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Understanding Local Content Policy in Guyana's Oil & Gas Sector A Critical Overview

Nazim Baluch* and Richard Rambarran

Abstract

Local Content ensures that extractive industries in host countries benefit their citizens. Companies engage in local content development to gain the support from the host government and social license to operate from local communities that enables adherence to the planned timeline for project approvals; improve quality of supplies; reduce costs associated with delays in delivery; and reduce non-technical risk to the project. This paper construes the Pertinence of Local Content in Oil and Gas Sector, and earnestly analyzes Challenges in its Development, Implementation, and Monitoring. The paper illustrates that effective design, development, implementation and monitoring of local content policy can lead to the amelioration of the structural effects of Oil sector through: Increased value added; Increased employment generation; technology transfers, innovation, and social investments in capacity building and development of skills; Poverty Reduction; Enhanced entrepreneurial development; Improvements in local investment in the sector; and Increased contribution to GDP. The paper concludes that by creating 'shared value' Guyana can achieve its overall National Inclusive Economic Development and Green State Development Strategy Goals.

Keywords: Extractive Industries, Local Content, Oil & Gas, Technology Transfer, Shared Value

1.0 INTRODUCTION

1.1 Backdrop

Resource-rich regions do not always know how to take advantage of extractive activities to create sustainable economic development, be it creating jobs and developing local businesses or building skills and improving technologies. Local Content (LC) is the processes of building such economic capital at the national and subnational level, and meeting set public policy objectives. National and regional governments need to consider a broader range of fiscal and economic policy issues to fully embrace the opportunities the OGM sectors can offer. When considering these options, governments sometimes make trade-offs to maximize the benefits for their countries. Trade-offs made during negotiations between companies and governments may include the level and type of tax concessions offered to companies, the level of royalties' companies need to pay, and targets such as the level of local content and social investment commitments sought. These trade-offs are typically specific to project, country and, in some cases, region. Governments also consider how the money flows from the national to the subnational level and the role different levels of government play in securing local benefits. Ultimately, the driver of policy choices is a country's unique and complex web of social, economic and political issues (Esteves et al. 2013).

Over the last decade of escalating oil prices, classic, politely-restrained corporate social responsibility (CSR) programs have fallen out of favor. Instead, in return for access to new sources of oil, governments (and communities) in producing countries expect jobs, capacity-building, meaningful LC and the maximization of in-country value. Today it is estimated that between 82–90 per cent of the world's reserves are in countries with legal provisions on LC. Some local Content Policies (LCP) have been successful at leveraging the activities of the petroleum sector to create domestic economic

opportunities in Latin America and Africa. A progressive and sequenced approach to the development of LC may help to keep policy in line with evolving geological and market circumstances as well as changing domestic capabilities (Marcel et al., 2016). However, many scholars have emphasised the potential negative consequences of LCP in countries with flawed institutions, specifically those characterised by rent-seeking behaviour and patronage (Wiig and Kolstad, 2010; Oguine, 2011; Ovadia, 2014; Hansen et al., 2016). There are also concerns that strong and binding regulations for LC, especially in the early stages of development, may limit companies' ability to generate income and thus host countries' revenues from the sector (Oguine, 2011; Kolstad and Kinyondo, 2015). With this in mind, it is important to note that LC should be seen as a tool for economic development for the respective nation states.

1.2 The Case for Local Content Development

It is against this backdrop that National Oil Companies (NOCs) are re-evaluating and setting new objectives and partnership roles to define participation in joint ventures and production-sharing agreements in their countries. Today, the rules of the game have changed; developing local economies, stimulating industrial development, increasing local capability, building a skilled workforce and creating a competitive supplier base, also referred to as LC, are minimum requirements for doing business with host countries and NOCs. For International Oil Companies (IOCs), the need and justification for a clear local content policy and the innovative delivery of a LC program have become critical issues. IOCs now must develop new models and redefine their business approaches with NOCs to include equity-building programs that provide an opportunity to improve the IOC's "license to operate" in developing regions. The ability of IOCs to set up LC programs that meet the long-term strategic goals of the host NOC and the nation the NOC serves, is emerging as a key determinant of success or failure in developing markets; and leading IOCs are realizing that new approaches are necessary to achieve success. All over the world, oil and gas services players are grappling with an aging workforce and a gradual shrinking of technically capable, skilled resources that can be readily deployed within company operations. It may be in the best interest of the IOCs and allied foreign suppliers to set up operations using local workforces, resources and materials and move a significant part of an organization's value chain to the operating geographies. NOC countries will develop these capabilities, whether helped by Western IOCs or multinational NOCs. Therefore, it will be advantageous for IOCs to embrace this development and benefit from it. However, in extractive industries, particularly the oil and gas sector, these concerns are of major relevance due to the sector's importance for many economies. Nonetheless, the peculiarities of the petroleum industry (capital-intensive and complex technology) drives governments to grant exploration rights to foreign companies which go along with the parallel responsibility of developing social systems. Against a backdrop of technological underdevelopment, contradictions and scarcity LC is considered as an attractive alternative to overcome this challenge (Morales et al., 2016).

2.0 DEFINING LOCAL CONTENT

Host nations with oil & gas and NOCs are emphasizing that the desire for an increased contribution to the local economy and society and a strategic intent to pursue LC go beyond philanthropy and are beginning to expand their perspectives and mind-sets regarding how local content should be defined

and implemented. This mind-set is increasingly woven into the strategic development and goals of NOCs and their nations and is being used to support and carry out the domestic and international business goals of such NOC companies. Up until the late 1990s, and with the gradual dismantling of protectionist policies as a result of World Trade Organization (WTO) guidelines and requirements, even certain developed economies such as Norway and Britain have used local supplier/industry protection policies to develop specific industry sectors and fund some welfare initiatives introduced by the state.

2.1 Few Diverse Definitions of Local Content

Nigerian Local Content is defined as “the quantum of composite value added to or created in the Nigerian economy by a systematic development of capacity and capabilities through the deliberate utilization of Nigerian human, material resources and services in the Nigerian oil and gas industry.” The Act requires that “first consideration” shall be given to services provided from within Nigeria, to goods manufactured in Nigeria and in matters of training and employment. Nigeria, a pioneer in African local content development, set rigorous targets by adopting legislation in 2010 to encourage Nigerian participation in domestic oil-related activities (CCSI, 2014).

World Bank Report (2013) defines local content as “The extent to which the output of the extractive industry sector generates further benefits to the economy beyond the direct contribution of its value-added, as through links to other sectors (Tordo et al., 2013).”

Tanzania local content is defined as “the added value brought to a host nation (regional and local areas in that country) through the activities of the oil and gas industry.” The reference to “regional and local areas” suggests that there is specific recognition of the need to pay attention to the localities or regions where the resources are extracted in the implementation of LCRs (CCSI, 2014).

Ghana’s Petroleum (Local Content and Local Participation) Regulations, 2013 defines local content as “the quantum or percentage of locally produced materials, personnel, financing, goods and services rendered in the petroleum industry value chain and which can be measured in monetary terms” (CCSI, 2014).

Royal Institute of International Affairs, UK, in broader sense, refers to local content as the creation of jobs and supply chains to meet the needs of the petroleum sector and, conversely, the use of natural resources as a lever to build linkages with the rest of the economy. The purpose of developing national local content policies is to increase the value generated by the exploitation of a resource that remains in the domestic economy; and to develop linkages between the oil sector and the rest of the economy. What matters is not only what happens in the sector but what happens beyond. As such, local content can encompass forward, lateral and backward linkages (Marcel, et al., 2016).

Guyana’s proposed ‘Local Content’ is considered the sum of the inputs of local goods and services, including employment, provided in oil and gas operations. Operators hire locals as employees or contractors or buy goods or services from them. Local content therefore is the outcome of companies’ hiring and procurement activities, often referred to as backward economic linkages. The term Local pertains to: In the case of individuals, Nationals (citizens and legal residents); and in the case of firms, Companies beneficially majority owned by Guyanese nationals (LCPF, 2018).

2.2 The “Local” In “Local Content” At the Subnational Level

If policymakers do not pay close attention to how “local” is defined, the benefits of local content requirements (LCRs) may be captured by “outsiders (Nwapi, 2015).” The question of what constitutes local content is subject to different interpretations and varies with the context, although a common thread running through all the interpretations is “value-addition” in the country. One approach to LCP is to focus on the national level. Another approach, sometimes referred to as “local-local”, “localized” or “community” content, is to focus on the smallest administrative unit, or combination of units, where the natural resource extraction projects take place, be it the village, the town or the municipality. While it is true that these small units are the ones directly concerned with the productive usage made from the unit’s resources, this is merely the starting point of the true spatial extent of oil, gas and mining (OGM) activity effects on an area. Two spatial dimensions are important when placing the subnational context in a broader light; the first spatial dimension is one of natural resource extraction activities, and the second spatial dimension to consider is the distribution of economic activity within the country in question (Bloch and Owusu, 2011). However, for suppliers that could benefit from supply chain links with OGM companies, the only way to operate may be by locating in an already dense location, implying that the suppliers must incur transportation costs, which are often prohibitive for small producers in a country with poor infrastructure such as Guyana. This does not imply that some local economies are unlikely to develop their own industries. Rather, it points to the fact that designing the most beneficial interventions at the subnational level cannot be done independently of other regional and national efforts (Nava, 2011).

2.3 Purview of LC

LC initiatives vary; it depends if the company in question is an IOC, NOC or an International Contractors/Service Company. More so, this variance is further expanded by regional peculiarities, national priorities and company-specific business objectives. In the last ten years or more, LC has been principally driven by compliance requirements and target specifications imposed by national governments. Organizations who attempt to go ‘beyond compliance’ within LC remits, have the tendency to be leaders in this field. Demonstrating ‘best practice’ in LC therefore, whether for reputational, social or economic reasons, can be somewhat ambiguous because what is best practice in a situation might not be necessarily relevant in another. This is so if specific initiatives or mechanisms are considered. Best practice therefore is shown firstly, in senior management commitment to a high-level strategic objective of adding value locally coupled by the design of LC strategies or models to achieve these objectives (Odon, 2014).

Although definitions vary from country to country, LC is generally taken to be the total value added to a national economy through the localized production of select services and key materials, equipment and goods related to target sectors of the economy (upon which such nation is dependent). For NOC states such as Nigeria, Brazil, Malaysia and Indonesia, where oil and now gas are prime national assets, LC is defined as the total combination of related services and production of goods and materials used within the local oil and gas industry. It also covers the spillover effect of such activities on other sectors of the economy with the underlying assumption that such linkages (backward – lateral – forward) can stimulate increased economic growth across other areas. Nowadays, host countries and NOC states have widened LC focus to cover policies and initiatives to

stimulate industrial development; promote and diversify the national economy; bring in advanced technology and competence; and develop local capability resulting in a competitive local supply base and technically competent workforce. In addition, to developing a transparent and clear policy to drive these objectives as well as promoting the domiciliation of a significant level of related services and manufacturing in-country, developing countries have also increased their engagement of asset operators and offshore personnel to aid in recommending and implementing initiatives that would increase local content significantly. Norway, a major oil producer and gas exporter to Europe, has built an advanced technological oil and gas service industry (Nordås et al., 2003). Brazil has developed a globally renowned competence in deep-water exploration. The country's oil and gas linkages to the local economy are being optimized while utilization of existing national infrastructure has improved (Heum et al., 2003).

3.0 PERTINENCE OF LOCAL CONTENT POLICY

LC created by the OGM sector is the extent to which the output of the extractive industry sector generates further benefits to the economy beyond the direct contribution of its value-added, through its links to other sectors. Hence, LC policies have the potential to stimulate broad-based economic development and their application in petroleum-rich countries can achieve the desired results. However, maximising the benefits of LC is not the same as to maximise local content. Marcel, et al. (2016) eloquently articulate the following five pertinence aspects of the LCP.

3.1 National Economic Development Strategy Guides LC Policy

The development of a clear and comprehensive LC policy, law, regulations, etc. promote and enhance the government's ability to focus and implement LC. A clear definition of LC helps in avoiding common pitfalls. LCP is guided by a national vision that clarifies how to prioritize different policy objectives and identifies the sectors of strategic importance to government. The social values that govern national development priorities will also influence LCP. There will be trade-offs, and governments must evaluate both costs and benefits. It is imperative to be clear about which objectives the policy will prioritize, such as public revenues, job creation, environmental protection and socio-economic equity. Coordination between national government ministries, local government and relevant sectors e.g. the power sector, educational institutions and manufacturing companies will aid the process. Broad national consultation and solidarity across political party lines should be built into the exercise of coming up with a national vision, to avoid partisan approaches to long-term planning.

3.2 LC Policy Creates Value Beyond the Sector

Investments in building local capacity should be based on the principle of creating value beyond a specific project. A portfolio of petroleum projects will create a demand for specialized skills, but overall preference should be given to projects that require skills applicable in other economic activities (lateral linkages). Building local capacity for which there is insufficient demand erodes value. In contrast, LC (skills and suppliers) that can be repeatedly used by the petroleum sector and/or other sectors creates value. Effective investments in capacity-building therefore require a detailed

understanding of the bigger demand picture going forward from all sectors of the economy. Here it is useful to distinguish between the petroleum sector demand for skills associated with the construction phase and the production phase. The former typically provides employment for thousands of workers but only for a limited period, while the latter normally employs hundreds of workers but often at more sophisticated skill levels, and for periods that can last 15–30 years. It is in this that the employment benefits accrue from the petroleum sector. Industry will invest in the specialist skills needed for the production phase. But the contractors engaged in the construction phase have a much shorter time period in which to build capacity and invest in long-term skills.

3.3 Provides Realistic Assessment of Resources and Capabilities

There are no universally appropriate LC objectives or policies. These must be context specific. It is therefore critical to make a careful assessment of the resource endowment and the national capabilities for transforming these resources into wealth. These capabilities include skills, capital, infrastructure and governance. The key issue for the host nation is to ensure it makes a realistic assessment of its own potential, notably its local business capabilities, coupled with an honest assessment of the oil and gas resource base; policy-makers will have an informed view of the country's attractiveness to explorers and the timeframe for effecting linkages between the sector and the wider economy. Information on the demand through the value chain and the qualitative aspects of the labour, goods and services requirements sits with the oil company operators, not with governments. Understanding the value chain is a critical component of this principle. The assessment should include a mapping of the various activities at each stage of the project.

3.4 LCP Must Be Adaptive and Integrates the Procurement Strategy with LC Efforts

A sensible and affordable LCP in one year can change in the next as a result of evolving factors and circumstances. To allow for the changes, policies will need to be reassessed periodically to ensure they are ambitious enough; maximizing the opportunities for the petroleum sector to naturally demand domestic goods and services and support national development goals and objectives while still being reasonable – not deterring investment or leading to ineffective local content investment. As such, LCP should not be static, but dynamic, as projects move from exploration to production, and as more discoveries and/or projects are added. Flexibility in policy is also necessary in countries, such as Guyana, with a low level of industrialization and supporting infra and info structure. Where the lack of human capital or business capabilities renders the completion of the project unrealistic based on existing policy, oil company operators may be allowed to modify their approach to LCP. However, flexibility does not mean a 'do nothing' or a 'voluntary' approach.

4.0 DEVELOPING LOCAL CONTENT

Over the years, Accenture (2019) has worked with energy companies in markets ranging from Azerbaijan and Equatorial Guinea to Nigeria and Trinidad & Tobago. Their extensive experience along research-based knowledge of oil and gas companies' high-performance businesses involvement in implementing ambitious local content programs in several countries around the world, including Nigeria and Brazil, highlights some imperatives that must be applied across

economies and geographies. Based on their hands-on experience in these regions, the following key areas have been identified in which IOCs should consider aiding host NOCs and countries in setting up a LC program or framework. IOCs that view local content program development as an integral part of both their own global business and the local country's economic environment will be in position to grow and thrive in emerging markets. Adopting a long-term mind-set about the changing landscape will drive ongoing, long-term success; ultimately leading to sustained high performance.

4.1 Develop a National Infrastructure

For a credible and effective LC program to be possible, developing countries first need to have a viable national infrastructure in place before embarking on an ambitious capacity-development effort. Alternatively, NOCs, host nations and IOCs need to establish complementary national infrastructure rehabilitation or upgrade programs alongside the local content agenda that would facilitate or stimulate the growth of the national economy and increase the standing of the IOCs operating in the country. The selection of national infrastructure would be guided by, not only, its relevance to the target oil and gas sectors' area of operation but, imperatively, involve the overall inclusive development of the entire country. Infrastructure is the foundation of services that an economy needs to function in; it is one of the key factors to a developed economy. Without infrastructure an economy doesn't run. If infrastructure within a country is fairly developed the country itself will mimic in its development level. Accessible and efficient Infrastructure is imperative for development that ensures efficient transportation of people, goods, and services (Estache et al., 2015).

Baluch and Rambarran (2018) eloquently accentuate that efficient infrastructure matters to growth and development is now relatively well recognized and widely understood among practitioners and policy makers alike; it supports improved economic, social and environmental outcomes. To reshape future travel behaviours, revitalise regional areas, improve safety and reduce the cost of providing infrastructure agile transport planning is needed that supports a productive economy, liveable communities and more sustainable transport solutions. With the new 21st century Hub and Spoke model, Guyana's regional capitals will play larger roles in service provision for their surrounding communities with transport that focuses on regional towns and cities, rather than just focussed on Georgetown. Regional Capital Towns and centres will, not only, increase their role as hubs for employment and services such as retail, health, education and cultural activities in general but also robustly support LC programs.

4.2 Build Collaborative Stakeholder Networks on A Shared Vision

IOCs, host government, local companies, international suppliers and contractors, financing institutions, chambers of commerce and others must work together on a shared vision for LC. Cooperation in OGM is encouraged as a way of ensuring critical mass for LC investments and avoiding inefficiencies associated with overlapping programs. Collaborative strategy is adopted equally to a country strategy, subnational regional strategy, a community strategy or a targeted marginalized group (e.g. women, Indigenous Persons) strategy, depending on the agenda defined by the context (IPIECA, 2016). IOCs in collaboration with NOCs also need to build or leverage existing in-country collaborative stakeholder networks around suppliers, service providers, operators and other key industry participants. This network will help provide a strong stakeholder collaboration model and participatory framework to guide the LC program enforcement; in turn making, quick and efficient

implementation possible. For example, in Brazil, an association of oil- and gas-related suppliers already existed and was able to provide necessary data that helped in implementing some of Prominp's programs for the industry (Fantine and Alvim, 2006).

4.3 Define Metrics

NOCs need to develop universally acceptable industry metrics that define LC and actively monitor progress. Such metrics would track both the outcomes and results of the LC program as well as the quality of the LC implementation and monitoring process. These metrics would assess progress being made by all IOCs to meet stated LC guidelines across their operations and capital projects. The defined metrics would also monitor progress being made in implementing capacity-building programs for the industry. Finally, such metrics should be simple to measure to ensure industry acceptance and consistency in results.

4.4 Establish Strong Program Management Capability

For IOCs to implement a strategic LC improvement program, they will need to commit to a strong program management capability because the required initiatives will cut across projects, industries, public institutions and government stakeholders. Possessing an expertise in managing all the discrete yet interconnected activities will determine the success and speed of the outcome of a LC program.

4.5 Leverage Foreign Company Alliances and Relationships

To accelerate the execution of local capacity-building and supplier development programs, companies will also need to have in-depth knowledge of the appropriate global networks, access to relevant alliances and relationships with foreign companies. These ties will be necessary for dialogue and collaboration that could result in foreign ownership of stakes in the local businesses, technology transfer, and assistance with capacity building and asset upgrade. All collaboration efforts would need to lead to a willingness and readiness of IOCs to work with global service providers, equipment manufacturers and local companies to ensure that technologies are transferred adequately without compromising quality standards. The following eight points offer practical steps that could be undertaken to design and integrate an LCP and framework (extractiveshub, 2019):

- *Engage the private sector* - invite major investors to LC assessment workshop and establish ways of working and information exchange with investors and SMEs;
- *Enhance the local content policy* - Consult domestic and international extractives companies on existing policy, assess need for legislative and regulatory requirements to ensure compliance, revise legislation and regulations as required, and establish monitoring and evaluation reporting requirements (e.g. employment and training plan, local participation plan, etc.);
- *Measures to promote policy and project implementation* - assess and revise institutional arrangements as needed, introduce a risk analysis framework, agree to sector priorities and phases to implementation, enhance local content assessment and/or demand and supply gap analysis approach, and produce an annual local content assessment report;

- *Improve information provision from all stakeholders* - require significantly increased local content information from companies, and establish web-based information system of local suppliers;
- *Resolve market distortions* - review taxation arrangements, and review production cost differentials;
- *Funding for local content support* - identify, assess and engage sustainable national funding sources, and assess and engage donor partner funding;
- *Enhance the capacity of local companies* - promote trade associations, chambers of commerce etc., design and deliver comprehensive capacity building program, including technical training, investment financing, contracting strategies, procurement & proposals, international secondments, incubators, etc., conduct supply chain mapping analysis, and establish business opportunities & information exchange;
- *Enhance the education system* - measure education levels, assess skills gaps in curricula compared to extractive industries requirements/standards, enhance the vocational training programmes and curricula as needed, and develop vocational and apprenticeship offerings, enterprise-based training accreditation

5.0 IMPLEMENTING AND REGULATING LOCAL CONTENT

LC commitments essentially represent benefits that OGM can bring to the local economy and host communities that are unrelated to tax or royalties. When designing policies, however, it is important to consider how LC fits within a larger group of policy instruments available to manage financial and nonfinancial benefits from extraction in a way that maximizes national and subnational benefits. In broad, simple terms, governments have two sets of (complementary) instruments they can use to make sure OGM extractions contribute to expanding the local industrial base; Royalty and Tax revenue maximization and LC maximization. With LC strategy, relatively higher priority is given to the employment of locals and locally based firms. The host government requires the share of LC to be greater than what would have resulted from the procurement of goods and services in an open market. The aim of imposing preferential measures, like allowing for a price premium for domestic suppliers when evaluating tenders, is to encourage local workforces and businesses to work with leading international OGM firms and their large contractors, and benefit from training and transfer of technology (Esteves et al., 2013).

LCP are implemented often when revenues from OGM firms can potentially destabilize the local economy, lead to arguably wasteful government spending, undermine local accountability and increase conflict over control of natural resources. Local governments may not have the requisite institutional capacity to manage volatile resource revenues and invest them productively to ensure long-term benefits. If policymakers do not anticipate how their policies can exacerbate these problems, the benefits from LC may be felt by only a fortunate few - also referred to as economic capture (Bauer, 2013). Setting inappropriate targets for LC can encourage perverse behavior, presenting governance risks. One example of this is *fronting*, in which companies are established with local ownership or a local address, but the decision-making and benefits are held by individuals who

are not targeted beneficiaries of the LCP. Nepotism and corruption can be associated issues, as observed in Angola and Nigeria (Esteves and Barclay, 2011).

5.01 LCP Adopted by Governments

Regulatory mechanisms available to ensure that LC provisions are implemented usually are specified in national LC legislation and regulations outlining local content requirements (LCR). OGM companies also can commit to certain LCR under the terms of individual concession, production-sharing or framework agreements with governments. The strength of regulatory mechanisms varies with the specified monetary and operational consequences for OGM companies in the event of noncompliance. For instance, while Kazakhstan's local content law established a target of 50 percent "Kazakh content" and a potential termination of the subsoil use contract in case of noncompliance, Tanzania's local content regulations did not incorporate any mention of targets and penalties. As with contemporary definitions of LC, the scope and regulatory mechanisms available vary across countries. Members of WTO are bound technically by the national treatment obligation (NTO) clause under which foreign companies cannot be forced to buy from local suppliers or hire local service suppliers if a better alternative in terms of price or quality exists abroad. In line with this obligation, some country-level provisions do not specify any type of sanction for noncompliance, but instead only suggest that OGM companies give first consideration to treatment of local suppliers and workers. When noncompliance arises, these provisions ultimately can rely only on moral suasion.

5.02 Legislation Specifying Minimum Local Content Targets

Currently, 31 countries that are WTO members and are also considered least developed countries (LDCs) can introduce measures that deviate from the NTO clause for a defined period on the grounds of their "individual development, financial or trade needs, or their administrative and institutional capabilities." Out of this group, only Angola has introduced explicit LCPs. In countries with small or weak industrial bases and few skilled workers, such as Guyana, it is difficult to achieve short-term LC objectives, whether legislated or not. There are at least two main reasons why most LDCs have not enacted LC regulations: the very prominent mismatch between international companies' requirements and local suppliers' capabilities, and the limited capacity that LDCs have in introducing, implementing and regulating legislation. It is often the case that most of the inputs and services required by the OGM companies' global supply chains are sourced abroad through imports or expatriate labor. LDCs have very limited bargaining power and more limited access to good practices to make informed policy decisions and negotiate with companies.

Currently the group of countries that has translated local content requirements into national legislation is small; it includes Angola, Equatorial Guinea, Indonesia, Kazakhstan, Nigeria, Russia, South Africa and Zimbabwe. Some countries in the group are non-LDC WTO members that have deviated from the NTO clause by translating local content policies into legislation and regulations (e.g. Indonesia and Nigeria), while others (e.g. Kazakhstan) are not WTO members. Existing local content legislations greatly vary in their scope and targets. For instance, while Angola's legislation is limited to establishing a 10 percent preferencing margin for local suppliers and does not establish overall targets for Angolan content, Kazakhstan's subsoil law establishes a target of 50 percent local procurement from Kazakh suppliers. While some legislation is specific for certain sectors (e.g.,

Russia), or for a specific component of the mining value chain (e.g., Indonesia), others are meant to benefit specific groups (e.g. South Africa and Zimbabwe).

5.03 Regulation Requiring Companies to Produce Local Content Plans

There is ample evidence on tightening of approval and regulatory processes to require extractive companies to produce LC plans that include enterprises and workforce participation in OGM areas and that are aligned with regional economic development plans. These plans often include a subnational dimension because they require OGM companies to specify impacts and benefits for local communities.

5.04 Initiatives That Give Preference to Locals Without Specifying Targets

Some countries bound by the NTO clause have adopted a significant number of LCP within the parameters established by international trade and investment agreements. These policies aim at directly increasing the participation of local workers and suppliers without establishing legally binding national local content legislation and regulations. Enforcement, in these cases, relies on mechanisms with different degrees of power that range from specific commitments in production-sharing agreements to general agreements on the need to support LC that do not impose any sort of restrictions on OGM companies. The advantages of these types of initiatives are that they can be readily implemented because they do not depend on enacting regulatory tools, and they can be flexible to the needs of the local economy and the companies. Their main disadvantages are that their effectiveness depends on the existence of a pool of competitive potential local suppliers and that compliance cannot be enforced legally (EAP, 2019).

5.05 Regulations to Communicate Opportunities to Communities

Reporting requirements serve to encourage OGM companies to increase visibility and access to opportunities in resource-affected communities. For instance, South Africa's Mineral and Petroleum Resources Development Regulation requires all OGM companies to submit an annual plan to the regional manager, who is a member of the Regional Mining Development and Environment Committee (RMDEC). RMDECs exist under the Mineral and Petroleum Resources Development Act, and membership comprises of relevant government departments or organs of the state at national, provincial and local levels. The human resources development plan not only requires identifying, but also reporting on the number and education levels of the employees and the number of vacancies that the mining operation has been unable to fill for more than 12 months despite concerted efforts to recruit suitable candidates. Additionally, companies must submit a report on the implementation of a career progression plan, a mentorship plan and an internship and scholarship plan in line with the skills development plan and the needs for the specified groups of workers. Community development obligations are relevant to LC because they tend to support enterprise development, skills development programs and other social and physical infrastructure that contribute to a healthy local economy (World Bank, 2012).

5.06 Legislation to Build Local Enterprise and Workforce Capacity For LC

Given that policies aimed at increasing access to opportunities have only a limited impact on the size of the local supply of goods, services and labor, some countries have adopted complementary policies

aimed at increasing the size of the local supply and workforce. Examples of this type of policy include those aimed at increasing local participation via specific requirements to transfer know-how and skills related to OGM operations to local enterprises and workers, and the requirement to train the local work force.

The impact of this type of policy on the local supply depends on the timely coordination of complementary industrial, educational, technological and LCP. For instance, if there are no significant educational investments in relevant areas, it would be difficult to identify and train suitable local workers. Furthermore, the local supply needs to be sustainable and ideally internationally competitive in terms of quality, value and scalability. Even after coordinated efforts have been made and significant revenue has been invested, the local industry can remain uncompetitive. At the subnational level, countries such as, India, Kazakhstan, Papua New Guinea, Peru, Philippines and South Africa have mandated spending on enterprise and skills development as part of social funds that companies are required to set up.

5.07 Agreements Influencing Increase in Indigenous Content

Advocated in the International Labour Organization (ILO) Convention 169 on Indigenous and Tribal Peoples and the United Nations (UN) Declaration on the Rights of Indigenous Peoples, free, prior and informed consent (FPIC) recognizes various fundamental rights of indigenous peoples. The FPIC concept has been adopted by the International Finance Corporation (IFC) and other international entities. There is evidence of the concept being applicable to other vulnerable groups affected by OGM projects. The output of such a process is typically an impact and benefit agreement or a community development agreement. When indigenous communities have a right to negotiate with companies based on the principle of FPIC, agreements tend to include commitments to local indigenous content, training and enterprise development opportunities (Gibson and O’Faircheallaigh, 2010).

5.08 Extractive Industries Transparency Initiative (EITI) Standard 2019

With an increasing number of companies from around the world interested in Guyana’s OGM sector, a clear and effective set of laws to regulate foreign and domestic investments, and to manage this unprecedented level of wealth and responsibility will be more important than ever. Implementing EITI standard (2019) can play an important role in the process of preparing Guyana to be a major energy producer.

The Extractive Industries Transparency Initiative (EITI) is a global standard for the good governance of oil, gas and mineral resources. It seeks to address the key governance issues in the extractive sectors. The EITI Standard requires information along the extractive industry value chain from the point of extraction, to how the revenue makes its way through the government and its contribution to the economy. This includes how licenses and contracts are allocated and registered, who the beneficial owners of those operations are, what the fiscal and legal arrangements are, how much is produced, how much is paid, where the revenue is allocated, and its contributions to the economy, including employment.

The EITI Standard is implemented in 52 countries around the world. Each of these countries is required to publish an annual EITI Report to disclosing information on: contracts and licenses, production, revenue collection, revenue allocation, and social and economic spending. Each country

that implements the EITI standard has its own secretariat, in Guyana's case it's called GYEITI, and a multi-stakeholder group that helps prepare and review reports on the country's progress. This 12-member group includes representatives of civil society, industry and government, to make sure that many different groups have line of sight on how resource revenues are managed. Guyana was officially accepted as a "implementing country" for the EITI standard in October 2017. Since then, with the help of consultants and the multi-stakeholder group, GYEITI has been working on preparing Guyana's first report, which was released in late April 2019. Going forward, Guyana's 2019 EITI report will likely deal much more heavily with oil and gas as billions of additional U.S. dollars are invested in developing wells, facilities, and infrastructure ahead of first-oil production in 2020.

6.0 DESIGNING AND MONITORING EFFECTIVE LC INITIATIVES

Orji (2014) draws on studies conducted in Norway, Brazil, Canada's Atlantic Provinces, and Trinidad and Tobago to propose that successful LCPs possess: Critical vocational training and SME support programs; Transparent and independent regulatory oversight; and Preference for local industry and workers that also sets standards for sustainable commercial success. In addition, joint ventures in which local staff work alongside those of the international oil companies have proven especially effective at transferring technology; the skills and operating practices of the oil industry and business acumen. Government support for local companies in the form of research and development assistance, including the requirement that international companies engage in research in the host country, has been an important factor in building internationally competitive local companies as well as labor skills.

Esteves et al. (2013) describe that an effective local procurement strategy should be based on four key principles: appropriate analysis and systems; procurement activities directed to contributing to a healthy local economic environment; local business participation supporting (instead of impeding) procurement practices; and the end goal being local businesses competing on an equal footing with other providers. The framework contains six umbrella activities that industry can undertake to put these principles into practice: develop a local procurement strategy; build internal capacity to deliver the strategy; identify opportunities; establish and manage contracts; grow local SME capacity; and monitor and evaluate the strategy. Partnerships among various stakeholders are critical for LC development. Partnerships among governments, industry and CSOs are particularly evident in local supplier development programs, with a view, for example, to enable SMEs to access financing and skills development programs, technical mentoring and support for the development of business management skills. Some programs focus heavily on institutional strengthening activities to encourage an enabling environment for SME development. Others have focused on helping women establish their own small businesses by providing them with access to legal, business and financial systems, thereby reducing the gender gap that prevents many women from participating in economic life. In general, CSOs have not played a dominant role in these programs. Smith and Rosenblum (2011) establish that the Natural Resource Governance Institute offers some useful guidance for effective monitoring of the OGM company's LC performance. Monitoring encompasses four broad activities undertaken in collaboration with a range of stakeholders: Reviewing laws and contracts to understand a company's obligations; Monitoring companies' activities to determine compliance with

those obligations; Communicating information to address any areas of noncompliance; and Enforcing laws and contracts when companies fail to comply.

7.0 ENFORCEMENT CHALLENGES TO LC IN OGM - CRITICAL DISCOURSE

LCPs often fail to meet national expectations. In several resource-rich developing countries, the linkages developed are often shallow in breadth and depth and more akin to lip service. Although most stakeholders agree that monitoring and enforcement are essential to ensuring that OGM projects proceed in accordance with the legal framework; and thus, that the risks and opportunities of OGM projects are distributed appropriately—these important activities are often neglected. Deficiencies in capacity, transparency and government monitoring incentives all contribute to insufficient monitoring and enforcement activities. While all countries confront capacity, transparency and incentives challenges, they may be pronounced in different places at different moments in time. But wherever and whenever they exist, they should not be considered in isolation. Instead, these challenges operate together, and they must all be confronted to enable effective monitoring. Similarly, government and civil society monitoring should not be looked at in isolation but rather as mutually enforcing and beneficial activities. Governments, civil society, academia, and businesses must work together in partnership to enhance their monitoring efforts and to confront the challenges, including demon of corruption, discussed in this section (Smith and Rosenblum, 2011).

7.01 Capacity

Perhaps the most obvious challenge to monitoring is lack of capacity. Capacity is not just a matter of training or the wealth of the state. It reflects politics and priorities as well as other factors that contribute to sustainable, effective governance. In this way, capacity challenges are linked with incentives: until those in power have the incentives to devote resources to improving capacity for monitoring and enforcement, the challenges are unlikely to improve. Governments often lack the capacity to inspect, audit and review companies' operations over the typically very long life of the project. First and foremost, they do not have enough staff to complete the necessary monitoring. Beyond that basic challenge, they may also lack the skills, technology, vehicles and financial resources to conduct that monitoring effectively. Even when skills and technology are available, bad policies or weak overall governance can make it impossible to plan and budget for appropriate monitoring.

7.02 Transparency

Effective monitoring relies on access to information, and a lack of transparency can be a challenge for both government and civil society monitoring efforts. Transparency is central to monitoring for at least two reasons: It is a condition for effective monitoring; and It creates incentives for all stakeholders (government, companies and communities) to play by the rules. Within government, not sharing information across departments in the executive branch can hamper monitoring. For other branches of government, particularly parliament, lack of access to critical information inhibits credible monitoring. And for civil society, access to contracts, environmental impact assessments (EIAs), work plans, revenue collection figures and other ongoing project information is essential to monitoring efforts but is often lacking. Governments and companies should publish all essential information for monitoring OGM projects, including: Concession agreements - containing contracts, permits or licenses; Laws and regulations; Project-specific assessments and reports, including EIAs,

EMPs, work programs, social impact assessments and local development plans; and Ongoing data on implementation and monitoring, including production figures, tax and royalty payments, and inspection reports.

7.03 Incentives

Incentives explain why many government monitoring and enforcement efforts fall short. The interests of those in positions of influence and authority often do not align with the effective fulfillment of these functions – holding true to the classic principal-agent problem. This is true for several reasons:

The political value of discretion - strong systems curtail the discretion of individuals. In resource-rich countries, especially poorer ones, control over the resource sector is one of the most politically valuable assets available. Leaders hesitate to relinquish this discretionary control to process or to bureaucrats in case they need to be able to manipulate its operations in the future. This is particularly true in environments that feature high levels of political competition or factionalism. Just as giving out money is a form of patronage and buying influence, so is lax enforcement of contractual or legal obligations.

Time horizons - the benefits of robust monitoring and enforcement activities are realized only over time, although they require significant devotion of resources in the present and the future. However, most top officials will be in office for only a finite period, and they must face the political realities of regular election cycles. Politicians tend to favor resource allocations that improve near-term political and economic standing over those that generate benefits only in the future.

Institutional conflicts of interest - OGM ministries are often charged with both promoting new investment and regulating ongoing investment, which creates conflicts of interest. First, in terms of enforcement; enforcing laws and provisions against companies can be seen as competing with the goal of promoting investment in the mining sector. Second, about monitoring; some laws and contracts commit government ministries to respond to company applications or reports, such as new OGM applications, environmental assessments or proposed work programs, within a short period of time in order to reduce delays and promote investment. Both companies and ministry officials hold ministry workers closely to those deadlines. But while those same workers are often responsible for monitoring ongoing company operations, they receive no similar pressure to monitor companies over time. State-owned OGM companies may also present conflicts of interest, particularly when the national company is both an operator and a regulator (Thurber et al., 2011).

Personal conflicts of interest - some public officials have private interests in the OGM sector and favor companies that are controlled by themselves, their friends and family, or their political allies. Monitoring the costs of subcontracts, for example, can be undermined if the official has an interest in a certain subcontractor receiving a valuable (and possibly inflated) contract. Another personal conflict of interest can arise when mid-rank officials create a bottleneck through a reporting or approval process, establish themselves as the gatekeeper, and collect a “rent” from companies to conduct this otherwise smooth function. The prevalence of this ‘bottlenecking’ in pursuit of rent extraction is endemic in LDCs. LC compliance is one example: Companies must get sign-off, and they must pay or otherwise reward the gatekeeper to get it. The incentive for the gatekeeper becomes capturing the rent rather than enforcing the rules.

7.04 Corruption and Exploitation in Extractive Sector

LC is seen as a key tool to help developing countries to reap, in a sustainable manner, the economic and social benefits from their natural resources. Yet, if not implemented and managed carefully and if not subjected to public scrutiny, LC can also offer significant corruption opportunities. Global Witness (2012) describes this form of corruption as “even more damaging than one-off payments for contracts because it means revenues can be stolen from the state continuously and in a way that is much more difficult for an audit to detect”. In addition, corruption in LC may provide disincentives to international companies to invest in such an environment and risk violating foreign bribery laws in their home countries. Tordo et al. (2013) also emphasize that corruption, lack of transparency and bureaucracy are austere challenges that countries and companies commonly face which negatively influence LC implementation. Available reports indicate that many of the corruption challenges faced by developing resource-rich countries also influence and have an impact on LCPs. Within this framework, measures that are usually adopted to curb corruption within the public administration, such as enhancing transparency in decision-making, establishing clear and transparent procurement rules, providing access to public documents, and strengthening oversight, are also instrumental to prevent and curb corruption in LC. Additionally, main corruption risks in LCPs in the oil and gas sector include: Favouritism and conflict of interest; Undue influence by international oil and gas companies; Political interference and discretionary power of public officials in enforcing LC rules; Corruption in public procurement and joint ventures; Fronting and use of shell companies; and Nepotism and cronyism in the hiring of local staff (Chazen, 2012; African Energy, 2014).

Anti-corruption mechanisms adopted in LC in the oil and gas sector include: Anti-corruption clauses such as drafted by the International Chamber of Commerce (ICC) to be included in contracts; Establishment of independent oversight bodies to review LC implementation; Clear and transparent procurement laws that guarantee fairness; Requirements to disclose beneficial ownership to ensure that LC contracts do not circumvent LCRs; and Publication of contracts and information regarding the implementation of LC rules. Other anti-corruption mechanisms should include: the adoption of rules regulating conflicts of interest, revolving door, and gifts and entertainment; mandatory requirements for public officials and senior executives of state-owned enterprises to regularly declare their assets; the adoption of access to information laws and rules opening the decision-making process, particularly ensuring civil society participation and oversight in the negotiation of oil agreements (Ernst & Young, 2013; UNCTAD, 2014).

8.0 LOCAL CONTENT AND CORPORATE SOCIAL RESPONSIBILITY (CSR)

The work of oil and gas companies is as socially and politically complex as it is technically complex. IOCs must depend, at times, upon inefficient, unreliable or corrupt governments for their legal licenses to do business and often work in the shadow of intractable social conflicts and/or their own legacy of insufficient attention to the needs and concerns of society. The development of better and more sophisticated CSR programs, fed and nurtured by a more transparent, receptive approach to stakeholder engagement, represents their response to the changing expectations of governments, NGOs and neighbours over the last several decades. This is a logical response to the absence of effective government regulation and legal dispute resolution mechanisms. In the oil and gas sector, CSR activities represent an attempt to fill that void. It is no secret that many oil-rich nations have been poorly governed, and that IOCs have extracted valuable resources from such countries in the

past, while paying inadequate attention to the attendant environmental and social costs. It is also true that IOCs have paid reputational costs for that lack of attention. The last two decades have seen these companies make great strides toward doing business in a more sustainable and socially responsible way. However, business of exploring for and producing oil and gas will always entail environmental costs and social challenges. The BP Deepwater drilling disaster (BP Deepwater Report, 2011) is a cruel reminder of that fact. Therefore, governments, NGOs and people will continue to pressure oil and gas companies to respond to the evolving social (as well as legal) expectations. Companies ought to respond to that pressure; if they do not, they put their reputations and therefore their future license to operate, at risk.

9.0 GUYANA'S LOCAL CONTENT FRAMEWORK 2ND DRAFT

The second draft policy framework was drafted after formative consultations with stakeholders in public and private sectors, namely: Government Agencies; Private Sector groups; Education Institutions; University of Guyana; Civil Society Organisations; and Oil and Service Companies. It is laudable that the framework development was a consultative process, however, additional representations of academia and intellectuals from political landscape would have made the process more inclusive. Five themes on which the framework is built on including: Value Maximisation; Training and Employment; Supplier Development; Ownership; and Taxation – is a step in the right direction. Its effectiveness is based on viable and multi-faceted Implementation, Enforcement and Governance strategies. Georgetown Chamber of Commerce and Industry (GCCCI) submitted a detailed appraisal on the 2nd LC draft to the Ministry of Business, Guyana in mid 2018 in which several concrete suggestions were given for development and enforcement of Local Content. In summary, the LC draft is an ambitious “wish-list”; long on sumptuous aspirations but short on deliverables – lacking a roadmap on how to get there.

9.01 Political Foundations of The Resource Curse

Robinson et al., (2006) argue that the political incentives that resource endowments generate are the key to understanding whether or not they are a curse and demonstrate that: politicians tend to over-extract natural resources relative to the efficient extraction path because they highly discount the future. Resource booms improve the efficiency of the extraction path: However, resource booms, by raising the value of being in power and by providing politicians with more resources which they can use to influence the outcome of elections, increase resource misallocation in the rest of the economy; and The overall impact of resource booms on the economy depends critically on institutions since these determine the extent to which political incentives map into policy outcomes. Countries with institutions that promote accountability and state competence will tend to benefit from resource booms since these institutions ameliorate the perverse political incentives that such booms create. Countries without such institutions however may suffer from a resource curse. The empirical literature on the resource curse consistently emphasizes that resource dependent economies and resource booms seem to lead to highly dysfunctional state behavior, particularly large public sectors and unsustainable budgetary and policies (Robinson et al., 2006).

9.02 Local Content Policy and the Sovereign Wealth Fund Management

In January 2019, the Government of Guyana passed its version of the Sovereign Wealth Fund, referred to as the Natural Resources Fund Act. In these scenarios of resource-rich endowments injecting large

amounts of revenue into a country, Governments utilize the Sovereign Wealth Fund as one of its principal tools in preserving a stable macroeconomic environment. Therefore, naturally, a Sovereign Wealth Fund (SWF) tends to exist in situations where there is a fiscal surplus.

It is this tool that helps to protect a country against the volatility of the international price market for oil and the risks encountered when opening a significant component of a country's export portfolio to the shocks of an international market. These risks are of course exaggerated in a small open economy which is a price-taker on the international market as opposed to a large open economy which wields significant geo-political and economic influence, and has the ability to manipulate world market prices. The Natural Resource Fund Act can be divided into following seven (7) components:

1. Why establish a single fund to achieve multiple objectives?
2. What is the purpose of the Natural Resource Fund;
3. How does the Natural Resource Fund integrate with the National Budget?
4. What is the fiscal rule associated with the Fund?
5. What are the structures for managing the Fund?
6. How are investments to be made by the Fund; and
7. How is the Fund to be reported, audited and transparency measures to safeguard the Fund?

Natural Resource revenues from the extractive industries, specifically petroleum, mining and forestry will be deposited into the Natural Resource Fund which will be held as a US dollar bank at the Bank of Guyana. It is from this account that withdrawals will be made, based on a rule known as the 'fiscal rule.' These withdrawals from the Fund will be deposited into the Consolidated Fund to form part of the revenue for the annual budget, along with other traditional streams of government revenue, including loans, tax and non-tax revenues.

Government will then determine its development priorities, through its national plan, known as the Green State Development Strategy (GSDS), and the available income. The Government has stated that priority will be placed on catalytic investments to transform Guyana within the context of the measureable targets, identified within the GSDS.

Withdrawals from the Natural Resource Fund cannot exceed the amount approved by Parliament. This amount, after Parliamentary approval, will be placed into the Consolidated Fund for utilization according to the priorities identified in the year's national budget, which draws its inspiration from the GSDS. It is important to note that, according to the Green Paper, the only further drawdowns that can be made would be for Petroleum Tax Refunds, when necessary. Figure 1 attempts to capture the Public Financial Management constructs associated with the Natural Resource Fund.

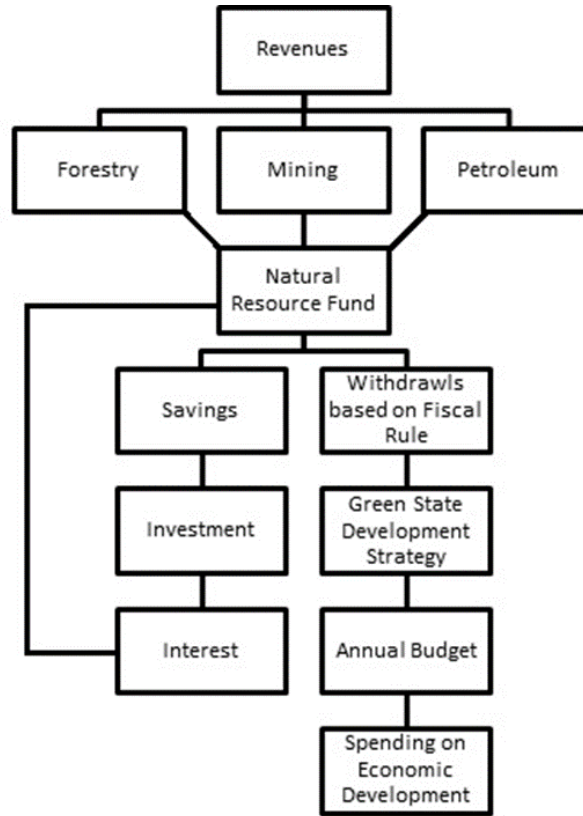


Figure 1 - Intended Operation of the Natural Resource Fund

It becomes clear therefore that the government mechanism for spending is important in realising benefits to the economy. In a regime of ‘flexible’ local content laws or a ‘market-creating local content regime’¹ emphasis must therefore be placed on a comprehensive private sector development strategy, which results in faster rates of capital accumulation, fosters innovation and economic growth.

10.0 LC SUCCESS STORIES IN LATIN AMERICAN AND AFRICAN OIL & GAS SECTOR

To identify the factors that determine successful LC outcomes in Africa and Latin America, Mushemeza et al., (2017) conducted a comparative analysis of selected countries in Latin America that are the largest oil and gas producers in the region, namely; Argentina, Bolivia, Brazil, Colombia, Ecuador, Mexico and Venezuela. On the other hand, in Africa they selected sub-Saharan countries that are either oil and gas producers or have significant reserves in relation to their economies. These countries are Angola, Chad, Equatorial Guinea, Ghana, Nigeria, Tanzania and Uganda. They rated each country based on a standardised scoring mechanism that allowed to make comparisons across countries where LC indicators were not always available or measured in different ways.

In order to draw connections Mushemeza et al. compared the LC specificity score with the LC outcomes scores in each country. Specificity is the presence of LC within oil and gas frameworks and

¹ Authors follow the definition of ‘market-creating local content regime’ as espoused by Kalyuzhnova, Nygaard et al in ‘Local Content Policies in Resource Rich Economies’ 2016, page 12.

the existence of implementing, measuring, and monitoring mechanisms within these frameworks. They found that the countries with higher LC outcomes were also countries where LCPs are well developed and structured. In all four countries (Brazil, Mexico, Angola and Nigeria) with higher LC outcomes, requirements to promote LC are integrated into different strategies (employment generation, national industrial participation, and skills development etc.) and frameworks. Their analysis shows that there is a relationship between the LC specificity scores and the achieved outcomes in these countries. This is particularly clear in the cases of Brazil, Mexico, Angola and Nigeria - high LC specificity scores and high outcomes scores. In the second stage of analysis Mushemeza et al. focused on these four case studies to identify the factors that could explain the achievement of positive LC outcomes. In the assessment of both categories (specificity and outcomes) they found that the NOCs are actively involved in adopting and implementing LC in countries with higher LC outcomes. In the analysis they also assessed that Brazil, Mexico, Angola, Nigeria and Ghana are the only cases among the 14 countries that include within their LC frameworks monitoring and enforcing mechanisms, government programs to support oil and gas companies in their LC-related activities and the participation of NOCs in LC implementation.

Mushemeza et al. further observe that the LC frameworks in Brazil, Nigeria and Mexico contain a clear definition of LC unlike Angola. For the case of Brazil, the definition and the main frameworks only focus on the promotion of the country's national industries through procurement practices and bidding processes as opposed to Mexico, Angola and Nigeria, who give importance to employment and skills development as well. Mexico and Nigeria understand LC from a broader perspective, which includes local employment and training for nationals. Despite varying definitions and emphasis on distinct elements of LC, one common denominator among the four countries is the inclusion of clear LC provisions in legislation and contracts, classified as specificity in the analysis. The implication of this finding is that the more specific LC provisions a country has, the more likely it will achieve positive LC outcomes. The specificity of LC frameworks also includes efforts to measure and monitor implementation. Mexico demonstrates the most concerted effort in this regard, having developed a methodology that has set the ground for monitoring LC compliance among relevant authorities. Brazil also includes the measurement of LC during the bidding process where providers' offers must include LC targets. Brazil and Mexico have created frameworks that prioritise the development of their national industries and have implemented programs to achieve it. This might explain why more quantitative data is available for Brazil and Mexico on LC outcomes (Morales et al. 2016) than Angola and Nigeria whose results are scattered across several documents (Nordas et al. 2003; Mushemeza and Okiira, 2016).

11.0 CONCLUSION

Evidence (section 7.0) suggests that having a specific LC framework and a strong NOC with clear guidelines and strategy, can lead a country to achieve positive LC outcomes regardless of context. While presence of NOCs can foster the generation of employment and technology transfer, it is important to keep in mind that the mere existence of NOCs is not enough. There are specific dynamics and factors inside the management of a NOC that can shape LC; it is valuable for a NOC to collaborate with the private sector and international partners to enhance knowledge and technology transfer. Policy makers should consider short and long-term benefits when designing LCPs. The achievement of short-term positive outcomes might be easier to attain through certain mechanisms such as the establishment of workforce and procurement quotas and scholarships requirements. However,

building linkages (forward, lateral and backward) through LCPs is a measure that can bring about longer-term benefits to the country's economy and lead to sustainable national inclusive development. However, other factors conducive to the positive achievement LC outcomes such as the size and quality of a country's natural endowments, the existing industrial capacity or the quality of governance institutions. Host government should guarantee that the promotion of linkage development through LCPs matters to the ruling elite; only then they would ensure that institutional and governance capacity is strengthened and supported.

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