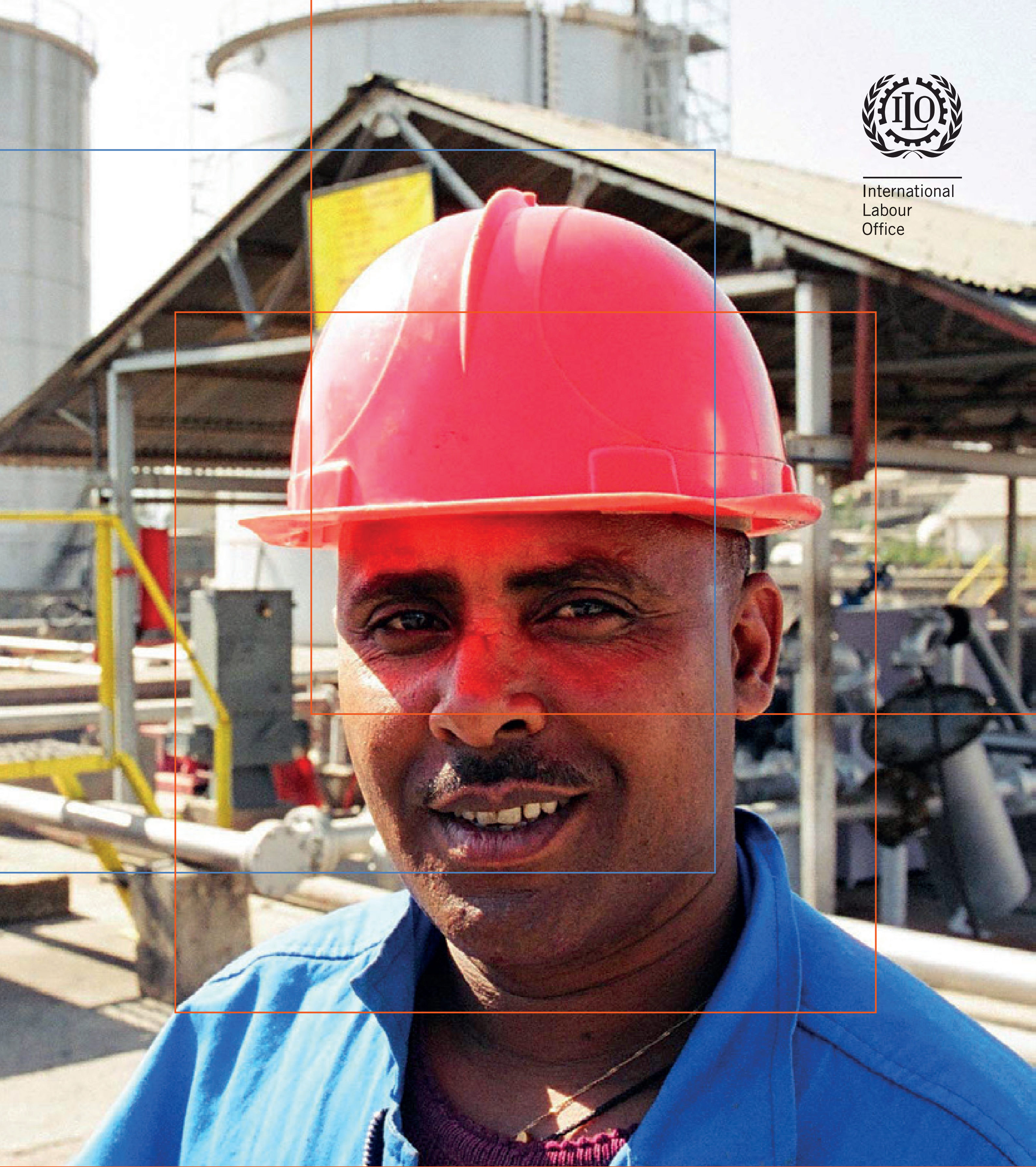

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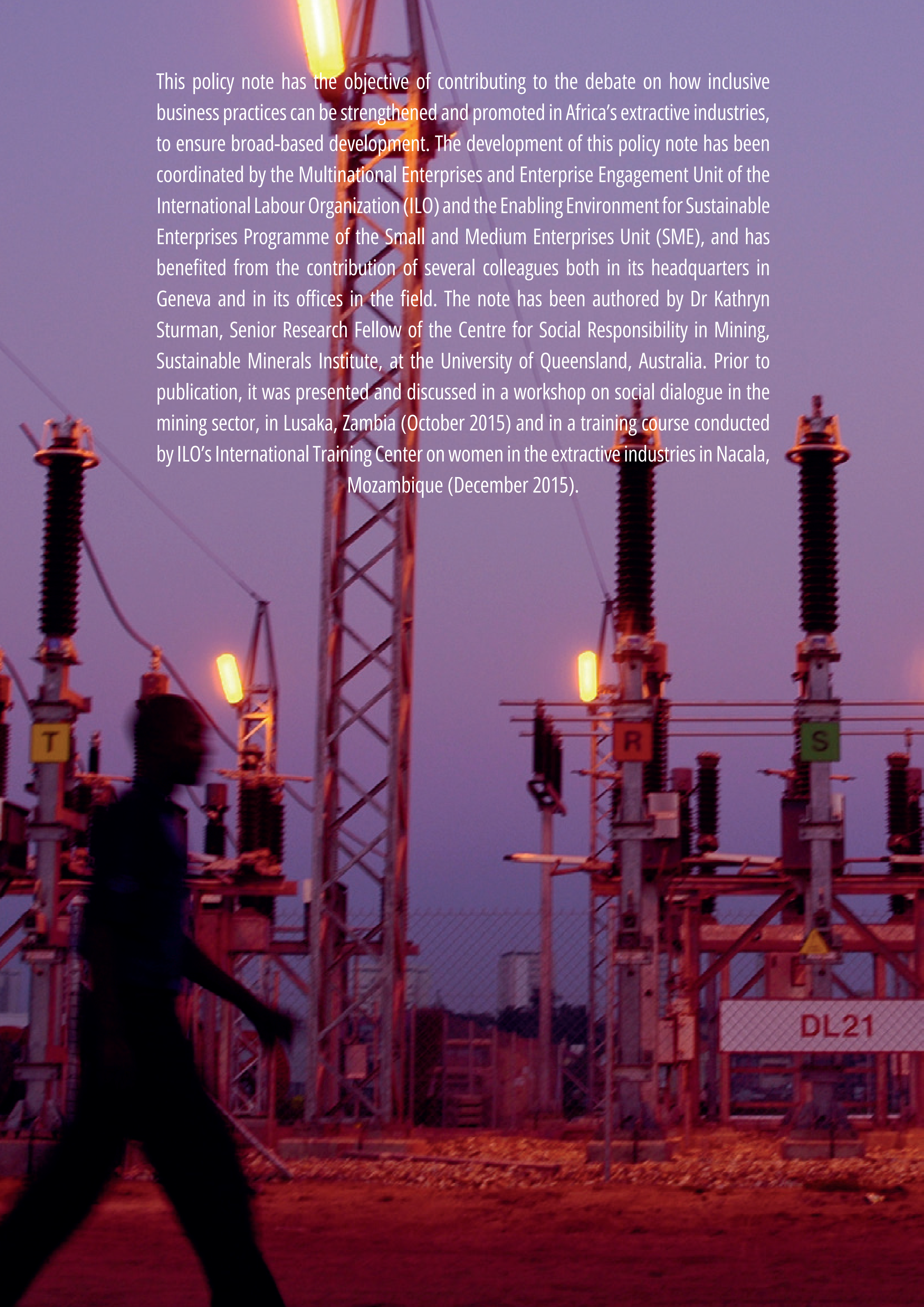
This policy note has the objective of contributing to the debate on how inclusive business practices can be strengthened and promoted in Africa's extractive industries, to ensure broad-based development. The development of this policy note has been coordinated by the Multinational Enterprises and Enterprise Engagement Unit of the International Labour Organization (ILO) and the Enabling Environment for Sustainable Enterprises Programme of the Small and Medium Enterprises Unit (SME), and has benefited from the contribution of several colleagues both in its headquarters in Geneva and in its offices in the field. The note has been authored by Dr Kathryn Sturman, Senior Research Fellow of the Centre for Social Responsibility in Mining, Sustainable Minerals Institute, at the University of Queensland, Australia. Prior to publication, it was presented and discussed in a workshop on social dialogue in the mining sector, in Lusaka, Zambia (October 2015) and in a training course conducted by ILO's International Training Center on women in the extractive industries in Nacala, Mozambique (December 2015).



Acronyms

AgDevCo	Agricultural Development Corridor
AMV	African Mining Vision
ASM	artisanal and small-scale mining
BBBEE	Broad-Based Black Economic Empowerment
BP	British Petroleum
CDP	community development programme
CIDA	Canadian International Development Agency
CNOOC	China National Offshore Oil Company
CSR	corporate social responsibility
CSRM	Centre for Social Responsibility in Mining
CSSDP	Copperbelt SME Suppliers Development Programme
DFID	United Kingdom Department for International Development
DRC	Democratic Republic of Congo
DWCP	Decent Work Country Programme
EI	extractive industries
EITI	Extractive Industries Transparency Initiative
ENH	*Empresa Nacional de Hidrocarbonetos*
FDI	foreign direct investment
FQM	First Quantum Minerals
GDP	gross domestic product
GIZ	Deutche Gesellschaft für Internationale Zusammenarbeit
ICVL	International Coal Ventures Limited
IFC	International Finance Corporation
ILO	International Labour Office
IMF	International Monetary Fund
iNGO	international non-governmental organisation

IOC	independent operating company
IPIECA	Global oil and gas industry association for environmental and social issues
LNG	Liquified Natural Gas
MIREM	Mozambique Ministry of Mineral Resources
MNE	multinational enterprises
MSME	micro, small and medium enterprises
MWO	Mbalawala Women's Organisation
NGO	non-governmental organisation
OSH	occupational safety and health
PAEJK	Activity Programme for Youth Employment in Katanga
PARP	National Poverty Reduction Plan
PPP	public private partnership
RPL	recognition of prior learning
SDG	Sustainable Development Goals
SME	small to medium enterprises
SOGA	Skills for Oil and Gas in Africa
SPEED	Support Programme for Economic and Enterprise Development
TB	Tuberculosis
TEVET	Technical and Vocational Education and Training
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organisation
USAID	United States Agency for International Development
USD	United States Dollars
WB	World Bank
ZCTU	Zambian Congress of Trade Unions
ZFE	Zambian Federation of Employers

1. Introduction

Mining, oil and gas investment has driven robust economic growth of resource-rich African countries in recent years. For example, Mozambique's economy has been growing at an annual average of 7.3 per cent for the past decade (IMF *World Economic Outlook Database*, 2015). Zambia has recorded spectacular growth in GDP per capita from USD 395 in 2002 to USD 1,533 in 2010 (ibid.). Yet the capital-intensive extractive industries provide limited opportunities for job creation, particularly in largely unskilled labour markets. African governments have acknowledged that resource-led growth must be accompanied by structural transformation to deliver significant employment and sustainable development for their peoples (African Mining Vision, 2009, p.3). The concept of "inclusive business practises" within the extractive industries speaks to this need for local economic linkages to the broadest possible benefit of women and men, including the poorest and most vulnerable groups.

The inability of resource-rich countries to draw widespread benefits from extractive industries can be attributed to the tendency of this sector to create foreign dominated enclaves (Ferguson, 2005; Nunnenkamp and Spatz, 2003). Local ownership (through shareholding or joint ventures) and employment are the most direct forms of linkage to the local economy, albeit to a limited number of people. Further linkages along the commodities supply chain and to other sectors of the local economy can unlock the broader developmental effects of extractive industries. In addition, the remote location of many mineral deposits provides unique opportunities for marginalised communities to benefit in regions otherwise unattractive to investment. The African Mining Vision considers the mining sector's potential contribution to "broad-based growth and development" to include "downstream linkages into mineral beneficiation and manufacturing; upstream linkages into mining capital goods, consumables and services industries; and side-stream linkages into infrastructure, skills and technology development" (AMV, 2009, p.V).

This policy brief aims to identify innovative approaches to developing inclusive extractive industries, with the objective of contributing to more and better jobs in resource-rich African countries. This is in line with the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration). The MNE Declaration is the ILO's tripartite key tool for promoting labour standards and principles in the corporate world, and it aims at "maximising the positive contribution which multinationals can make to economic and social progress and to minimize and resolve the difficulties to which their various operations may give rise" (ILO, 2014a, para.2, p. 2). It does so by providing specific recommendations to governments, enterprises and employers' and workers' organizations in the areas of general policies, employment, training, conditions of work and life, and industrial relations.

While the focus of this briefing is on policy specific to local content and inclusive business practises, it is situated within a broader resource governance framework. Government's role in harnessing extractive industries for development is vital at every stage along the chain of decision-making (NRGI, 2014). This applies from exploration and pre-competitive geological surveys; to negotiating contracts and licensing; regulation of all aspects of the social and environmental performance of companies; to managing the revenue streams. For example, more transparent governance of resource revenues can contribute to a better investment climate and safeguard public funds needed for education, infrastructure and support for local economic linkages. To this end 23 African countries are implementing the Extractive Industries Transparency Initiative (EITI) and of these, 18 are compliant with the standard, including Mozambique and Zambia (EITI, 2015).

This policy note is targeted at policymakers, social partners and ILO staff in the field working on sustainable job creation through the extractive industries and linkages to other sectors in developing countries. The policy note draws on previous research commissioned by the ILO conducted in Mozambique, Zambia, Cote d'Ivoire and the Democratic Republic of Congo (DRC). This work has focused at two levels: (1) at national governance of the extractives sector through the tripartite efforts of government, workers' and employers' organisations and extractive companies; and (2) the local level of enterprise development through business linkages between extractive companies and the local economies where they operate.

This policy note presents key factors contributing to inclusive extractive industries. Each of these factors is explained with reference to examples and lessons learned from African countries at various stages of development of their mining and petroleum sectors. It examines two countries in greater depth, namely Mozambique and Zambia. The final section concludes with recommendations to the ILO's tripartite constituencies and key stakeholders in building more inclusive extractive industries in Africa.

Definition of Terms

Decent work has been defined by the ILO and endorsed by the international community as being productive work for women and men in conditions of freedom, equity, security and human dignity. Decent work involves opportunities for work that is productive and delivers a fair income; provides security in the workplace and social protection for workers and their families; offers better prospects for personal development and encourages social integration; gives people the freedom to express their concerns, to organize and to participate in decisions that affect their lives; and guarantees equal opportunities and equal treatment for all. (ILO Decent Work Agenda).

Economic linkages in this context refer to the points of connection between a mining, oil or gas project and the economy of the country in which it is located. Upstream (or backward) linkages refer to the direct and indirect business relationships connecting an industry with its suppliers or supply chain. Downstream (or forward) linkages connect a sector to other sectors in the economy that consume its output, e.g. manufacturing of technology (copper) or jewellery (gemstones), power generation (thermal coal, uranium) or construction (iron ore, coking coal). Side-stream (or horizontal) linkages refer to the demand one sector (e.g. extractive industries) creates in other sectors (e.g. utilities, financial services, logistics, communications). Consumption linkages are direct financial flows into the economy from wages paid to local workers and company profits. Fiscal linkages refer to revenues paid in taxes and royalties. Infrastructure linkages arise from the project's investment in shared infrastructure, such as roads, rail or power stations.

Enabling environment for sustainable enterprises in this context refers to the political, social and economic context in which enterprises operate, including the existing regulatory and institutional constraints (ILO, 2014b, p. 1).

Green jobs help reduce negative environmental impact, ultimately leading to environmentally, economically and socially sustainable enterprises and economies. More precisely, green jobs are decent jobs that reduce consumption of energy and raw materials; limit greenhouse gas emissions; minimize waste and pollution; and protect and restore ecosystems (ILO, 2015a, p. 5).

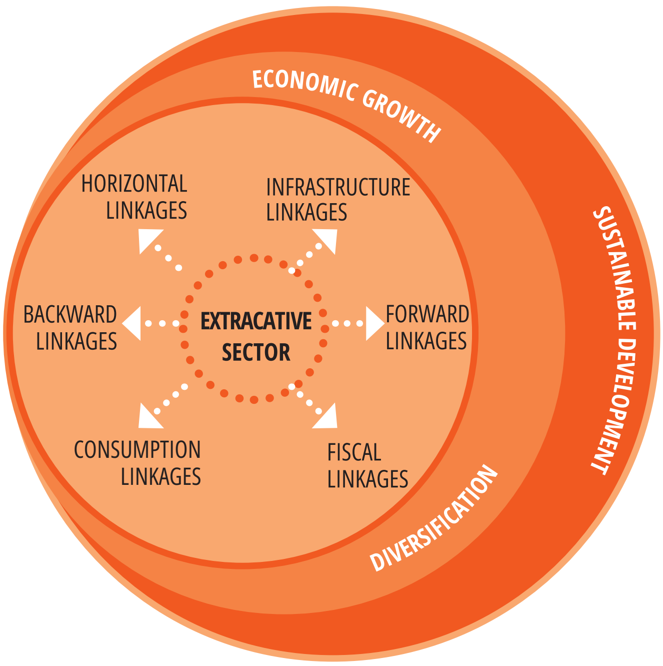
Inclusive business includes low income people on the supply side as workers, producers and entrepreneurs at various points within the value chain (UNDP African Facility for Inclusive Markets, 2015). The African Mining Vision highlights the importance of "gender and ethnically inclusive" extractive industries in the African context (AMV, 2009, p. V).

Local content refers to policies and practises that extend the economic opportunities arising from oil, gas and mining activities within the national economy. It includes local employment, participation in supply chains and the provision of other related support services. Note the important distinction between local enterprises within the immediate vicinity of the project and national business entities that may be included in different local content policies with different developmental outcomes on local and national economies (Esteves et al, 2013, p. 2).

2. Factors for inclusive extractive industries:

The extractive industries may be linked to the local economy of a country in a number of ways, contributing towards employment, enterprise development, revenues, infrastructure, and ultimately to the economic growth and diversification required for sustainable development (see figure 1).

Figure 1: Economic linkages for sustainable development



2.1 Direct employment in mining, oil and gas

Extractive industries are not as labour intensive as other sectors, such as agriculture, manufacturing or services (with the exception of artisanal mining, discussed below). Yet there are usually high expectations among the general population of formal employment being a major benefit of foreign investment in mining, oil and gas projects. These expectations are unlikely to be met when relatively few locals can be recruited due to skills limitations (Östensson and Roe, 2013, p. 8). Targets set by governments and companies for local employment need to be accompanied by concerted public and private sector investment in skills training, internships and mentoring programmes (see 2.4 below).

It is important for companies to communicate with local communities, government and other stakeholders about variations in demand for labour at different stages of the life of a mining, oil or gas project. Social dialogue with government, employers' and workers' organizations as well as more general tripartite plus dialogue, also involving companies, are important vehicles for this communication and provide a platform for collaboration along the supply chain and across governments, businesses and communities. Sector specific public private dialogue in the extractive industries may be used to:

- Inform local communities about mining, oil or gas projects;
- Establish relationships between large investors and local suppliers;
- Identify local content and training needs;
- Understand and negotiate benefit-sharing at national, regional and local levels; and
- Improve communication between stakeholders (World Bank, 2012).

In general, there will only be a few jobs available during the exploration and feasibility stages; a relatively large number of jobs during the construction stage; fewer (but longer term) jobs available during production, tailing off towards closure and the post-closure rehabilitation stage. The expected life of the mine, oil or gas well(s) will determine how sustainable production-related employment in the project will be. Skills transfer during the life of the extractive project is vital to ensuring the long-term employability of local workers. Specific efforts should be made to attract and retain women in direct employment in the traditionally male dominated extractive industries, as women are far more engaged in the provision of goods and services around mines in Africa than they are in direct employment in the extractives sector (Kotsadam and Tolonen, 2014).

Consumption linkages can lead to induced employment as the salaries of workers or subcontractors are spent within the wider economy. An example would be a retail sector growing up close to an extractive project, providing goods and services to mine, oil or gas workers. These may range from basic, small-scale barber shops, grocery shops and fast food outlets to higher income generating enterprises, such as hotels and tourist facilities. Where the site is remote from major urban settlements, opportunities for green jobs in eco-tourism should be explored, such as the eco-park planned for Palma, Mozambique (see 3.4 below).

2.2 Local linkages for indirect and induced employment

Employment figures for indirect and induced jobs linked to the extractive industries are estimated to be between three and six times larger than direct formal jobs in the sector (Östensson and Roe, 2013, p. 4). Creating an enabling environment for value chain development is therefore the single most important policy intervention for job creation through the extractive industries.

Regulation of backwards (upstream) linkages has typically been limited to mandating minimum levels of local supply. However, recent research in Africa indicates that upstream linkages to the mining sector provide significant local employment opportunities (Morris et al, 2013). An example of this would be in food procurement, where companies' needs can align with farming or fishing activities close to even remotely located mining, oil or gas projects (see case study below of Mbalawala Women's Organisation, Tanzania). Opportunities to shift out of agricultural employment into higher value added sectors also arise, however, such as provision of services (e.g. catering, cleaning, sales) and skilled manual labour (e.g. electricians, plumbers, brick layers, tailors, bakers).

These linkages have been found to benefit men and women differently, with more women moving into service sector employment and more men finding skilled manual jobs when a new mine opens in Sub-Saharan Africa (Kotsadam & Tolonen, 2014, p. 35). Moreover, social norms with regards to accessing productive resources may also make it more difficult for women to take advantage of local content initiatives or even other business opportunities that emerge linked to mining operations. Gender sensitive training and enterprise development programmes are therefore needed to ensure more gender inclusive local linkages and to respond to the training needs of both women and men. Participatory value chain analysis and the development of initiatives based on its findings can be a powerful strategy to ensure that the benefits of establishing local business linkages are more widely shared among women and men.

It is important to distinguish between local suppliers in the vicinity of the extractive project and national suppliers because of the different developmental benefits of procurement from each. Procurement from any company within the borders of a country will contribute to inclusive GDP growth. However, the direct benefits of procurement at this level may be flowing to relatively wealthy elites in the capital city. Procurement from suppliers in a remote, marginalised region will have a regional development effect. 'Local' local procurement could have the additional benefit of mitigating negative impacts of the extractive project, such as livelihood restoration for resettled communities (see 2.3 below).

Box 1: Mbalawala Women's Organisation, Tanzania

By fostering local food procurement by a coal mining project in Ruvuma province, Tanzania is promoting inclusive growth of small business ventures by local women. Tancoal (a joint venture between Intra-Energy Corporation and the National Development Corporation of Tanzania) purchases food and catering services from the Mbalawala Women's Organisation (MWO), which registered as an NGO in 2012. The MWO supplies food and caters for approximately 80 meals per shift for the Ngaka site operated 24 hours a day by Tancoal. The MWO currently employs 25 people on two to three-year contracts, including three managers: the GM, the financial manager and the operations manager. They also hire casual workers when needed, for example, during planting season. Salaries are above the minimum wage and employees receive contributions to the National Social Security Fund. A spin-off from the MWO's food and catering services to Tancoal has been the development of a viable charcoal briquette-making small enterprise and an indigenous tree nursery grown for mine land rehabilitation of the mine site. This case shows that small-scale inclusivity can be achieved by a remotely located mining project of this scale, since local food suppliers do not face stiff competition from larger external food and catering companies. A medium-sized extractive enterprise in this case has greater flexibility and smaller orders for food than a larger operation, which matches well with the capacity of local suppliers (Sturman and Bello, 2014).

Downstream linkages from minerals, oil and gas have historically been the focus of economic diversification strategies for resource dependent countries (WEF, 2013, p. 12). These range from export taxes or bans on raw mineral exports, to incentives and support for refineries, smelters, cutting and polishing of gemstones and other forms of beneficiation. The challenge for these types of policies is that if mining or petroleum companies are not already processing the raw materials they produce within the host country, then it is probably not profitable for them to do so (Östensson and Roe, 2013, p. 6). Export taxes on unprocessed materials may unintentionally lead to production cuts. Policymakers need to balance beneficiation objectives with the need to attract and retain investment, on which jobs linked to the extractive industries ultimately depend.

Beneficiation projects can contribute to skills development and job creation, for example, the Diamond Trading Company of Botswana (a partnership between De Beers and the Government of Botswana) sells rough diamonds to local SMEs for cutting, polishing and sales. Uganda has negotiated a Memorandum of Understanding with three oil investors (Tullow, Total and CNOOC), which includes an oil refinery to manufacture petroleum-related products for both domestic consumption and export within the East African region (Hickey et al, 2015).

2.3 Enabling environment for sustainable enterprises:

Besides local content policy and implementation, there are a range of policy and institutional measures for creating a more enabling environment for sustainable enterprises, which can facilitate growth of SMEs linked to the extractive industries. Depending on context, these may include:

- Simplifying business registration and licensing procedures;
- Streamlining tax policies and administration;
- Facilitating access to finance, especially micro-credit for business start-ups;
- Improving land titles, registers and administration;
- Simplifying and accelerating access to commercial courts and alternative dispute resolution mechanisms;
- Improving access to market information to 'level the playing field' for SMEs; and
- Broadening public-private dialogue processes (ILO, 2015b, p. 39).

Most of these reforms are the responsibility of government at all levels, from the legislature and national executive to the local government level at which many of the bureaucratic hurdles and costs associated with running a small business are experienced. International mining, oil and gas companies also have a role, however, in streamlining their own sizeable internal bureaucracies to facilitate local and smaller scale procurement of goods and services. MNEs can also use public private dialogue mechanisms to promote the case for a more enabling environment for sustainable enterprises of all sizes and provide best practise examples from other countries in which they operate. The participation of women in these dialogue processes is important to ascertain whether the enabling environment for enterprise development is conducive to both women and men.

An ILO study exploring value chain linkages between MNEs and local SMEs in Cote d'Ivoire identified the following challenges, which are typical barriers to local procurement throughout Africa (see, for example, similar challenges found in Mozambique below):

- Weak capacity of local SMEs, including low financial capacity and skills levels;
- Insufficient quantity and quality of goods and services supplied by local SMEs;
- Slow delivery of goods and services by local SMEs;
- Lack of government policies and institutional frameworks that are conducive to enterprise development;

- Inadequate physical infrastructure; and
- High cost of credit for SMEs (ILO, forthcoming-a).

Strategies for overcoming these challenges include:

- Small business promotion centres providing information, training and access to microcredit facilities;
- Improving the flow of information regarding tender opportunities from extractive companies to SMEs, e.g. by advertising in accessible local media;
- Encouraging SMEs to pool their technical and human resources to submit joint tenders for business;
- Unbundling contracts into smaller quantities of goods and services that may be provided by local SMEs;
- Simplifying tender procedures and adopting locally accredited performance standards where possible;
- Arranging for prompt and direct methods of payment (e.g. cash on delivery) for locally supplied good and services;
- Sensitization of SMES to adopt good practices for accessing social protection mechanisms, participating in skills development programmes that can help strengthen their capacities to deliver services.

2.4 Minimizing livelihood losses and linking Green Jobs to extractive industries

The opportunities derived from mining, oil and gas projects have to be weighed against risks of negative impacts to realise net employment gains and sustainable development. Pollution and destruction of habitats can be caused by poorly regulated resource extraction. This has repercussions for prior and adjacent economic activities, such as farming, fishing and tourism. Involuntary resettlement is also known to contribute to loss of livelihoods when communities have to make way for mega-projects like mines, dams and infrastructure (World Bank, 2015a).

In addition the environmental and social impact of mining activities affect differently women and men because they use natural resources in different ways. For example a road may facilitate mine workers access to work, but at the same time it may destroy land that women use as a productive resource, or split areas commonly circulated by women, increasing their travel time.

Research shows that rural women are often the ones that bear the brunt of environmental degradation as their livelihoods are often linked to the use of the land. In addition, in the cases where there is compensation for the use of land by the extractive industries, men are likely to receive it as the official titleholders. Hence the importance that these and other land use conflicts should be mitigated by due diligence of social and environmental impacts; early and regular consultation with local communities and especially with vulnerable groups (such as ethnic minorities, women, youth, elderly or disabled people); and grievance mechanisms with provision to redress issues such as loss of livelihoods.

Green jobs should be integrated into the responsible operation of extractive projects, as well as along the supply chain through procurement and social investment projects. The examples below also offer opportunities for women in the community to participate in the value chain in sectors in which they have skills and knowledge:

- participatory monitoring of environmental impacts by community-based organisations, such as air and water quality monitoring, such as the Community Score Card process introduced in Ghana with support from the IFC, Ghana Chamber of Mines, mining and oil MNEs;
- local provision of environmental services, such as indigenous plant nurseries for mined land rehabilitation and landscaping (e.g. replacing topsoil and vegetation after strip mining) by local experts on indigenous flora and fauna;
- construction using sustainable building materials for housing resettled communities and workers, for mining and gas infrastructure, and CSR projects (such as building or renovating schools and clinics);
- alternative energy projects linked to extractive industries, such as hydro-electric power shared infrastructure investment;
- seasonal local food procurement that reduces food transportation mileage, especially to remote mines, oil and gas sites.

Box 2: Anglo Zimele's Green Fund

The Zimele enterprise development fund was established in 1989 in South Africa by mining MNE Anglo American. Initially aimed at supply chain development of SMEs, Anglo Zimele has become a broader enterprise development fund run on a commercial basis with financing (debt and equity), advisory services (technical and business advice) and implementation (mentoring during project delivery). In 2011, the Zimele Green Fund was launched to encourage entrepreneurs to operate in the green economy. The Green Fund targets investment opportunities that mitigate carbon, reduce energy and water consumption, and improve waste and emissions management (Anglo American, 2011).

2.5 Training and skills development

Low levels of education and a largely unskilled labour force are major obstacles to local employment by the extractive industries and local linkages in Africa, particularly for women. Women's lower levels of education and skills can mean that they need specific support in skills development programmes, which may need to include working with service providers to enable them to analyse and address gender gaps and segregation in skills sets. The high cost of hiring expatriates compared to local workers provides an incentive for foreign companies to contribute to training and skills development in the host country. This can be achieved through a range of measures, including:

- Voluntary or mandatory local employment targets and indicators to monitor progress
- Internships and mentoring programmes
- Corporate social investment in vocational training and enterprise development centres
- Skills development levies

Management transparency and efficiency of skills development funds are the main challenges of tax regimes to fund training. Examples may be found in Angola, South Africa and Tanzania. In Angola, petroleum companies are required to pay 15 cents per USD per oil barrel sold to fund vocational training. In South Africa, all organisations with a payroll above a certain annual threshold pay a 1 per cent skills development levy on their payroll. In Tanzania, companies with more than four employees pay between 2 per cent and 6 per cent of their payroll to the Vocational Education and Training Authority (ILO, forthcoming-b, p. 44).

Private sector partnerships with international development agencies and host governments have focused on sector-specific skills development. For example, the Canadian International Development Agency (CIDA) has supported skills development for youth in Burkina Faso, in collaboration with mining company IAMGOLD, NGO Plan Canada and the Ministry of Education. USAID has collaborated with Chevron and BP on vocational training and workforce development in Angola (Östensson and Roe, 2013, p. 36). DFID and GIZ are collaborating with international oil companies in Kenya, Mozambique, Tanzania and Uganda to deliver the Skills for Oil and Gas in Africa (SOGA) initiative (see 3.5 below).

Box 3: Activity Programme for Youth Employment in Katanga (PAEJK), DRC

The ILO has identified the following opportunities for youth employment in Katanga province of the Democratic Republic of Congo (DRC): agri-food processing; timber (nurseries, felling or transporting of logs); supporting draft animals; market gardening and fish farming. Opportunities also exist to meet increasing demand for construction and public works, in particular: carpentry, industrial or individual construction, brick making, catering, renewable energy and mine site security. The PAEJK aims to support training and access to credit for youth to be employed in these activities, in collaboration with the formal mining sector of Katanga. It has recommended that mining companies target their CSR investments into training programmes, enterprise development and support for agriculture (ILO, 2013a).

2.6 Shared infrastructure investment

The total capital requirements of many of Africa's new extractives-related infrastructure projects are beyond the national budgets and debt capacity of host governments. For example, the estimated capital cost of the Simandou iron ore mine, rail and port infrastructure project in Guinea was around three times the amount of Guinea's GDP in 2011(IFC, 2013, p. 8). Public-private partnerships (PPPs) are usually the only viable way to build, finance and operate the roads, railways, ports, power stations and other facilities needed. The benefit of this arrangement for host governments is that they may be able to influence the technical design of the infrastructure to ensure shared usage beyond the needs for mine, oil or gas production and export. The challenge for all stakeholders is to align public sector and private sector goals to share the responsibilities, risks and rewards of shared infrastructure (ibid.). Moreover, particular attention has to be put in identifying the ways in which infrastructure projects will impact women, as they can negatively affect the productive resources on which their livelihoods hinge. Thus, women's participation in consultations and dialogue processes is crucial.

Box 4: The Ehoala Port at Fort Dauphin, Madagascar

The Anosy region, which is located at the South-East of Madagascar, was and still is extremely difficult to access via roads and did not possess any major port facility. This was a major obstacle both to extract and export resources, and for the development of the region as a whole. QIT Rio Tinto and the State of Madagascar reached an agreement whereby the mining company would invest in both project-related and public interest infrastructure, including a major port, public-interest roads, bridges, social services facilities, a thermal power station for production needs, a powerline network, and a water distribution system. The port is primarily used for the purposes of ilmenite exports, but is also a multi-purpose port which aims at attracting cruise ships and facilitating diversified imports and exports. The agreement between QIT and Madagascar forms part of a broader strategy to boost Anosy's local economy through a mining, tourism and agriculture led growth model: the Fort Dauphin/Toalognaro Integrated Growth Pole, a World Bank-supported initiative (World Bank Madagascar; CSRM, 2015b).

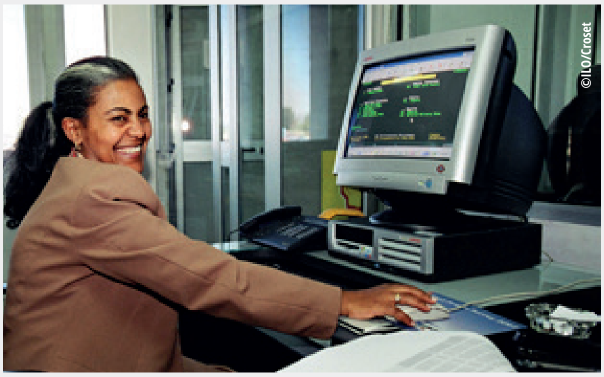
2.7 Social investment for sustainable community development

Corporate social investment has evolved from philanthropy and sponsorship of small-scale, short-term projects, to more effective partnerships for local development. The concept of creating 'shared value' for the extractive industries and their local stakeholders is an important principle for effective social investment (Shared Value Initiative, 2014). For example, companies may invest in a health programme benefitting both their workers and local communities, such as mosquito control in malarial areas, or TB vaccination, as a more effective and mutually beneficial use of CSR funds than building a local clinic or hospital. Shared use infrastructure or enterprise development projects are also best practise examples of social investment. Key strategies for effective social investment include:

- leveraging the greatest value out of investments through multi-stakeholder collaborative projects;
- regular monitoring and evaluation of the outcomes and impacts of social investment.

One challenge with social investment for sustainable community development is that they may not be in a position to influence the content of such programmes, due to lack of participation or voice in community decision-making structures. Despite best efforts, the different impact of social investment and community development on men and women can reinforce gender inequalities. Thus, empowerment strategies may need to accompany such efforts.

Women's inclusion in decision making for social investment and community development.



The use of general memorandums of understanding (GMoU) agreements between oil companies and local communities in Nigeria represents an important shift in approach by placing emphasis on regular communication with the grassroots through transparent and accountable processes. However, there have been a number of challenges involved in their implementation, especially in terms of ensuring gender equality. Culturally, women do not normally take up decision-making leadership roles in their communities. It has, therefore, been difficult to get women to represent their communities on development committees and community leaders have not responded positively to the idea of having women take on this role. In terms of implementation, 20% of the budget for implementing community development plans under the GMoU is reserved for 'women's programmes'. Primarily, these include economic empowerment programmes focusing on micro-credit income-generating skills. However, there has been a general failure to implement this 20%. Reasons for this failure include underlying challenges resulting from a lack of coordination between implementing partners: local government, oil companies and community representatives. However, the lack of female participation among the community leadership carries its own specific challenge for the design and implementation of 'women's programmes'.

2.8 Local ownership

A wide variety of mechanisms exist under the banner of local ownership, ranging from state owned enterprises controlling an entire sector, for example, Angola's national petroleum company Sonangol, to community share ownership schemes in particular projects, such as the Royal Bafokeng Nation in South Africa. In Zimbabwe, the Indigenisation and Economic Empowerment Act provides for at least 10 per cent shareholding in mines by local communities through Community Share Ownership Schemes.

The risk at both national and local levels is that these ownership arrangements favour a minority of citizens or politically connected elite. In some cases, royalties may be a more equitable fiscal instrument for distributing the value of mineral resources. The guiding principle of all ownership agreements should be to aim for broad-based and transparent distribution of benefits. South Africa's Broad-Based Black Economic Empowerment (BBBEE) legislation and Mining Charter is an example of this approach. While the implementation of BBBEE has not yet met targets set by parties to the Mining Charter, the policy itself is more nuanced than the earlier black economic empowerment policy to address growing inequality between the majority of people and the old and new elites (Amendment of the Broad Based Socio-Economic Empowerment Charter for the South African Mining Industry, 2010).

2.9 Formalising artisanal and small-scale mining (ASM)

An estimated 3.7 million Africans are engaged in artisanal and small-scale mining and about 30 million depend on it (AMV, 2009, p. 26). These informal mining activities are more labour-intensive than large-scale, formal mining. An ILO study of employment in the mining sector in Katanga province of the DRC estimates that in this region alone, some 50 000 – 70 000 people work in artisanal mining, which is more than double the 20 000 – 30 000 formal mining sector jobs (ILO, 2013a, p. 5). Despite difficult working conditions, artisanal mining generates an income in places where there are few other opportunities.

Supporting the creation of cooperatives is a way to formalise ASM by increasing access to finance and encouraging savings. The ILO's youth employment programme in the DRC prioritises support for youth cooperatives for artisanal miners as well as technical training in prospecting, extraction, security and other mine-related activities (ILO, 2013a). There are other successful examples of this approach in Rwanda and Zambia (see below).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3. Case study: Mozambique

Mozambique's economic recovery from civil war after 1992 began with the brokering of 'first generation' mega-projects, including the Mozal aluminium smelter near Maputo and the Pande Temane gas project in Inhambane province. The global boom in commodities prices in the early 2000s led to further FDI in extractive industries. The potential of vast coal deposits in Tete province and gas discoveries in Cabo Delgado resulted in licensing of mining and LNG projects in these previously marginalised regions.

Despite rapid GDP growth, the legacy of post-conflict deprivation throughout Mozambique remains daunting. For example, the country is estimated to have one of the lowest education levels among its adult population in the world at 1.2 years of formal education (ILO, forthcoming-b, p. 17). It is a stark case of the need for structural transformation to enable inclusive economic growth and sustainable development from the extractive industries.

Elite capture of the opportunities and rents generated by mining and gas investments remains a risk. Successful implementation of the local content and development provisions of the new laws will rest on multi-stakeholder oversight and social dialogue mechanisms. In the mining sector, the Government has committed to developing a "Country Mining Vision", in line with the African Mining Vision. The ILO has supported social dialogue on inclusive extractive industries in Mozambique in several initiatives:

- Working with the Government of Mozambique, Workers' and Employers' Organisations to prepare and implement the Decent Work Country Programme for Mozambique (2011-2015).
- In March 2014 ILO, UNDP and the WB organized a national conference (with the presence of both the President and Prime Minister) on employment generation in the context of extractive industries.

ILO, UNDP, UNIDO and UNWOMEN have established the joint programme "More and better jobs in Cabo Delgado and Nampula provinces - Harnessing the opportunities of Mozambique's New Economy".

3.1 Direct employment in mining, oil and gas

Many of the jobs created in and around EI mega-projects have not directly resulted in employment opportunities for young Mozambicans. For example, in 2010 the five main megaprojects combined only created an estimated 3,800 direct jobs and Government approved private investments with an estimated value of US$3.4 billion in 2011 are projected to create a mere 33,871 new jobs – an equivalent cost of US$ 1,385 million per direct job (UNDP Mozambique, 2014). The challenge is that the majority of these jobs are highly skilled and specialized whereas the vast majority of young Mozambicans can only offer low-skilled or un-skilled labor. Skills development initiatives are discussed in 3. 5 below.

Box 5: Women's and youth employment targeted by the UN's "More and better jobs" programme

The Sustainable Development Goal (SDG) Fund United Nations Joint Programme focuses on the provinces of Nampula and Cabo Delgado, in which the extractive sector is active. The programme promotes gender-sensitive employment policies and work force skills. It targets women and young men who are job seekers or entrepreneurs, improving vocational skills, fostering small and medium enterprise development, and improving the data and monitoring capacity of public institutions.

The Joint Programme is funded by the UN Sustainable Development Goal Fund and matching funds by the four participating UN agencies. It will initially run to April 2017. The programme seeks to create at least 1,500 direct jobs and 1, 500 indirect jobs linked to the extractives sector, of which at least 50 per cent will be for women and 25 per cent for young men and women. At least 35 per cent of the 250 SMEs to be supported by the programme are to be run by women entrepreneurs.

On the demand side, Article 33 of the Mining Law 20/2014 requires companies to publish all employment opportunities in the newspaper of largest circulation, or through radio, television and internet, indicating the closest place to submit the applications (CIP, 2014a, p. 2). The Petroleum Law 21/2014 (Article 15) requires gas companies to ensure employment of national citizens with a preference for those living in the concession area (CIP, 2014b).

The implications of fluctuations in coal and gas prices for job creation and job security in Mozambique need to be factored into policy implementation. Accurate information about job opportunities should be provided by companies to enable a better alignment of demand and supply of labour. This information should be updated regularly to account for changing market conditions.

3.2 Local linkages for indirect and induced employment


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The ILO commissioned research in 2014 on the job creation potential along selected supply chains feeding into the coal and gas sectors in Tete and Cabo Delgado provinces (ILO, forthcoming-b, p. 9). The study identified job opportunities arising from the new extractive industries in Mozambique in the following sectors:

- Construction
- Hospitality and catering
- Agriculture, fisheries and agro-processing
- Industrial maintenance
- Services
- Tourism

In Tete, 93.4 per cent and in Cabo Delgado, 89,4 per cent of the population over the age of 15 years works in agriculture (ILO, forthcoming-b, p. 19). Food production and processing are particular focus areas for developing local employment linkages to the extractive industries in these rural areas.

Collaborative or joint initiatives between two or more of companies to support regional agricultural and enterprise development could augment company-specific efforts. Collaborative strategies are especially relevant to regions like Tete, where there are several extractive projects operating in close proximity to each other.

Box 6: Beira Agriculture Development Corridor

The AgDevCo model aims to leverage contacts with local farmers to upscale rural agriculture capacity and link small farming units to potential large customers such as mining companies as a way of fostering sustainability and commercial viability in local farming. The company employs two principal approaches, namely investment through its fund managers in agricultural SMEs (for example clustering its investments in the Beira Agriculture Development Corridor) or injecting larger working capital into some facilities or projects (Sturman and Bello, 2015).

In Tete, the first two mining projects undertaken by Vale at Moatize and Rio Tinto at Benga (subsequently sold in 2014 to ICVL) implemented farming support programmes and local food procurement policies through their contracted catering suppliers. A business centre was established in 2013 in Tete to support enterprise development (Sturman and Bello, 2015).

An example of successful local procurement from the resettlement area of Cateme in Tete is that of a local farmer selling food to both Moatize and Benga mines. This supplier began farming at Cateme in 2010 and now grows vegetables, maize and sesame on 20 hectares of land, employing 15 workers. He supplies vegetables to catering contractors to the two mines, through his company Fazenda Mizimu and Tete-based distributor, CB Farm Fresh. In 2013 he won an award from the Ministry of Agriculture as Mozambique's 'Farmer of the Year'. This small business and the CB Farm Fresh supply chain offer a model for similar initiatives for local food procurement for mines in Tete province (Sturman and Bello, 2015).

In Cabo Delgado, the Palma Urbanisation Plan for the location of the ENH LNG plant includes an industrial park, business centre and areas for commerce and services, tourism and an 'Eco Park' (ILO, forthcoming-b, p. 28). The Anadarko Rovuma basin LNG project has opportunities for construction, engineering services, accommodation, car rental, goods transport, catering, cleaning and security services.

Challenges for the realisation of these opportunities include:

- Competition from foreign suppliers, especially South African companies.
- Low capacity of national companies to comply with quality standards and quantity and delivery time requirements.
- High compliance costs of doing business with large MNEs, e.g. payment processing times, paperwork for procurement.
- Lack of access to credit for SMEs
- Lack of information and clarity on business opportunities.

The Ministry of Mineral Resources (MIREM) has recognized these challenges during the consultations leading to the designing a draft regulation of the local content strategies for mineral investors. The Mining Law 20/2014 (Article 22) now requires mining companies to give preference to local goods and services in their procurement. The Petroleum Law 21/2014 (Article 41) requires petroleum companies to give preference to local goods and services where they are not more than 10 per cent more expensive than the equivalent imports. Although defined as 'local content' in law, stakeholders, such as the employers' organization, prefer to talk about 'national content' because there are so few viable enterprises close to the site of extraction in the provinces with new extractive industries.

While the development of local content strategies is expected to be implemented by the MNEs, the enforcement of this policy tool needs to be accompanied by more concerted multi-stakeholder initiatives in support of local enterprise and linkage development. Examples of previous initiatives in this regard include:

- The USAID Support Programme for Economic and Enterprise Development (SPEED), which delivers training and technical assistance to business associations and government institutions;
- The IFC's Mozlink initiative, a local supplier development programme, which was established in 2003 in connection with the Mozal aluminium smelter and expanded to include other corporate partners (Sasol, SABMiller and Coca Cola).

Regarding forward linkages to the Mozambican economy, the new Petroleum Law 21/2014 (Article 35) imposes domestic market obligations on petroleum companies. Under this provision, 25 per cent of petroleum production governed by future contracts has to be sold in the domestic market at a price set by the Government.

3.3 Creating an enabling environment for sustainable enterprises

The initial economic liberalisation of Mozambique in the 1990s focused on creating incentives for investment (Castel-Branco, 2014, p. S27). This has been followed by regulatory and policy reforms after the mining and gas boom that aim to enhance the national and subnational benefits of resource extraction. The National Poverty Reduction Plan (PARP), 2011-2014, thus focuses on reducing poverty through more inclusive economic growth (ILO, 2011, p. xv).

The 2013 Policy and Strategy for Mineral Resources 89/2013 set the stage for these reforms in the mining sector. This was followed by the new Mining Law 20/2014, which replaced the previous Mining Law 14/2002, except in relation to mining contracts that were in force prior to 22 August 2014 (CIP, 2014a, p. 1). In the gas sector, the Petroleum Law 21/2014 replaced the Petroleum Law 3/2001 with a number of provisions aimed at maximising local content and benefits from the sector for Mozambicans (CIP, 2014b, p. 1).

Despite success in attracting large investors to the extractives sector during the commodities price boom, Mozambique is ranked 127 out of 189 countries in the Ease of Doing Business Index (World Bank, 2015c). This is a major barrier to local SME development and linkages to the extractive mega-projects. Simplification of the business licensing process and the elimination of minimum capital and bank deposit requirements have been important first steps to creating a more enabling environment for SMEs in Mozambique. A more streamlined procedure at the land registry has also been introduced in 2014.

Land titling reform is an ongoing priority for securing land rights for small-scale farmers and enterprises, and preventing land use conflict with the large-scale extractive industries. While land in Mozambique remains under state ownership, the Land Act Law of 1997 and the Law on Land Use Management of 2007 establish land use rights for local communities and define rules of compensation for loss of land, including in the context of mining and resettlement. Further strategies for facilitating SME development in Mozambique are needed, particularly at the local government level.

3.4 Minimizing livelihood losses and linking Green Jobs to extractive industries

The scale and extent of mine licensing in Tete province have resulted in pressures on land availability for resettlement of mine-affected communities. Livelihood losses have occurred as a result, for example for subsistence farmers resettled from the fertile banks of the Zambezi and Revoboe Rivers some 40km away to arid areas where there are no coal deposits. The distance from Tete city and the Moatize district to the resettled communities of Cateme and Mualadzi has also disrupted the education of youth and access to markets for women who were previously engaged in small trading, selling vegetables, charcoal, firewood and other goods and services (Lillywhite; Kemp; Sturman, 2015). Livelihood restoration programmes have to be the priority for extractive companies and government to address these negative impacts of resettlement for mega-projects. These programmes should not be conflated with community development or enterprise development, however, as they are not sufficient to provide a net gain in employment or development from the extractive industries.

In addition to livelihood restoration programmes for communities displaced by mining or gas projects, community development programmes should provide new opportunities for green jobs through local linkages to the mining and gas sectors. For example, the Palma Urbanization Plan for the LNG project there includes plans for an Ecopark and tourist facilities, creating job opportunities in environmental services, hospitality and construction.

3.5 Training and skills development

Training gaps have been identified in a number of occupations in Tete Province and Cabo Delgado, which should be prioritised for attention (ILO, forthcoming-b, pp. 34-35). Strategies are needed to improve the employability of local labour, especially in occupations with lower technical requirements that can be addressed by short courses adequate for people with lower levels of education. Short courses to develop basic entry level skills can be delivered, for example, for security guards, construction workers, maintenance assistants, cooks, cleaners and drivers (ILO, forthcoming-b, p. 46). Cross-cutting skills courses are also urgently needed, such as computer literacy, entrepreneurship and business skills, and English language training (ILO, forthcoming-b, p. 37).

The Mining Law 20/2014 states that companies must ensure training for Mozambicans to be able to fulfil the needs of the mining activities (Article 33), while the Petroleum Law 21/2014 (Article 15) requires companies to ensure technical training of nationals with a preference for those living in the concession area. A skills development levy should be considered as a way of implementing these directives in the new legislation.

Box 7: Skills for Oil and Gas in Africa initiative

This five year initiative aims to improve access to jobs and economic opportunities for local people in and around the oil and gas sector in Eastern Africa. Co-funded by the German and UK governments, in collaboration with international oil companies, the project runs from 2014-2019 in four countries: Kenya, Mozambique, Tanzania and Uganda. Planned activities in Mozambique include:

- Develop a private TVET institution in Maputo in conjunction with Anadarko and other firms
- Explore RPL models to certify workers with relevant experience in e.g. South Africa for work with IOCs
- Provide support to adult education network in Cabo Delgado for basic education, with strong focus on women's skills
- Provide English language training in Cabo Delgado

3.6 Shared infrastructure investment

The rehabilitation of Maputo Port is a successful example of a public private partnership with lessons for the current infrastructure projects for coal and gas exports from Tete and Cabo Delgado. Two terminals of the port were rehabilitated after a concession was signed in 2003, which was extended in 2010 for a further 15 years. The port rehabilitation was meant to connect to an 88km railway development project as an integrated part of the Maputo Development Corridor. The railway project was delayed by several years, however, road transport was used as an alternative for coal exports, which enabled the port facility to reach near full capacity by 2012. An important lesson for similar projects, notably the Beira Development Corridor, is that mining or gas export infrastructure needs integrated planning of all components of the supply chain (IFC, 2013, p. 58).

3.7 Social investment for sustainable community development

Mozambique's Corporate Social Responsibility Policy for the Extractives Sector, adopted in 2014, lists employment creation, development of human capital and development of local companies as CSR priorities for extractive industries (Chapter 2). The amount of social investment by mining and gas projects and what it is spent on varies considerably between companies, however. Sector-wide monitoring and evaluation of the outcomes of community development projects should be conducted for both mining and gas projects as these industries become more established in Mozambique.

The Government has committed to revenue transfers for local community development in the Petroleum Tax Law 12/ 2007 (Article 11), which has been reiterated in the new law of 2014 (Articles 19 and 48). The same provision is made in the Mining Law, 2014 (Article 20), which states that a percentage of state revenues generated by mining activities will be allocated to the development of the communities where mining activities take place.

3.8 Local ownership

New provisions were introduced in the petroleum sector in 2014, which require foreign companies to have national partners and to register on the Mozambique Stock Exchange (Petroleum Law 21/2014 Articles 41 and 13). The new Mining Law 20/2014 includes provisions for promoting 'national entrepreneurship' in mining projects (Article 34) and for the Government to increase its participation in mining projects. No targets for equity ownership are set, however (CIP, 2014a, p. 2).

3.9 Formalising artisanal and small-scale mining (ASM)

Only Mozambican citizens are legally allowed to engage in ASM within the country's borders. Challenges for this small-scale, informal sector include risks of child labour and forced labour, unsafe working conditions, environmental degradation, poor geological and OHS knowledge, undercapitalization and unfair market structures. Mercury is used in gold processing in Manica, Zambezia and Niassa provinces. Coloured gemstones, semi-precious stones and sand-quarrying are also mined artisanally. Most ASM in Mozambique is seasonal, for example, in Tete province it is practised in the dry season to supplement subsistence farming (Modlane and Shoko, 2003, p. 246). There has been little contact to date between Mozambique's relatively new formal mining sector and the long-standing ASM sector, although it is likely that seasonal ASM in Tete Province will be increasingly disrupted by the extensive coal licensing in the region. Government policies to regulate and support formalisation of the ASM sector should be regarded as important to Mozambique's poverty reduction and job creation strategies. They should not be overlooked in favour of policies aimed at the mining and gas 'mega-projects'.

4. Case study Zambia

Mining has been the backbone of the Zambian economy for decades and contributed over 30 per cent of total tax revenues by 2012 (Östensson and Roe, 2013, p. 4). Rising global demand for copper coincided with privatisation in the early 2000s, resulting in significant FDI in the Copperbelt and North Western Provinces. The 1995 Mining Policy promoted foreign direct investment, but left it largely up to mining companies to initiate voluntary local content and social investment programmes. It was subsequently revised and the Government issued the Mineral Resources Development Policy, 2013. In general, the mine privatisation process in the late 1990s was not sufficiently consultative of local district councils or labour representatives, and did not set clear social responsibilities for mining investors (Östensson and Roe, 2013, p. 6). The Minerals Mining Development Act of 2008 states that there should be 30 per cent of women in the Mining Advisory Committee. It also states that in cases where the chairman of the committee is a male, the vice-chairperson should be a woman.

Social dialogue around mining has become increasingly important to resolve tensions between the Zambian government, mining corporations, workers and communities. For example, relations have deteriorated due to uncertainty around new mining taxes and royalties introduced by the late President Michael Sata in 2011, then under review following the election of President Edgar Lungu in 2015 (Hill, 2015). Labour disputes need to be resolved by negotiating better wage and safety conditions and building trust between parties. All stakeholders in the Zambian mining sector should commit to participating in ongoing social dialogue to ensure that the opportunities for job and wealth creation from the mining boom are not missed while the risks of negative social and environmental impacts are mitigated.

ILO's Zambian Decent Work Country Programme [1] has facilitated social dialogue amongst tripartite constituencies and important stakeholders, including:

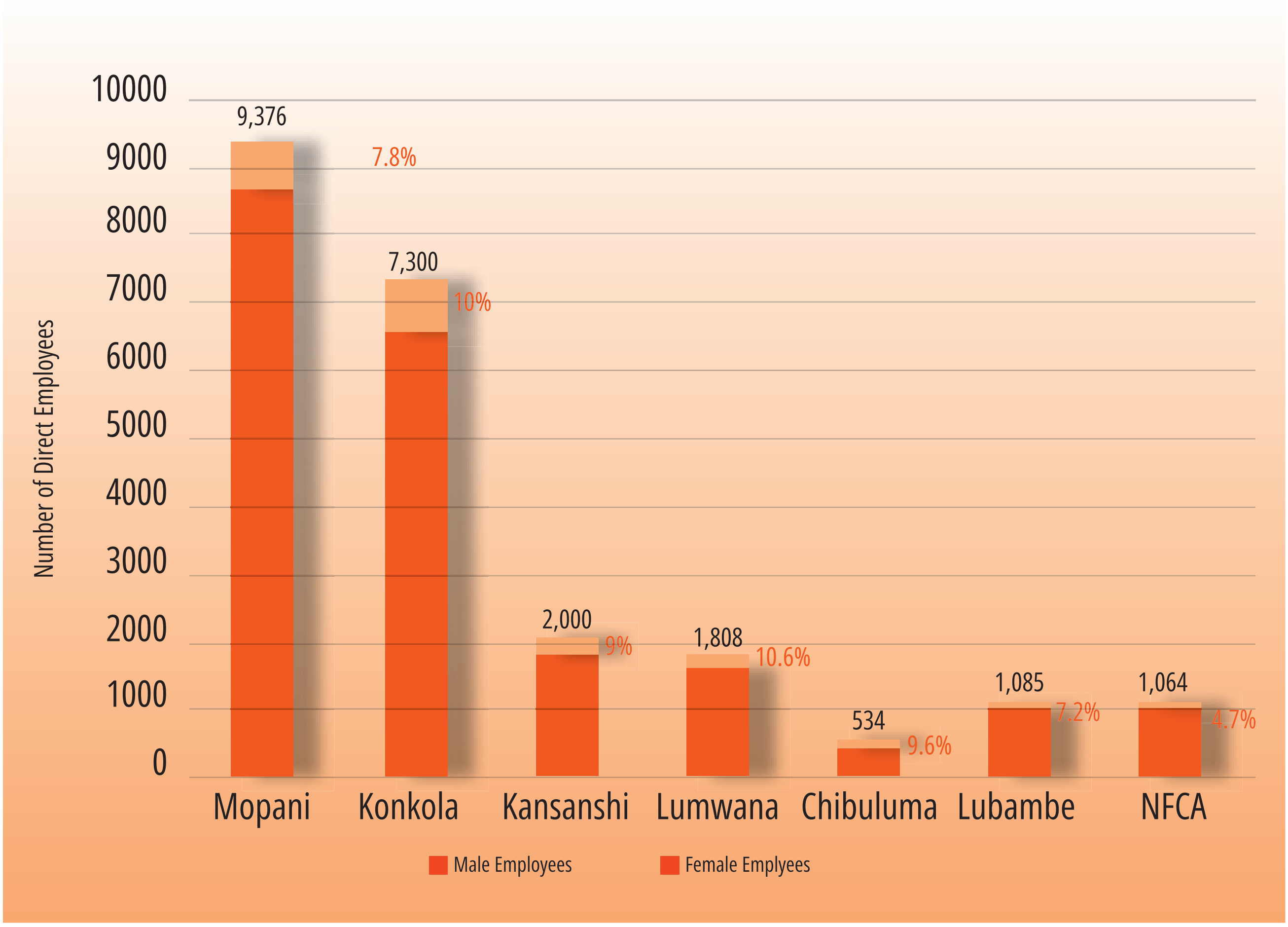
- Government, e.g. Ministry of Labour and Social Services
- Zambian trade unions and federation of employers
- Chamber of Mines of Zambia
- CSR, Human Resources and Public Relations departments of foreign-owned or managed mines on the Copperbelt and North Western Provinces
- Embassies of key foreign investor and donor countries
- Civil society organisations and iNGOs (ILO, 2012, pp. 12-13).

1 Decent Work Country Programmes have been established as the main vehicle for delivery of ILO support to countries. DWCPs have two basic objectives. They promote decent work as a key component of national development strategies. At the same time they organise ILO knowledge, instruments, advocacy and cooperation at the service of tripartite constituents in a results-based framework to advance the Decent Work Agenda within the fields of comparative advantage of the Organization. Tripartism and social dialogue are central to the planning and implementation of a coherent and integrated ILO programme of assistance to constituents in member States. DWCPs are the distinct ILO contribution to UN country programmes and constitute one main instrument to better integrate regular budget and extra-budgetary technical cooperation.

4.1 Direct employment in mining

Formal employment in the mining sector is estimated at over 90,000 direct jobs, with the four largest mining companies together employing 56,300 people in 2012 (ILO, 2012). These companies reported this was 98-99 per cent local employment of Zambian nationals. Women make up a small percentage of employees at the mining companies (see graph below) and women are under-represented in the leadership of trade unions (ILO, 2012).

The Zambian Chamber of Mines reports that 14 per cent of the workforce is women. Most of the female entrepreneurs are in the small-scale gemstones sector.



Gender Breakdown of Direct Employment in Zambian Large Mines (Survey of March 2015).[2]

(Source: Zambia Chamber of Mines presentation on gender, April 2015)

4.2 Local linkages for indirect and induced employment

Aside from direct employment, the greater challenge for Zambia is creating decent and sustainable jobs in other sectors through business linkages. Manufacturing is especially weak and needs to be guarded by macroeconomic policies against 'Dutch disease' from booming mineral exports. Most local procurement by mining companies is either for low skilled services (such as cleaning and catering "camp services") or for goods imported by local companies, but manufactured elsewhere (Roe et al, 2014, p. 5).

A number of innovative local content programmes have been initiated in Zambia in recent years. The Zambian Mining Local Content Initiative, launched by the World Bank and IFC in 2010, conducts demand and supply assessment and gap analysis for goods and services used in the mining sector in Zambia. It is part of the IFC's international Oil, Gas and Mining Business Linkages programme. The Copperbelt SME Suppliers Development Programme (CSSDP) trains small and medium enterprises to comply with industry standards and simplified procurement procedures of participating mines.

2 Data refer only to direct employees, not including contractors

The Private Enterprise Programme, Zambia was launched by the UK Department for International Development in December 2014, and comprises a business linkages programme and business development services, including a supplier portal online.

4.3 Creating an enabling environment for sustainable enterprises

Zambia is ranked 111 out of 189 countries in the Ease of Doing Business Index (World Bank, 2015b). Although this is uncompetitive by international standards, it compares favourably with other countries in Sub-Saharan Africa. The Zambian government has taken several steps to create a more enabling environment for SMEs in recent years, such as:

- Introducing an online system for filing corporate income tax and value-added tax;
- Introducing an electronic case management system in the courts to improve contract enforcement;
- Abolishing minimum capital requirements for starting a business;
- Raising the threshold at which value added tax registration is required. (World Bank, 2015c)

Further streamlining of processes and cutting costs for SMEs, particularly at the local government level, would facilitate SME supplier linkages to the mining industry. Private sector initiatives and public-private collaboration in this area would improve prospects for SME development further.

Box 8: Lumwana Contract Developer Programme

This programme aims to increase the amount of goods and services procured from local mining industry suppliers, as well as training and building in-country capacity to enable local SMEs to access wider markets, while simultaneously reducing cost in Barrick's international supply chains. Through a local supplier development and performance management process set up with the support of the Business Innovation Facility, Barrick aims to help these micro and SMEs establish themselves in the competitive market of corporate clients.

After two to three years in this supplier development programme, participant businesses are expected to grow and 'graduate' to the open market, in which they will compete with established regional, national and international service providers. Barrick plans to introduce small adjustments to its existing procure-to-pay process and implement a preferential procurement policy to further support this inclusive business model's development objectives. (ILO, 2013b, p. 81). These and other initiatives of mining companies and development agencies need to be integrated with national and regional development planning to have a wider and more sustainable effect on job creation.

4.4 Minimizing livelihood losses and linking Green Jobs to extractive industries

Negative social and environmental impacts of mining in the past and arising from the rapid growth of the industry since privatisation have resulted in net welfare losses for host mining communities (ILO, 2013a, p. 5). For example, more than 10,000 hectares of the Copperbelt is covered in mineral waste, including 21 waste rock dumps, 9 slag dumps and more than 45 tailings dams, which cannot be used by local people for farming, forestry, ranching or settlements. The World Bank funded Copperbelt Environment Project has mitigated some of the worst environmental and social legacies of the historical mines. However, government capacity to monitor the active mining industry and enforce environmental and social standards should be strengthened (Lindahl, 2014, pp. 2-6).

The ILO-led Zambia Green Jobs Programme was launched in 2013, as a partnership between the Government of Zambia and the United Nations. The five year programme supports sustainable business among micro, small and medium enterprises (MSMEs) in the building construction sector. The programme is being implemented in four provinces, including the mining regions of the Copperbelt and North Western Provinces. Linkages to mining projects are to be encouraged, particularly for new mines in the planning and construction phases of operations.

4.5 Training and skills development

At the Zambian conference on *Job Creation for Inclusive Development* held in November 2014, the National Economic Advisory Council presented the results of a capacity assessment of 24 Public Technical and Vocational Education and Training (TEVET) institutions in Zambia. Key recommendations include the need to, on the one hand, increase funding levels through grants, user fees, and business ventures, and, on the other hand, make TEVETs more innovative and responsive to industry demand.

There has been an increase in scholarships available to Zambian women both locally and from international organisations. Mining companies also provide bursaries and scholarships to high performing girls in secondary school so that they may continue with mining studies at tertiary level, as well as business development programmes aimed at women. For example, in 2015 First Quantum Minerals (FQM) Kansanshi Mining Plc supported a North-Western Province Women's Empowerment Conference in Solwezi for 520 women focused on entrepreneurial and financial management skills training. The Zambian Government also sees the need to increase female participation in higher education through bursaries and the reservation of 30 per cent of places for female students.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4.6 Shared infrastructure investment

Public private partnerships are needed, for example, to implement the agricultural development corridor and hydroelectric power infrastructure planned for the Copperbelt.

4.7 Social investment for sustainable community development

Local communities, particularly in the established mining region of the Copperbelt, have tended to expect the new private sector investors to continue the previous traditions of the state-owned company (ZCCM) in provision of housing, infrastructure and social services. Although several have implemented generous social investment programmes voluntarily, their contribution has not been as well coordinated or planned as it could have been with closer government oversight (Roe et al, 2014, p. 6).

The ILO commissioned a study of the job creation impact of mining community development programmes (CDPs) in Zambia. The aim of the study was to provide evidence about the efficiency and effectiveness of past and ongoing mining CDPs for the creation of local employment (ILO, 2013b, p. 21). A key finding was that "the mining CDPs in question did not track and report their employment and business linkages outcomes" making it difficult to determine the impact of these interventions (ILO, 2013b, p. xii). Few of the CDPs reviewed in the study focused on entrepreneurship or income generation projects (ILO, 2013b, p. 58). Two exceptions were Barrick's Lumwana Mining Company (see above) and FQM in Solwezi, North Western Province.

4.8 Local ownership

The Citizens Economic Empowerment Act, 2006 promotes share ownership by Zambians and participation in exploration activities by Zambian SMEs. Certain categories of mining and mineral rights are reserved for Zambians (see formalisation of ASM below).

4.9 Formalising artisanal and small-scale mining (ASM)

Zambia's thriving emerald industry provides a best practise example for African governments seeking to formalise and improve livelihoods in the ASM sector. In the Lufwanyama district of the Copperbelt province, the Zambian government has amalgamated some 400 locally-owned emerald-mining plots into 10 large-scale mines. The ASM plot owners were then directed to form cooperatives or companies, which were partnered with foreign investors. This has boosted emerald production from Zambia with clear benefits in terms of incomes and job security for local small-scale miners. The Association of Zambian Women in Mining has played an important role in ensuring better returns for women engaged in artisanal gemstone mining (UN Women, 2014).

5. Conclusion: strategies for inclusive extractive industries

This policy brief has identified opportunities and challenges for promoting more inclusive extractive industries in Africa, in order to create and sustain decent work in mining, oil and gas supply chains and related sectors. It has considered the types of economic linkages to local communities and national economies that contribute towards employment, enterprise development, infrastructure, and ultimately to the economic transformation required for sustainable development.

Key factors for inclusive extractive industries include: (1) increasing local direct employment; (2) creating local linkages for indirect and induced employment; (3) creating an enabling environment for sustainable enterprises (SMEs); (4) minimizing livelihood losses through social and environmental due diligence, and creating green jobs wherever feasible; (5) improving training and skills development; (6) encouraging shared infrastructure investment; (7) ensuring sustainable and effective corporate social investment; (8) promoting local ownership schemes; and (9) formalising and engaging with artisanal and small-scale mining. In each area, social dialogue and multi-stakeholder collaboration have been shown to be vital to the success of policy interventions. Mandatory local content regulations require participatory and consultative approaches to enact effectively.

The lessons learned from innovative initiatives in various African countries, and the specific case studies of Mozambique and Zambia, support the following strategies for more inclusive extractive industries.

Table of strategies for promoting inclusive extractive industries in Africa

#	GOAL	STRATEGY	STAKEHOLDERS
1	Increase local employment in the extractive industries	• Set targets for local employment that are aligned with well-planned and resourced skills development programmes appropriate to industry requirements	Government, MNEs, SMEs, vocational training institutions
		• Disclose and engage in dialogue regularly about changes in demand for labour during each phase of the life of extractive projects and commodity price cycles	MNEs, employers' and workers' organizations, government, ILO and international partners
		• Engage in dialogue to uphold the freedom of association and rights to collective bargaining of mine, oil and gas workers and avoid the casualization of jobs in the extractives sector	MNEs, employers' and workers' organizations, government, ILO and international partners
		• Challenge gender stereotypes in hiring and procurement practises, e.g. by training women to be drivers, machine operators and other jobs traditionally seen as 'men's work'. Once a critical mass of women are employed in these positions, the male-dominated culture in mining and gas projects is likely to change	MNEs, local enterprises, including SMEs
2	Develop supply chain linkages to local enterprises	• Define local content precisely in law to promote inclusive, broad-based benefits, and to avoid elite capture of resource rents and opportunities. Distinguish between 'local' local beneficiaries at the community level and nationals of the host country	Government
		• Monitor the impact of local content provisions on broad-based economic empowerment over time and revise policies to ensure their effective implementation	Government, MNEs, employers' and workers' organizations, ILO and international partners
		• Plan business linkages programmes as early as possible, preferably before implementing an investment project. This is especially important if the first stage of a new extractive project will involve construction, for local procurement opportunities to be maximised	Government, MNEs, employers' and workers' organizations, ILO and other international partners
		• Encourage SMEs to pool technical and human resources to jointly tender for contracts	MNEs, ILO and international partners
		• Unbundle contracts into smaller units of goods or services, rather than seeking 'turnkey solutions' from larger foreign suppliers (e.g. separating catering and cleaning contracts)	MNEs
		• Arrange for prompt and direct methods of payment for local suppliers	Government, MNEs
		• Set broad objectives and create incentives for beneficiation of raw minerals, rather than mandatory requirements	Government

3	Create enabling environment for SMEs	• Simplify business registration and licensing procedures, particularly at local government level;	Government
		• Streamline tax policies and administration;	Government
		• Develop policies to support the formalization of SMEs and their access financial and non-financial business development	Government, employers’ and workers’ organizations, MNEs
		• Improve the flow of information about tender opportunities between MNEs and local SMEs, e.g. by advertising in local media or business centres	MNEs, employers’ and workers’ organizations, ILO and international partners
		• Improve land titling, registers and administration;	Government
		• Simplify and accelerate access to commercial courts and alternative dispute resolution mechanisms	Government
4	Minimise livelihood losses and create green jobs	• Exercise due diligence of environmental and social risks of extractive projects, such as resettlement of communities or pollution or degradation of land or water, which may impact negatively on local livelihoods	MNEs, Government, participatory monitoring by all stakeholders
		• Link extractive industries to green jobs wherever possible, such as indigenous plant nurseries for mined land rehabilitation; seasonal local food procurement for the staff canteens; construction using sustainable building materials for housing resettled communities and workers, for mining and gas infrastructure, and community development projects	MNEs, Government, ILO and international partners
		• Set up enterprise development funds to provide access to credit to SMEs, including a ‘green’ fund for business plans that create green jobs	MNEs, Government, international partners
5	Expand the supply of skilled labour	• Audit skills gaps regularly in close consultation with extractive industries and supplies	Government, MNEs, employers’ and workers’ organizations, vocational training institutions, ILO and international partners
		• Develop multi-stakeholder partnership mechanisms to fund vocational skills development, such as a skills development levy or voluntary private sector co-contribution towards training programmes relevant to extractive industries supply chains	Government, MNEs, employers’ and workers’ organizations, vocational training institutions, ILO and international partners
6	infrastructure investment	• Plan for integrated development of mining, oil and gas supply chain infrastructure through public private partnerships (PPPs)	Government, MNEs, employers’ and workers’ organizations, international partners
		• Use public sector leverage in PPPs to ensure shared use infrastructure for multiple users wherever possible	Government

7	Ensure effective, sustainable corporate social investment	• Create and participate in consultative forums with local communities to develop collaborative strategies for local economic linkages	MNEs, Government, employers' and workers' organizations, ILO and international partners
		• Improve monitoring and evaluation of outcomes and impacts of corporate social investment, particularly on employment and business linkages created	MNEs, Government, ILO and international partners
		• Invest in projects that create shared value for both the extractive industries and their stakeholders, such as community health programmes inclusive of workers, their families and local communities; and shared use infrastructure, such as roads rather than railways for transporting minerals for export.	MNEs
		• Support diversification of SMEs for sustainability post-closure or during a commodities price downturn	MNEs, Government, ILO and international partners
8	Increase local ownership of extractive industries	• Create community share ownership schemes where appropriate to broad-based economic empowerment	MNEs and Government
9	Formalise artisanal and small-scale mining for decent work in this sector	• Create legal frameworks and programmes encouraging artisanal miners to form mining cooperatives or consortia to formalise and organise	Government, employers' and workers' organizations, ILO and international partners
		• Promote assistance of large-scale mines to artisanal small-scale miners (ASM), by, for example, providing OHS training	MNEs, SMEs, Government, ILO and international partners
		• Support artisanal mining associations to improve working conditions and livelihoods for men and women and increase representativeness of women in these.	MNEs, SMEs, Government, ILO and international partners

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