Last Comment. There are approximately 20 rows of data, each representing a different metric category.

ID	Name	Type	Description	Status	Last Review	Last Update	Last Version	Last Reviewer	Last Updater	Last Versioner	Last Comment
LCM-1	Localization Score	Score	A quantitative measure of how much local content a product or service contains.	Active	2023-01-01	2023-01-01	1.0	John Doe	Jane Smith	1.0	Initial version released.
LCM-2	Localization Rating	Rating	A qualitative assessment of the level of localization achieved.	Active	2023-01-01	2023-01-01	1.0	John Doe	Jane Smith	1.0	Initial rating assigned.
LCM-3	Localization Audit	Audit	An in-depth review of a product or service to identify localization issues.	Active	2023-01-01	2023-01-01	1.0	John Doe	Jane Smith	1.0	Initial audit completed.
LCM-4	Localization Translation	Translation	The process of translating content into a local language.	Active	2023-01-01	2023-01-01	1.0	John Doe	Jane Smith	1.0	Initial translation performed.
LCM-5	Localization Adaptation	Adaptation	The process of adapting content to fit local cultural norms.	Active	2023-01-01	2023-01-01	1.0	John Doe	Jane Smith	1.0	Initial adaptation performed.
LCM-6	Localization Cultural Sensitivity	Score	A quantitative measure of how culturally sensitive a product or service is.	Active	2023-01-01	2023-01-01	1.0	John Doe	Jane Smith	1.0	Initial cultural sensitivity score assigned.
LCM-7	Localization Legal Compliance	Score	A quantitative measure of how legally compliant a product or service is.	Active	2023-01-01	2023-01-01	1.0	John Doe	Jane Smith	1.0	Initial legal compliance score assigned.
LCM-8	Localization Technical Accuracy	Score	A quantitative measure of how technically accurate a product or service is.	Active	2023-01-01	2023-01-01	1.0	John Doe	Jane Smith	1.0	Initial technical accuracy score assigned.
LCM-9	Localization Brand Consistency	Score	A quantitative measure of how consistent a product or service is with its brand.	Active	2023-01-01	2023-01-01	1.0	John Doe	Jane Smith	1.0	Initial brand consistency score assigned.
LCM-10	Localization User Feedback	Feedback	A collection of user feedback on the localization of a product or service.	Active	2023-01-01	2023-01-01	1.0	John Doe	Jane Smith	1.0	Initial user feedback received.
LCM-11	Localization Market Research	Research	An analysis of market research data related to localization.	Active	2023-01-01	2023-01-01	1.0	John Doe	Jane Smith	1.0	Initial market research report generated.
LCM-12	Localization Cultural Analysis	Analysis	An analysis of cultural factors that may impact localization.	Active	2023-01-01	2023-01-01	1.0	John Doe	Jane Smith	1.0	Initial cultural analysis report generated.
LCM-13	Localization Legal Assessment	Assessment	An assessment of legal requirements for localization.	Active	2023-01-01	2023-01-01	1.0	John Doe	Jane Smith	1.0	Initial legal assessment report generated.
LCM-14	Localization Technical Evaluation	Evaluation	An evaluation of technical requirements for localization.	Active	2023-01-01	2023-01-01	1.0	John Doe	Jane Smith	1.0	Initial technical evaluation report generated.
LCM-15	Localization Brand Alignment	Score	A quantitative measure of how aligned a product or service is with its brand.	Active	2023-01-01	2023-01-01	1.0	John Doe	Jane Smith	1.0	Initial brand alignment score assigned.

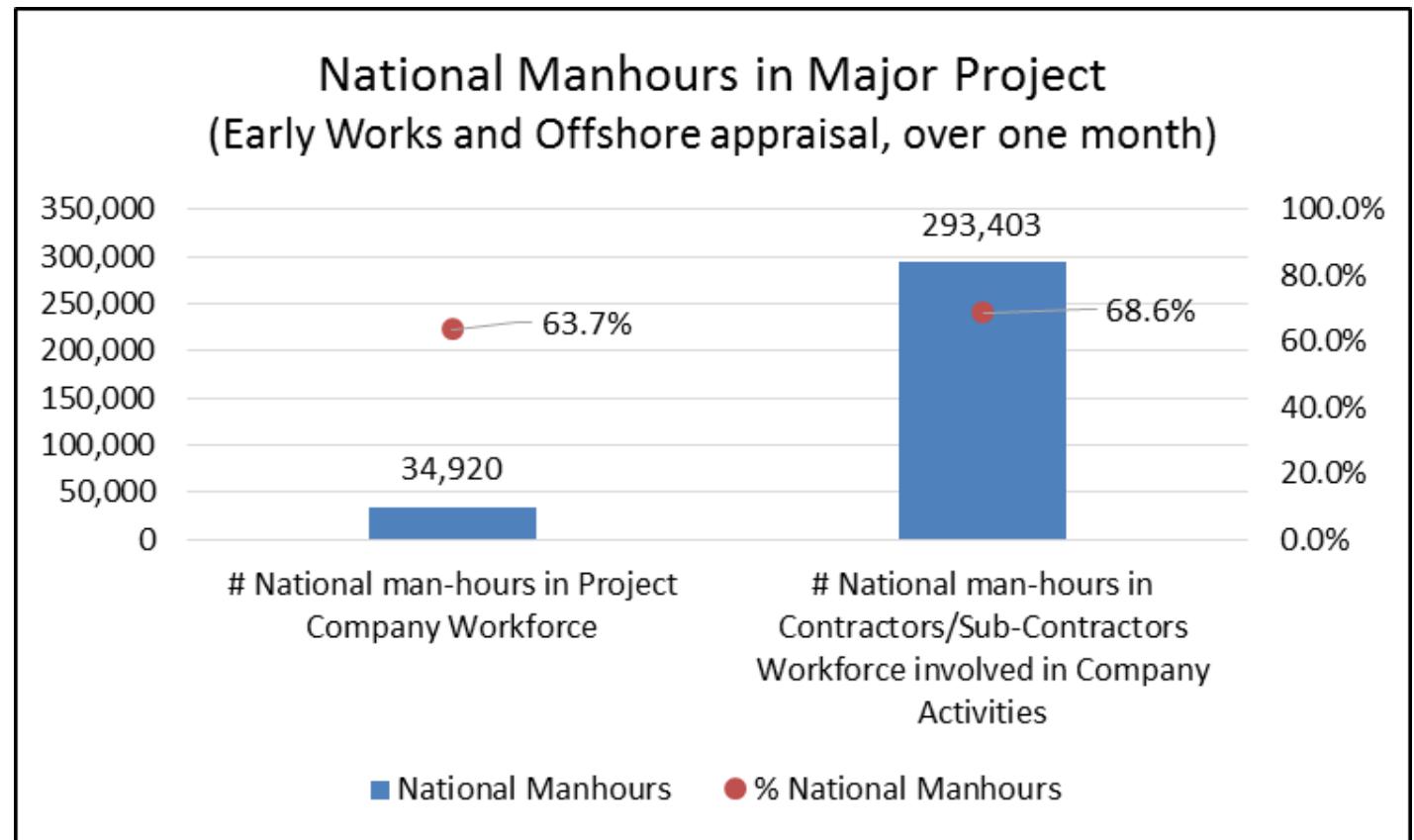
Handout 3.1



# Emerging Industry Standards for LC Metrics



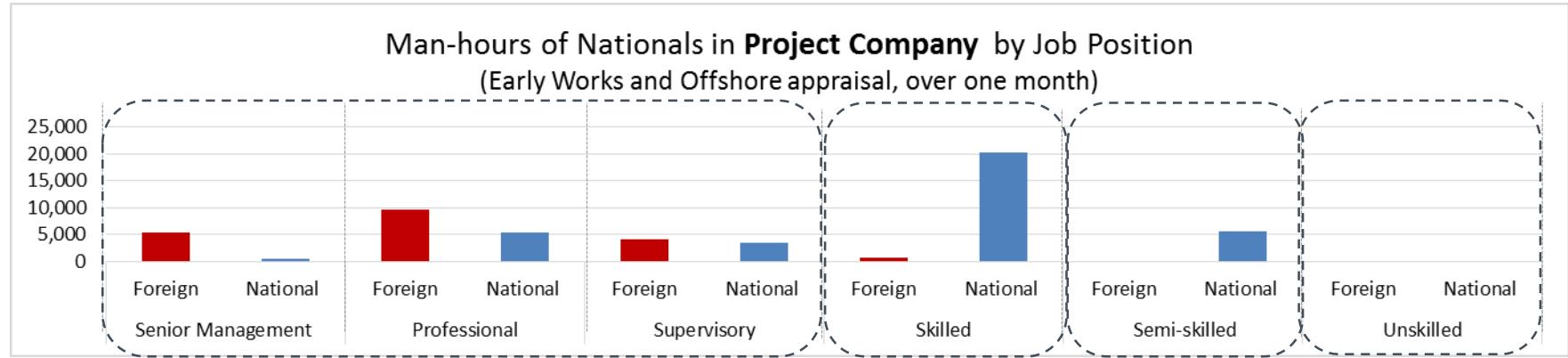
# Nationals in Workforce



In this example of a frontier country during Early Works and Off-shore well appraisal, nationals are **10 times** higher in Contractor/Sub-Contractor workforce than Project Company (operator) workforce

# Nationals in Workforce by Job Position

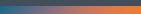
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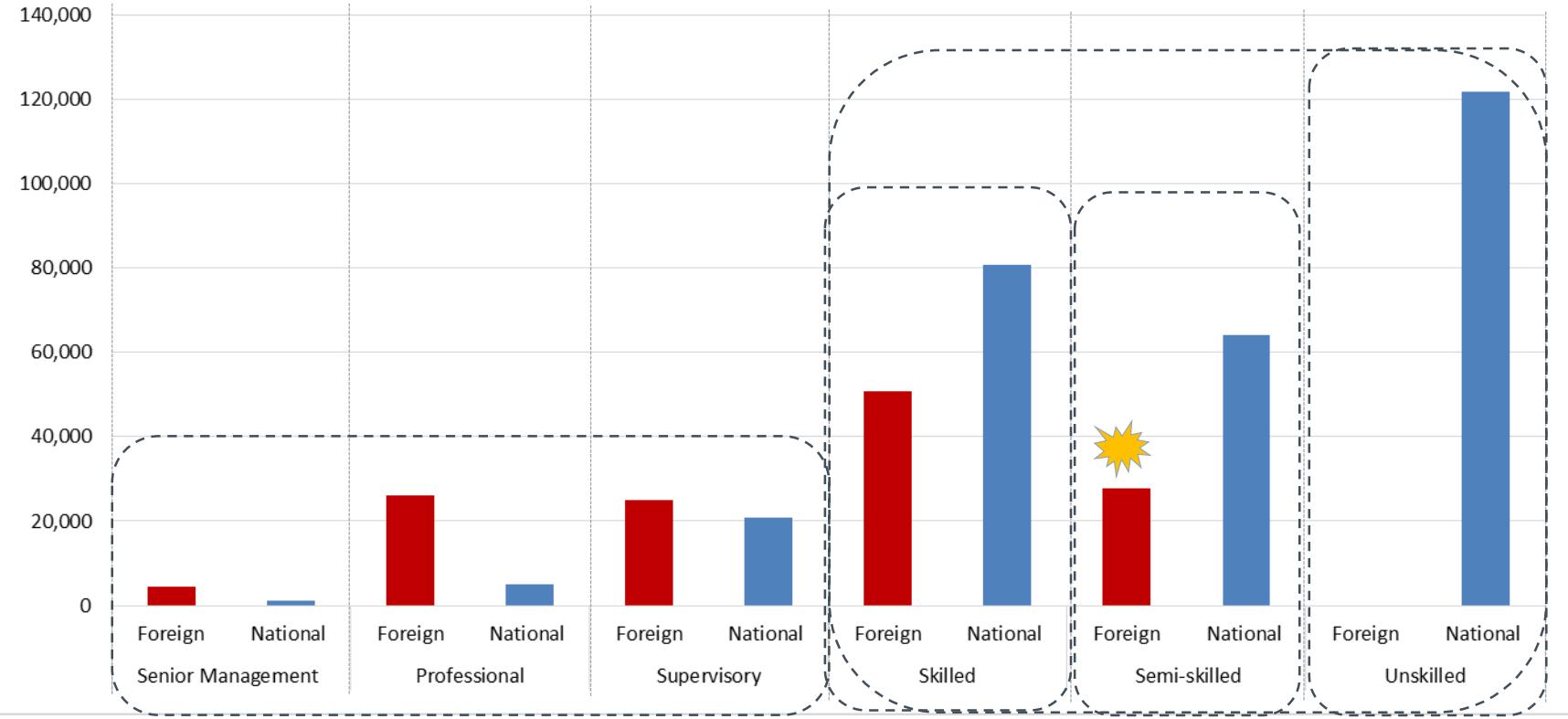
## Operator in frontier country:

- > Ratio Foreign to Nationals in higher job positions
- Nationals taking skilled positions (non-technical functions)
- Zero foreign in Semi-skilled
- Zero Unskilled labour

# Nationals in Workforce, by Job Position



Man-hours of Nationals in **Contractors/Sub-Contractors** by Job Position  
(Early Works and Offshore appraisal, over one month)



**Contractor/Sub-contractors** in frontier country:

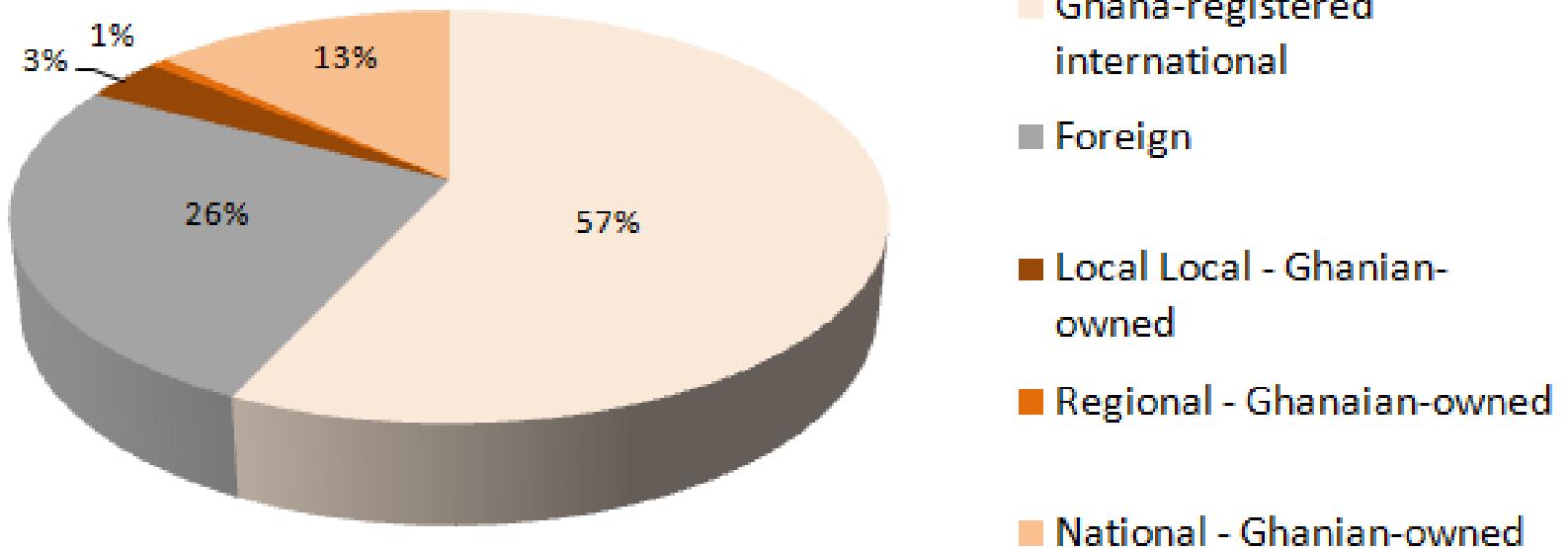
- > Ratio Foreign to Nationals in higher job positions
- > Ratio of Nationals to Foreign in lower job positions
- 40% Expat workforce in Skilled labour, eg rigs, engineering
- Surprising (!) 30% Expat workforce in Semi-skilled, eg Deckhands
- 100% Nationals in Unskilled (manual) positions

# Example from Mining in Ghana



## Local Content by Supplier Classification

**Local Content by Supplier Classification**  
Actual (invoiced) expenditure on goods and services, 2010  
(Total US\$366 millions)



# Local Content Reporting: *The Myth*

**Myth:** The reported “Local Content” performance of one company can be compared to the “Local Content” of another



Local Content as % of Purchase Agreement...

..different Local Content metrics can generate not only relatively different results, but lead to diametrically opposite conclusions.

...actually added to the domestic economy

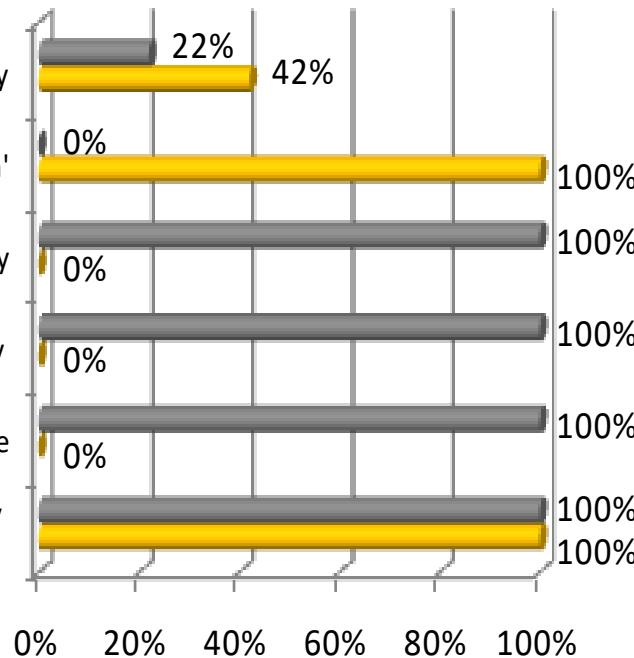
...spent on goods of 'domestic origin'

...to supplier incorporated in-country

...to supplier > 50% national equity

...to supplier with in-country address on invoice

...to supplier vendor registered with in-country address

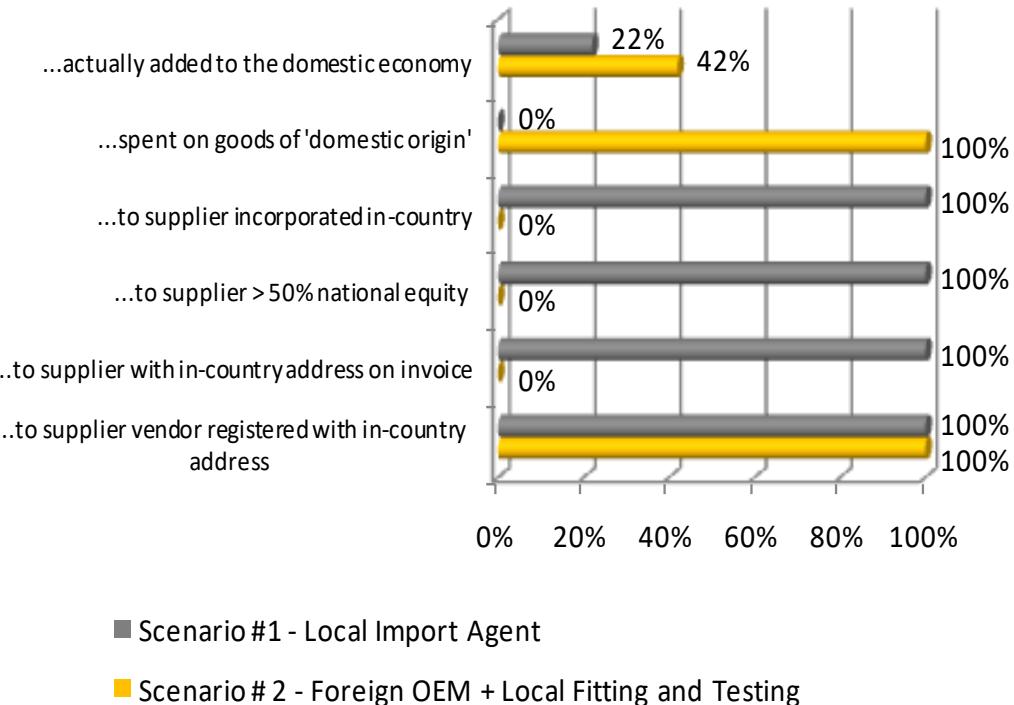


■ Scenario #1 - Local Import Agent

■ Scenario # 2 - Foreign OEM + Local Fitting and Testing

# Local Content Reporting Myth

Local Content as % of Purchase Agreement...



**In Scenario #1 (grey),** the supplier of parts is a wholly nationally-owned Import Agent, incorporated in-country. This supplier imports parts that are already finished and packaged. He provides a storage facility, and transports the parts on demand to the end user who installs the equipment himself. The Ex Fac cost plus freight and insurance to port of entry (CIF - figure on the Import Declaration) is 78%, leaving 22% as AVC to economy.

**In Scenario #2 (yellow),** the supplier is foreign and has his main office (including finance department) located overseas, but he has made recent investment in local facilities to assemble, store, transport and install the parts. These in-country capabilities mean that removing the Ex Fac costs and freight and insurance CIF leaves 42% of sales price in the country. The goods/service is deemed by LC regulators to be 'domestic origin' because more than 40% of the value of the goods/service is in-country. The foreign supplier is not incorporated in-country (has only facilities and an operating license), but is vendor-registered with the buyer. The supplier included a local office address on the vendor registration form.

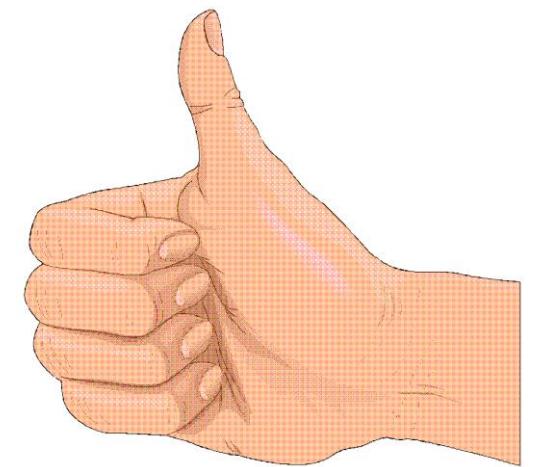
## And so....

As a rule of thumb, avoid using the term ‘Local Content’ (or National Content, In-country Value or Industrial Benefits) when reporting performance data...

eg “we have achieved 45% Local Content”

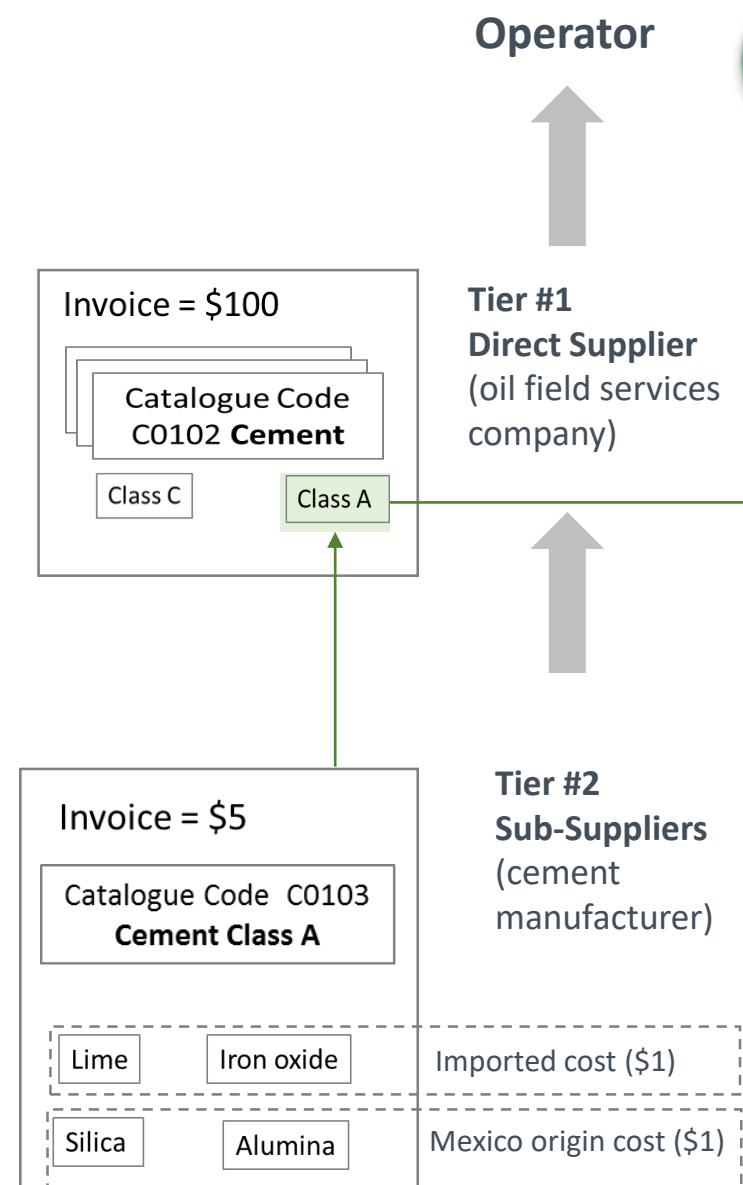
Instead...just say exactly what it is that you really mean

eg “we have achieved 45% expenditure with  
Nationally-Owned suppliers (>=51% equity),  
by approved invoice, in Q1 2018





# \$ Actual Value in Goods and Services



## Illustration of NC within Goods



$$PCNB_i = \frac{\sum_{j=1}^m PCNM_j \times VM_j + VNMO_i}{\sum_{j=1}^m VM_j + VMO_i}$$

### Cement Class A (final Good)

- Invoice value = \$11 (VM + VMO) excl. \$1 OHs and profit in cement blending labour
  - Materials component of final Good = \$6, inclusive of \$1 in-country OHs and Profit
    - NC% (PCNM) =  $60\% \times \$6 (\text{VM}) = \$3.6$
  - Labour component of final Good (to blend cement) = \$5, exclusive of \$1 in-country OHs and Profit
    - NC% (VNMO) =  $80\% \text{ Mexican nationals} \times \$5 (\text{VMO}) = \$4$
- Total NC = \$7.6 (69% domestic origin). > 65% therefore \$11 counts as NC

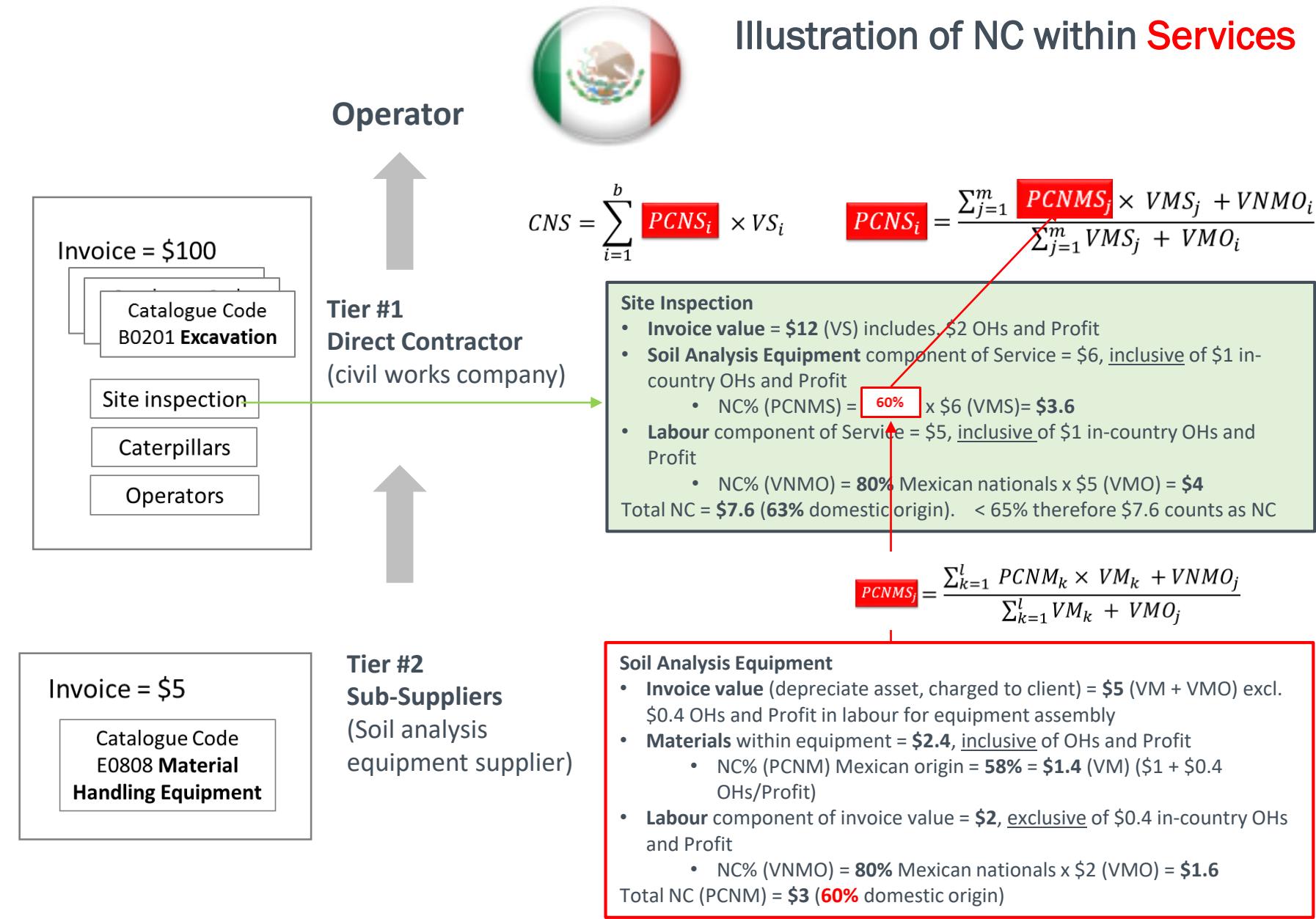
$$PCNM_j = \frac{\sum_{k=1}^l PCNM_k \times VM_k + VNMO_j}{\sum_{k=1}^l VM_k + VMO_j}$$

### Class A Cement – (intermediate Good)

- Invoice value = \$5 (VM + VMO) excl. \$0.4 OHs and Profit in labour for cement manufacture
  - Raw materials component of invoice value of materials sold to Tier #1 = \$2.4, inclusive of OHs and Profit
    - NC% (PCNM) Mexico origin =  $58\% = \$1.4 (\text{VM}) (\$1 + \$0.4 \text{ OHs/Profit})$
  - Labour component of invoice value = \$2, exclusive of \$0.4 in-country OHs and Profit
    - NC% (VNMO) =  $80\% \text{ Mexican nationals} \times \$2 (\text{VMO}) = \$1.6$
- Total NC (PCNM) = \$3 (60% domestic origin)



# \$ Actual Value in Goods and Services



## Illustration of NC within Services





# \$ Actual Value in Goods and Services

## NC within Goods

- approx 1000 of Tier #1 suppliers
- approx 100's of Tier #2 suppliers
- 10,000s of Invoices
- 100,000s of products/materials comprise invoices
  - each needs assigning to 412 categories codes
  - Category Codes not sufficiently granular

$$PCNB_i = \frac{\sum_{j=1}^m PCNM_j \times VM_j + VNMO_i}{\sum_{j=1}^m VM_j + VMO_i}$$

## NC within Services

- approx 1000 of Tier #1 suppliers
- approx 100's of Tier #2 suppliers
- 10,000s of Invoices
- 10,000s of services comprise invoices
  - each needs assigning to 160 categories codes for Services
  - Category Codes not sufficiently granular, eg Catering services

$$CNS = \sum_{i=1}^b PCNS_i \times VS_i$$



- Highly Complex
- Expensive
- Hard to Validate

$$PCNS_i = \frac{\sum_{j=1}^m PCNMS_j \times VMS_j + VNMO_i}{\sum_{j=1}^m VMS_j + VMO_i}$$

# Generally Accepted Accounting Principles: Canada General Standards Board



## Canadian General Standards Board

### Standard for Definition of Canadian Content (CAN2-147.3-82)

#### ***Cost of Direct Imports***

Directly Imported Material Cost – the cost of an electric motor bought directly from a firm producing it outside Canada. The cost of import includes all duties paid and the transportation cost to the Canadian place of importation.

Directly Imported Labour Cost – the labour cost of sewing together, in a factory outside Canada, a glove from leather and other materials supplied from Canada.

Directly Imported Service Cost – the cost of design work performed outside Canada.

Directly Imported Overhead Cost – the royalties or management fees paid outside Canada.

#### ***Cost of Indirect Imports***

Indirectly Imported Material Cost – the cost of an electric motor produced outside of Canada and purchased from a distributor located in Canada for incorporation into a product assembled or manufactured in Canada.

Indirectly Imported Labour Cost – the labour cost, to a company with manufacturing facilities in Canada, of testing product in facilities outside Canada.

Indirectly Imported Service Cost – the computer costs, to a Canadian firm that provides computer services, of using a computer outside Canada in providing those services.

#### **Calculation Based on Knowledge of Imported Costs**

A. Total Net Selling Price	\$287,000
B. Imported Costs: Costs related to directly and indirectly imported materials, labour, services, overhead and profit not taxable in Canada.	
Materials (including Tariffs)	
- Direct	\$ 35,000
- Indirect	18,000
Labour	
- Direct	20,000
- Indirect	3,000
Services	
- Direct	3,000
- Indirect	-----
Transportation (to Place of Importation)	4,000
Overheads	16,000
	\$ 99,000
C. Canadian Content (A minus B)	\$188,000
D. Percentage Canada Content (C divided by A) x 100	66%

Build-down  
Method

#### **Calculation Based on Knowledge of Domestic Costs**

A. Total Net Selling Price	\$287,000
B. Canadian Content – Cost related to domestic materials, labour services, overheads, taxes and profits.	
Domestic Costs	
Materials	\$ 60,000
Labour	40,000
Services	2,500
Transportation (within Canada)	5,000
Overheads (incl. Profit)	42,500
Federal/Provincial Taxes	38,000
	\$188,000
C. Percentage Canadian Content (B divided by A) x 100	66%

Build-up  
Method



## Calculation Based on Knowledge of Domestic Costs

## Build-up

A. Total Net Selling Price \$287,000

B. Canadian Content – Cost related to domestic materials, labour services, overheads, taxes and profits.

### Domestic Costs

Materials

\$ 60,000

Labour

40,000

Services

2,500

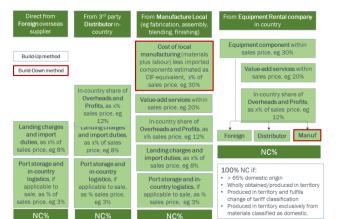
The CGSB implies by its definitions of Imported Labour Costs, that the determination of whether labour costs are Canadian or Foreign Labour is based on where the work is performed. Taken literally, however, this definition could result in some odd determinations of Foreign, Canadian, and Individual provincial content percentages. As a result, this definition is generally refined, based upon whom the work is performed by, as determined by the actual agreement between the parties and in accordance with the generally accepted definitions of, or a reasonable interpretation as to what constitutes, Canadian and Provincial Residents.

This anomaly and the complexity of applying CGSB method to each invoice, suggests measuring monetary value of Benefits on Atlantic Seaboard could benefit from streamlined method based

# Complexity of measuring monetary value of Local Content/Benefits by GAAP down supply chains suggests need for **streamlined method** based on flow-chart-guided professional estimate of Actual Value Contributed (AVC) in Goods/Services by Procurement Category

- 1 Create 20 to 50 expenditure categories, that cover total spend for reporting period
- 2 For each category, estimate the split in \$ expenditure between **services** (as all labour) and **goods** (materials, equipment, rental, products, incl goods-in-services), plus pro-rata split of in-country overheads, pre-tax profits
- 3 Using decision-tree **flow diagrams** make professional estimate of \$ actual value contributed (AVC) to economy from Services and Goods components

Standard Flow Chart



Category of Expenditure	Description	Expenditure in Reporting Period USD\$	Services		Goods		Total Quantum of Monetary Value Contributed to Economy of Guyanese from Expenditure on Services and Goods	
			Total expenditure on Services	Quantum of Monetary Value Contributed to Guyanese economy from expenditure on Services	Total expenditure on Goods	Quantum of Monetary Value Contributed to Guyanese economy from expenditure on Goods		
Installation	Installation and instrumentation	25,952,000	Value %	20,761,600 80.0%	5,190,400 25.0%	5,190,400 20.0%	1,297,600 25.0%	6,488,000 25.0%
Supply Base	On-Shore Supply Base Development	20,000,000	Value %	10,000,000 50.0%	7,500,000 75.0%	10,000,000 50.0%	2,000,000 20.0%	9,500,000 47.5%

# Estimating \$ AVC in Services

## Services component of Category as national labour

Gross Salaries paid to **national citizens** involved within labour component of service, inclusive of benefits and social taxes, eg 50% of total labour costs

## In-country Overheads and Profits within sales price, apportioned to total labour cost, eg 15%

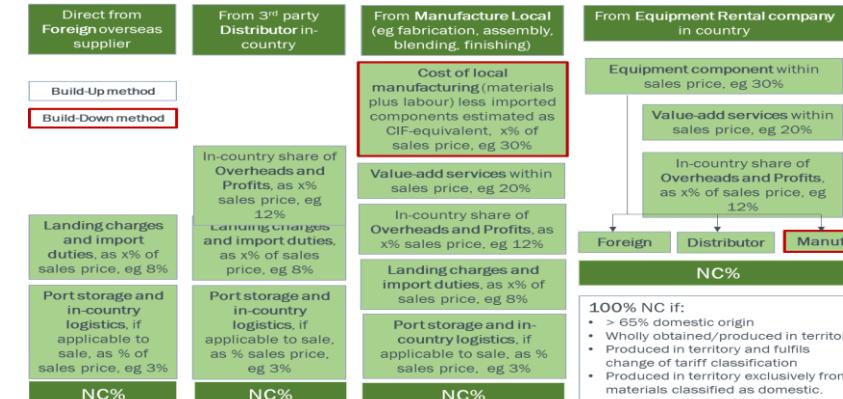
NC%

Category #1  
Category #2

## Services      Goods

Category #1  
Category #2

## Goods component of Category as products, materials, equipment sale or rental/lease

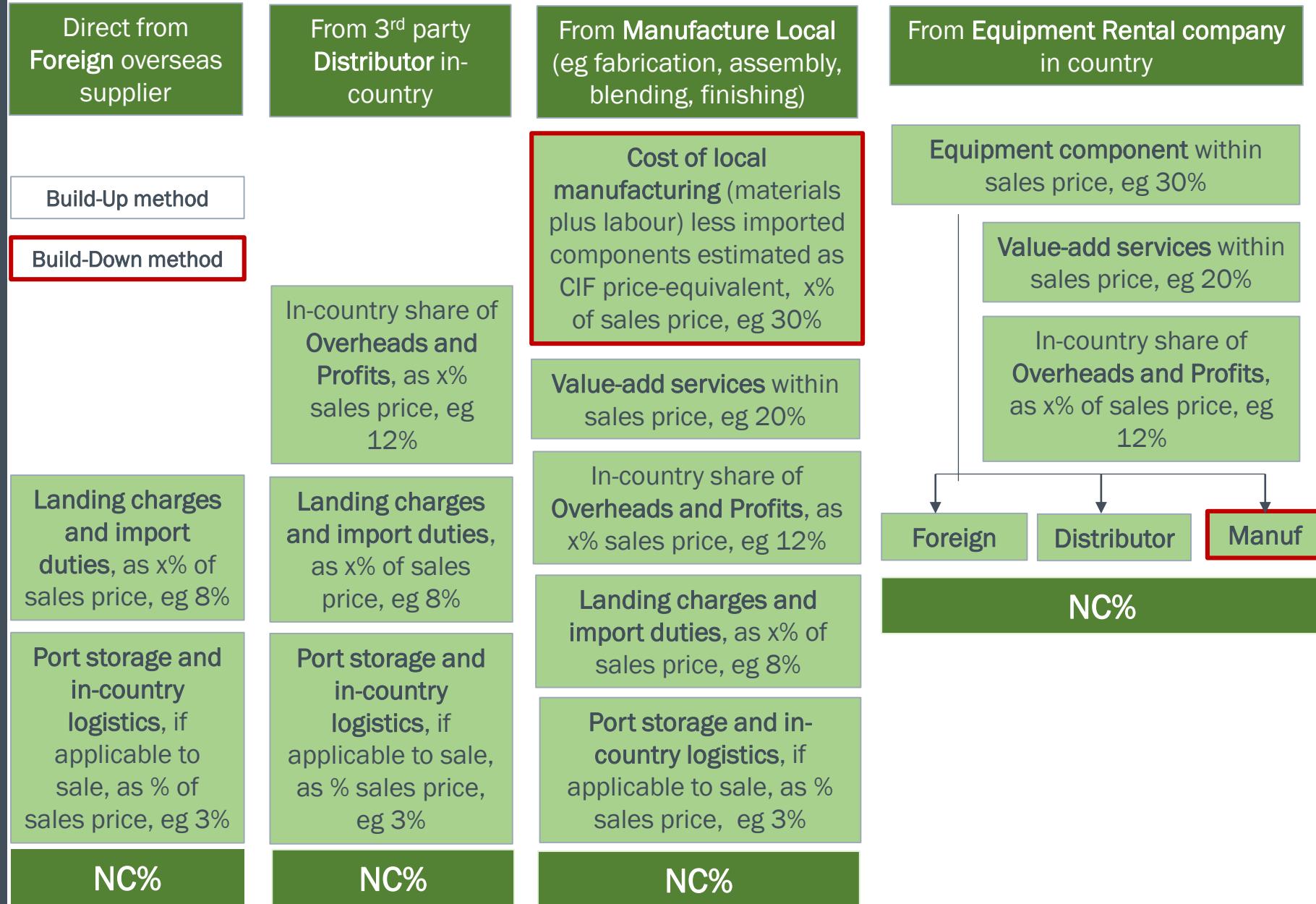


Services      Goods

x% NC      x% NC

x% NC      x% NC

# Estimating AVC in Goods



# Case Note Mexico

Goods  
Services

## National Content as \$AVC within Services and Goods, 2017



Total Expenditure on Manufactured articles and services	Labour Component (incl. China and the Tax Public)	Final Goods Component (incl. China and the Tax Public)
Total Expenditure on Manufactured articles and services	Labour Component (incl. China and the Tax Public)	Final Goods Component (incl. China and the Tax Public)
\$1,000,000	\$1,000,000	\$1,000,000
Total Value of Services and Goods	Labour Component (incl. China and the Tax Public)	Final Goods Component (incl. China and the Tax Public)
\$1,000,000	\$1,000,000	\$1,000,000
Sub-totals: Labour and Final Goods	Total Labour Component (incl. China and the Tax Public)	Total Final Goods Component (incl. China and the Tax Public)
\$1,000,000	\$1,000,000	\$1,000,000
Breakdown method:		
Bottom-up method	National labour component: Gross salaries paid to all workers in manufacturing is labour component of service, inclusive of all fees, benefits, and social taxes, ag 10% of total	Gross manufacturing overheads in Mexico, 30% Incomes pro-rata share overheads profit, ag 1% Selling charges and import duties, ag 6% Profit margin and in-country costs if applicable to task, ag 1%
Top-down method		
Value	46.6%	53.7%
%	86.5%	42.2%
NAICS Classification for Catalogue Code	NAICS Classification for Catalogue Code	NAICS Classification for Catalogue Code

Expenditure USD\$	Labour Component		Final Goods Component (products/materials/equipment)		Total National Content
	Total Labour Value	Local Labour Value	Total Final Goods Value	Local Final Goods Value	
Value	46.6%	86.5%	53.7%	42.2%	57.8%
%					

NC% 86.5%

\$ Services

NC% 42.2%

\$ Goods

Adjusted for domestic origin threshold rules

- > 65% domestic origin
- Fully obtained and produced in Mexico
- Produced in Mexico and complies with change of tariff classification
- Produced in Mexico exclusively from nationally classified materials

# Build-Down Method for Goods

## CIF Price



**CIF price** (or CIF value) means the price paid for the good where the cost of freight and logistics insurance to transport the goods to the port of entry is included,

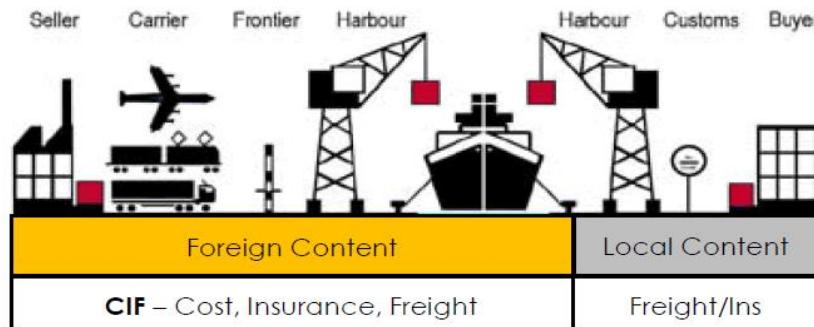
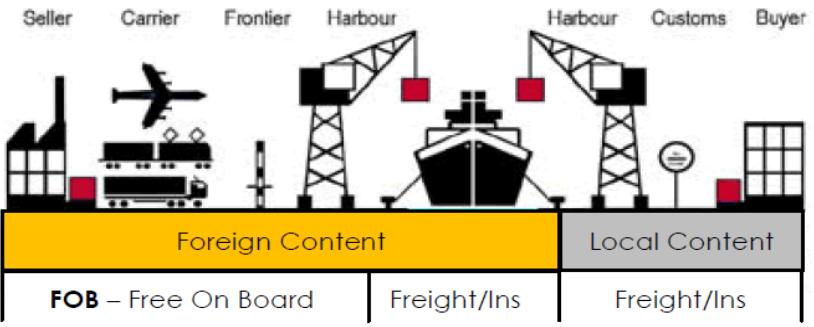
CIF is the IncoTerm ‘Cost-Insurance-Freight.

Import  
declaration  
form, includes  
Inco-Term

SAMPLE

East Wind International Co., Ltd			
31-26, 31st name road, Dongguan City Tel: (09) 732 3369660 Fax: (09) 732 3361339 Email: <a href="mailto:scott@eastwindinternational.com">scott@eastwindinternational.com</a> <a href="http://www.eastwindinternational.com">www.eastwindinternational.com</a>			
Commercial Invoice			
Invoice No:	LL-64-2005	Date:	June 29, 2005
To:	Lia-Pulter Bashir House no.3, Oshira, U.S.A.	Po No:	J-2336
Price Basis:	FOB Dongguan China	LC No:	LC0500070
Shipped per:	MAERSK LINE V 2373	Payment:	TCI: 30/06/05
		Quantity:	1,000 30PC'S
			in 40HQ Container
Items & Description			
ITEM NO:	DESCRIPTION	Quantity	Unit Price
TC002330	CHINESE VARIOUS TOOL AS BELOW	200.00PC'S	USD12.7800
TC002330	TOOL CART	200.00PC'S	USD14.5000
TC1980A	TOOL CART	200.00PC'S	USD15.8000
CB1	SINGLE FACE & BACK RACK	100.00PC'S	USD12.8000
CB1	SINGLE MOULD RACK	100.00PC'S	USD14.0000
ZT95	SCREWDRIVE	200.00PC'S	USD0.0800
ZT95	SCREWDRIVER	200.00PC'S	USD1.1600
IP100	SCREWDRIVER	200.00PC'S	USD1.5800
			Less Discount USD1.00
			Less Com. USD1.2500
			Plus carrier USD375.00
Total:	1,000PC'S	USD14,433.00	FOB Dongguan China
Total Amount:	SAY USD FIFTY FOUR THOUSAND FOUR HUNDRED THIRTY-THREE AND NO/100 ONLY		
Total Packed No:	SAY FOUR HUNDRED NINETEEN AND XX/100 CARTON ONLY		
Container No.:	CX2982472		
Serial No.:	6079827		
Shipping Marks:	MADE IN CHINA EXPORTER: DAI GWT NO.: HEAD: X CM		EAST WIND INTERNATIONAL CO., LIMITED 84-8

# Calculating Local Content by AVC in Goods Inco Terms and Local Content Metrics



## International Commerce Terms (IncoTerms)

- Published by International Chamber of Commerce and used in international transactions

Useful for Build-Down Methods

- Administrative efficient to apply IncoTerm on Import Declaration and Invoice (if CIF or FOB)

but...



- May require suppliers to **disclosure** commercially sensitive information
  - Brazil overcomes this with independent third-party confidential verification

Handout 3.1b	

Handout 3.2

A scanned copy of a commercial invoice from East Wind International Co., Ltd. The document includes fields for Invoice No., Date, Payable to, Payment Terms, and a detailed breakdown of items with descriptions, quantities, unit prices, and amounts. A red circle highlights the "Buyer" field, which is listed as "East Wind International Co., Ltd. 14-ABD Lantau, Hong Kong".

A scanned copy of a commercial invoice from East Wind International Co., Ltd. The document includes fields for Invoice No., Date, Payable to, Payment Terms, and a detailed breakdown of items with descriptions, quantities, unit prices, and amounts. A red circle highlights the "Buyer" field, which is listed as "East Wind International Co., Ltd. 14-ABD Lantau, Hong Kong".

# Calculating Local Content in Goods:

## Inco Terms and Local Content Metrics

Seller pays:

YES

NO

### IncoTerms

IncoTerms	Foreign Content							Local Content				
	Load to truck	Export- duty payment	Transport to exporter's port	Unload from truck at port of origin	Landing charges at port of origin	Transport to importer's port	Landing charges at importer's port	Unload onto trucks from the importers' port	Transport to destination	Insurance	Entry - Customs clearance	Entry - Duties and Taxes
EXW	No	No	No	No	No	No	No	No	No	No	No	No
FCA	Yes	Yes	Yes	No	No	No	No	No	No	No	No	No
FAS	Yes	Yes	Yes	Yes	No	No	No	No	No	No	No	No
FOB	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	No	No
CFR	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No
CIF	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes	No	No
CPT	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No
CIP	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No
DAF	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	No
DES	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	No
DEQ	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No
DDU	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No
DDP	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes

# Calculation of Actual Value Contributed (AVC)



## Goods

FOB

CIF

Client		FOB										CIF										
Supplier												Sales Invoice Issue Date										
Item												Main Source Currency										
COMPONENTS		Identification (materials code)	Quantity	Unit FOB value (source currency)	Total FOB Value (source currency)	Unit CIF value (source currency)	Total CIF value (source currency)	Unit CIF value Currency	Import Duty (R\$)	CIF Value + Unit Import Duty (R\$)	CIF Value + Total Import Duty (R\$)	Unit Purchase Price w/o IPI and w/o ICMS (R\$)	Total Purchase Price w/o IPI and w/o ICMS (R\$)	Supplier	Manufacturer	DOCUMENT (DI/NF)	Sectors					
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)				
Directly by the Buyer		-	-	-	-	-	-	-	-	-	-	-	NOT APPLICABLE									
Directly by the Manufacturer		-	-	-	-	-	-	-	-	-	-	-	NOT APPLICABLE									
By 3 <sup>rd</sup> parties, then sold-on locally to Manufacturer		-	-	NOT APPLICABLE NOT APPLICABLE NOT APPLICABLE NOT APPLICABLE NOT APPLICABLE								-	-	-	-	-	-	-	-	-	-	



<input type="checkbox"/> Company	<input type="checkbox"/> 1st Q, 2016	<input type="checkbox"/> 2nd Q, 2016
<input type="checkbox"/> MINING - Shangdong Steel Co.	WF PC CD	WF PC CD
<input type="checkbox"/> MINING - Sierra Rutile	WF PC CD	WF PC CD
<input type="checkbox"/> MINING - Octea Mining (Koidu Limited)	WF PC CD	WF PC CD
<input type="checkbox"/> MINING - SL Holding Ltd (Vimectco)	WF PC CD	WF PC CD
<input type="checkbox"/> MINING - Lora Golden Wings (SL) Ltd	WF PC CD	WF PC CD
<input type="checkbox"/> MINING - BCM Group	WF PC CD	WF PC CD
<input type="checkbox"/> AGRI - Mountain Lion	WF PC CD	WF PC CD
<input type="checkbox"/> MANUF - Sierra Leone Brewery - Heineken	WF PC CD	WF PC CD
<input type="checkbox"/> MANUF - Africa Felix Juice	WF PC CD	WF PC CD
<input type="checkbox"/> O&G - National Petroleum (SL) Ltd	WF PC CD	WF PC CD
<input type="checkbox"/> BANKING - Guranty Trust Bank	WF PC CD	WF PC CD
<input type="checkbox"/> BANKING - Rokel Commercial Bank	WF PC CD	WF PC CD



# Case-Study Sierra Leone

## Live Reporting Across 30 Companies



### ACT

*Supplement to the Sierra Leone Gazette Vol. CXLVII, No. 11*

*dated 3rd March, 2016*

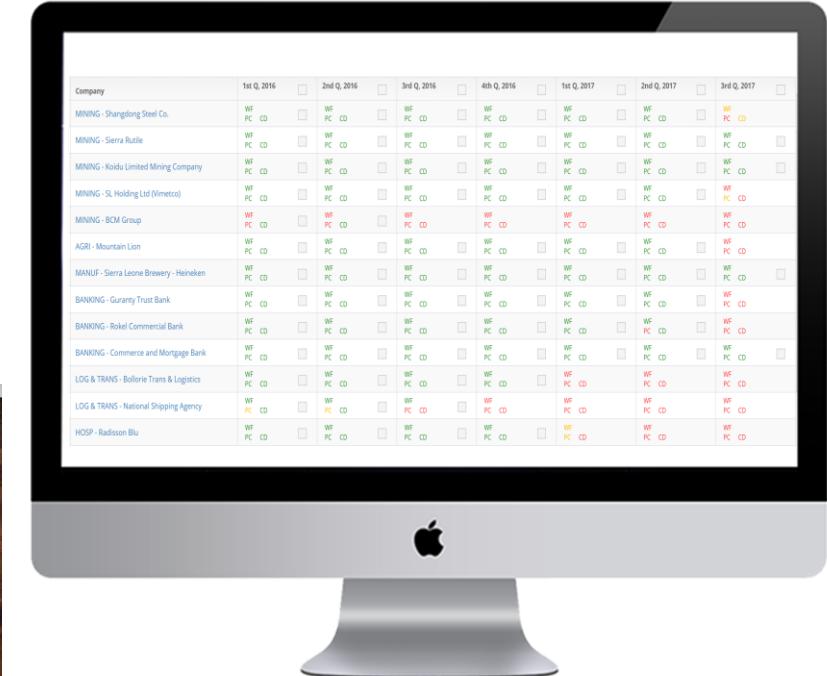
#### THE SIERRA LEONE LOCAL CONTENT AGENCY ACT, 2016

##### Sierra Leonean Content Scorecard.

- 63.** The Agency shall establish a Sierra Leone local content scorecard system which shall–
- (a) provide a system of measuring compliance with Sierra Leone local content development;
  - Launch of **on-line, multi-user, reporting platform** to 30 largest companies: incl. mining, oil and gas, logistics, manufacturing, hospitality, agriculture, and banking companies
  - **Metrics:** nationals in the workforce, procurement from local suppliers, in-county-value of goods and services, supplier development, technology transfer and training
  - Period of **learning and embedding** for companies:
    - No disclosure of Scorecards until 2019
    - Harmonisation workshops to align interpretations
    - Targets realistic and contextual

Company	1st Q. 2016	2nd Q. 2016	3rd Q. 2016	4th Q. 2016	1st Q. 2017	2nd Q. 2017	3rd Q. 2017
MINING - Shagang Steel Co.	MF						
MINING - Sierra Rutile	MF						
MINING - Koida Limited Mining Company	MF						
MINING - SL Holding Ltd (Emenco)	MF						
MINING - BOM Group	MF						
AGRI - Mountain Liri	MF						
MANUF - Sierra Leone Brewery - Heineken	MF						
BANKING - Guiney Trust Bank	MF						
BANKING - Relief Commercial Bank	MF						
BANKING - Commerce and Mortgage Bank	MF						
LOG & TRANS - Bollore Trans & Logistics	MF						
LOG & TRANS - National Shipping Agency	MF						
HOSP - Radisson Blu	MF						

# Sierra Leone: Live Reporting Across 30 Companies



Status as of Q2 2018

# Tracking Performance Against Targets

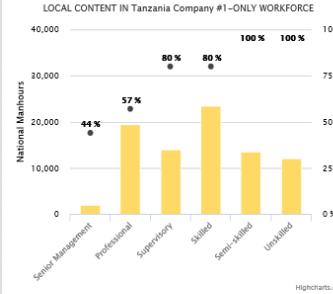
## Nationals in the Workforce

LOCAL CONTENT IN Tanzania Company #1-ONLY WORKFORCE

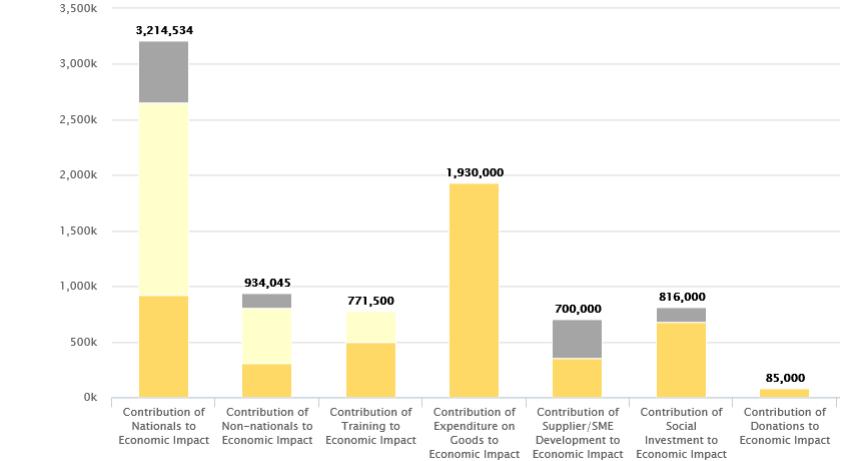
All Tanzania Company #1 Manhours	All Tanzania Company #1 FTE Headcount	National Manhours	National FTE Headcount	% Nationals (Mhrs or FTE)	% Nationals (\$ AVC)
111,000	222	84,500	85	76.1%	47.3%
				50.0%	40.0%

Nationals by Job Position	# National Manhours	% Nationals in Job Positions	Actual Value Contributed from Nationals in Workforce
Senior Management	2,000	44.4%	100,000
		50.0%	
Professional	19,500	57.4%	780,000
		60.0%	
Supervisory	14,000	80.0%	210,000
		60.0%	
Skilled	23,500	79.7%	117,500
		90.0%	
Semi-skilled	13,500	100.0%	40,500
		100.0%	
Unskilled	12,000	100.0%	24,000
		100.0%	
Total			1,272,000



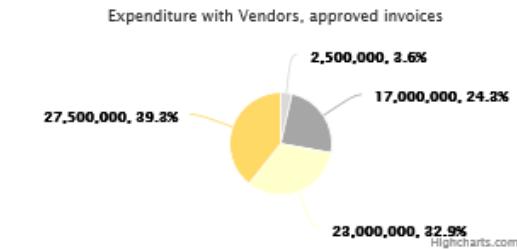
## \$ Value to the Domestic Economy



## Expenditure on Local Goods and Services

Expenditure with Vendors, approved invoices

TOTAL USD\$ Expenditure against Approved Invoices	USD\$ 100% Local Company	USD\$ Joint Venture	USD\$ Tanzania Registered Company	USD\$ Foreign Company
70,000,000	2,500,000	17,000,000	23,000,000	27,500,000
	3.6%	24.3%	32.9%	39.3%
	4.0%	25.0%		



All illustrative data only

# Scorecard System

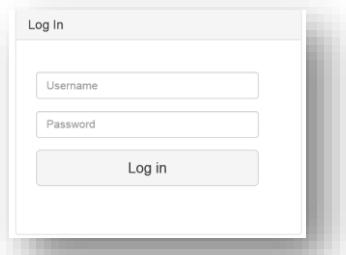
SCORECARD		Company A	Company B	Company C
1st Q, 2016, 2nd Q, 2016	Weighting	Max Score	Score	Score
<b>Nationals in the Workforce</b>	40	47.2		
Nationals by Job Position			37.4	37.7
<b>Local Procurement</b>	42	54.6	25.9	28.5
Number of Active Vendors in Reporting Period	8	10.4	2.1	6.2
Expenditure with Vendors, approved invoices	16	20.8	10.3	5.7
Expenditure on Sierra Leone Services and Goods	18	23.4	13.5	16.6
<b>Local Capacity Development</b>	18	23.4		
TRAINING TO NATIONALS BY Company and CONTRACTORS			1.4	0.5
<b>TOTAL SCORE</b>	100	125	65 Company A	67 Company B
of maximum score:-		52%	53%	74%

**COMPANY A**  
Contextual narrative

- 
- 
-

## Exercise #9

# Review of Local Content Reporting and Scorecard



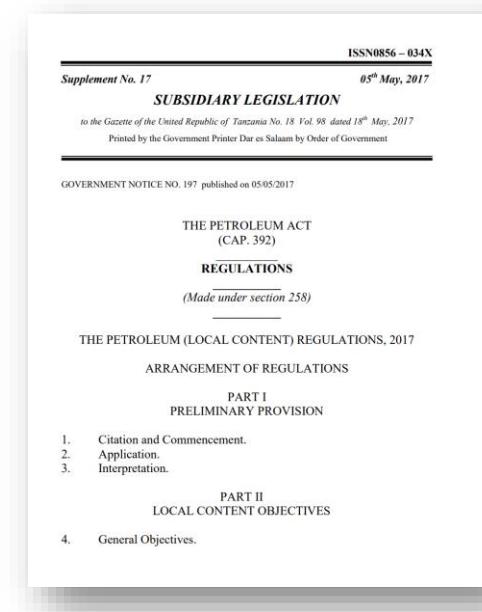
<https://www.dailcpr.com/>

Groups of 2 or 3:

Username: **SUPER ADMIN**

Password: **bk##ucR7**

Select <Primary Oil Tanzania>



### OBJECTIVES

- **You** are an advisor to the Regulator reviewing Q1 to Q4 data against year end 2016 projections/targets for two projects
- **Compare** performance of the two projects across: Workforce, Procurement and Capacity Development
- **What feedback** should you give to each project Operator to improve their performance going forward?

### STEPS:

- GO TO > Dashboard > Cluster Dashboard
- Select periods of data to review: **Q1 to Q4**
- Click company name link to <Primary Oil Tanzania>
- Review **structure and status** of data (GO TO > Manage > Structure)
- Review **Local Content Plan** (GO TO > Plan/Target), and view end-of-year 2016 **Targets** (Cluster level)
- Generate **Dashboard** report for <Primary Oil Tanzania> against **Targets** (Cluster) for period Q1 to Q4. GO TO > Dashboard.
- Review performance: **Workforce, Procurement, Capacity Devt.**
- **Verify** source data and electronic signature. GO TO > Reporting > Status > select Q1 to Q4 > click on green text
- Repeat performance review for <Pearl Petroleum Tanzania>
- Compare **Projects** by **exporting to Excel**. GO TO > Cluster Dashboard > select Q1 to Q4 for both companies and select Targets (Cluster):
  - **Export Benchmark** (compares Dashboard data)
  - **Export Procurement** (a ‘deep dive’ into Procurement data)
  - **Export Pivot** (creates a pivot table of ‘all’ data)
- Run **Economic model** for each company separately (GO TO > CEV)
- Generate **Scorecards** (GO TO > Dashboard > Cluster Dashboard)

# Exercise #9

What feedback should you give to each project to improve their performance for the last quarter of the year?

	Primary Oil Tanzania	Pearl Tanzania
Workforce		
Procurement		
Capacity Development		

# Summary

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- “**Local Content**” means *nothing....Labels mean something.... Definitions mean everything!*
- **Build-down** methods for \$ AVC are useful for reporting efficiency
- **IncoTerms** (especially ‘CIF Price’) offers short-cut to value foreign content component of total sales price
- Local Content data gathering and computation lends itself to **internet/portal** based solutions
- Two options for **monetising LC in labour**:
  - Proportion **Gross Salary** to contract as % of revenues
  - \$ hour rates applied to **Person-hours**
- Two options for **monetising LC in procurement**:
  - Buyer-driven - LC% by Category (prof estimate with flow charts)
  - Supplier-driven – LC% by Invoice (Salary Fund and Into Terms)

# DAI Local Content Masterclass - Course Map

## DAY 1 Local Content Policy, Regulation and Plans

Definitions

Policy and  
Regulation

Stakeholder  
Dialogue

Policy Trade-  
offs

Local Content  
Plans

## DAY 2 Local Content Forecasts and Procurement

Industrial Baseline  
Studies

Local Content  
Forecasting

Contracting  
Strategy

Major Contract  
Tendering

## DAY 3 Local Supplier Development and Local Content Reporting

Registration and  
Pre-Qualification

Writing a  
Winning Bid

Local Supplier  
Development and EDCs

Reporting and  
Metrics



## NOIA August 2019 Local Content Masterclass

# Thank You

