An ANRC step-by-step guide for local content policy formulation and implementation

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The African Natural Resources Center (ANRC) is a capacity building entity of the African Development Bank (Bank). ANRC delivers capacity building programs to governments in natural resources management. The work covers both renewable (water, forestry, land and fishery) and non-renewable (oil, gas and minerals) resources. The mandate of ANRC is to assist African governments maximize development outcomes derived from Africa’s natural resources by boosting the capacity of the governments to achieve inclusive and sustained growth from natural resources.

In the context of the Bank’s High 5 priorities, ANRC’s focus is on three main work streams. ANRC deepens Bank staff’s knowledge of extractives through analytics, internal seminars and a knowledge portal. ANRC provides information on natural resources policies, markets, value chains and governance. It supports African countries in creating an enabling environment by strengthening regulatory capacity and advocating policies that achieve positive development outcomes.
“By providing greater support to SMEs and supporting industrialization in Africa to move countries up the global value chain ladders, we will be able to create much needed jobs that will keep young Africans on the continent.”

President Akinwumi Adesina
To regulate and make the right decisions for investing in and negotiating natural resources project agreements, governments of resources-rich countries require skills and advice from credible sources. Admittedly, support is available from many institutions. What is missing, however, are practical information and knowledge tools that enable governments to make effective policy decisions and investment choices.

The African Natural Resources Center (ANRC) of the African Development Bank (Bank) is taking a pragmatic approach to filling this gap. The ANRC’s approach has a bias towards solutions that resonate across different natural resources. By designing policy tools that are adaptable across sectors, ANRC is able to meet the needs of individual countries and address challenges relating to a specific sector. The goal is institutionalized knowledge that enables policymakers to leverage a common set of guidelines to tackle diverse challenges and opportunities.

In keeping with this business model, ANRC’s “Step-By-Step Guide For Local Content Policy Formulation and Implementation” draws examples from extractives projects to produce a roadmap that has a universal application across natural resource sectors, by being adaptable while remaining true to one set of underlying principles.

It comprises a series of iterative steps that can be adapted to the needs and policy preferences of individual countries. Each of the steps can be used to respond to a particular policy question as a standalone capacity building initiative. The roadmap is also an advocacy tool that promotes a structured and disciplined institutional approach to policy design and implementation.

Other policy tools that ANRC is currently developing include:

- A negotiations capacity building framework,
- A land governance tool,
- A gender mainstreaming guide for extractives policies,
- A revenue management policy options guide,
- Simplified guidelines for compliance with EU anti-Illlegal, Unreported and Unregulated (IUU) fishing regulations.

The above will be disseminated through advocacy seminars and training. As with other ANRC policy tools, this roadmap will be the primary vehicle for ANRC’s implementation of capacity building programs in partnership with other arms of the Bank. The guide will be particularly useful in supporting the Bank’s “Industrialization Strategy” and promoting small and medium enterprises (SMEs) under the Bank’s High 5 priority areas.

I developed the concept that served as the theoretical basis for this tool. The tool’s development would not have been possible without the tireless work of several members of the ANRC team. Namely, Senior Consultant, Dr. Muzong Kodi, Principal Domestic Linkages Officer, Thomas Viot and Junior Consultant Mehdi Khouili.

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Increasingly countries are looking for alternative ways to realize the value of natural resources wealth as quickly and as early in the project life cycle as possible. At the forefront of this drive is the push for local content policies aimed at linking natural resources projects to community, national and regional economies. This can result in higher employment, private sector growth through SMEs, increased manufacturing activities due to demand for goods and services, increased export trade and technology transfer.

Many African governments do not have clear policies to capture these benefits. Further, a cursory review of the policy and legal instruments in the region suggests that where policies and laws do exist, the provisions are inadequate to deliver results. For a start, few spell out the mechanisms necessary to capacitate national private and public institutions. Policymakers assume that policies and laws alone are sufficient, overlooking the need for capacity to meet industry, technological and safety standards necessary to compete in the global market. Even fewer governments recognize industry commercial barriers to entry that currently reduce the ability of local firms to compete. The provisions are also deficient in that they do not adequately address institutional, legal and skills requirements for effective implementation and monitoring. This creates a risk of failure to achieve the desired outcomes.
Consistent with the Bank’s High 5s, the Center’s strategy is anchored upon two pillars, namely integrated resource development and good governance of natural resources. This tool is part of ANRC’s support for local content policy capacity building, under the “good governance strategic pillar” and supports the Bank’s “Industrialization Strategy” through SMEs.

Diagram 1 ANRC strategic pillars

The ANRC’s local content roadmap helps policymakers mitigate risk of failure. It guides decision makers in policy design and implementation through a series of standalone interventions, knowledge, skills and information. It is structured such that support can be provided at all, some or only one of the stages in the roadmap depending on a country’s needs.

In addition, ANRC’s roadmap serves two other important purposes. It is an advocacy tool that helps raise the awareness of policies that balance fiscal with non-fiscal benefits when designing laws and negotiating concessions with investors. It is also a practical tool that will be used to guide negotiators to leverage projects and extract greater value.

The ANRC’s local content roadmap specifically assists policymakers in formulating and implementing effective local content policies by outlining a step-by-step process to guide key considerations and weigh trade-offs. It is generic in that it can be used in various contexts to enable governments to optimize the economic value derived from developing natural resources.
ANRC Policy Tool Series

CONCEPTUAL FRAMEWORK

ANRC defines local content as “a policy framework aimed at optimizing the economic value to be derived from the development of natural resources through domestic linkages while giving regard to the country’s development goals, vision for a given sector, trade competitiveness and the financial viability of the natural resource being leveraged.”

The objective of a local content policy is to ensure that a high proportion of project inputs are sourced from the host country without compromising the economics of the project or sector being leveraged. The assumption is that in so doing there is an economic multiplier effect that results in greater value extraction by host countries.

However, to be successful, local content initiatives must be based on a well-conceived policy as well as legal and institutional considerations that recognize the need for joint contributions from host governments, national entrepreneurs and foreign investors. Such a policy also recognizes the long-term nature of both policy formulation and implementation by adopting a long-term perspective. Most importantly, it is essential to have an inclusive but systematic approach that addresses resource economics, a host country’s macro-economic environment and the capacity of public and private institutions to competitively support policy implementation.

Depending on national circumstances, some actions envisaged in the roadmap may require adaptation, expansion, omission or substitution. By the same token, additional steps may be necessary in some cases. However, the steps outlined herein are the foundation for an effective policy. The details of each activity and the specific milestones attainable with each gateway are summarized in the overview of the roadmap contained on pages 8 and 9 of this publication.

In conclusion, it is important to note the following when implementing the proposed interventions:

- The process is iterative,
- Some activities are sequential while others are not,
- Others are recurrent and some may require reassessment based on the outcomes of previous activities,
- Policymakers should ensure that policy proposals do not contravene existing agreements between the State, investors, bilateral and multi-lateral partners,
- Policymakers must ensure that proposed policy parameters are not in conflict with current policies and laws,
- Policymakers should ensure that policies do not violate existing international treaties.

Such due diligence ensures that upon completion, a policy is enforceable, including full compliance with other national policies and laws.
OVERVIEW OF THE ROADMAP

COUNTRY DEVELOPMENT CONTEXT

STEP 1
Defining short and long-term policy goals and desired impact.

Outcome
Consensus over short and long-term policy objectives.

STEP 2
Determining the policy scope.

Outcome
Clarity on policy parameters, focus areas, the nature of the value to be extracted and potential economic outcomes.

STEP 3
Establishing policy guidelines.

Outcome
Clear policy direction to inform the content of the policy and the law.

MACROECONOMIC ENVIRONMENT

STEP 4
Analyzing domestic market conditions.

Outcome
Ability to bridge the capacity gap and develop a long-term capacity building plan in line with the needs.

STEP 5
Understanding external market factors.

Outcome
Ability of the State to align policy with market conditions through an understanding of their potential impact on policy effectiveness.

MICROECONOMIC FACTORS

STEP 6
Assessing project or sector absorptive and economic capacity.

Outcome
Data on project (or sector) capacity to sustain projected policy deliverables throughout its cycles.

STEP 7
Assessing project sponsors’ local content strategies and performance (where applicable).

Outcome
Existence of a basis for engaging effectively with project sponsors.
IMPLEMENTATION AND MONITORING

STEP 8
Determining appropriate legal, institutional, skills and monitoring frameworks.

Outcome
Estimated resources needs, role clarity and the ability of the State to enforce policy and monitor effectiveness.

ENSURING BUY-IN

CROSSCUTTING PROCESS
Engaging stakeholders.

Outcome
Buy-in from key stakeholders and role clarity between public and private institutions.
STEP 1
DEFINING SHORT AND LONG-TERM POLICY GOALS AND DESIRED IMPACT

CONTEXT
To achieve its purpose, a local content policy should reflect a country’s development goals. Otherwise it potentially lacks direction.

This step fills the potential vacuum resulting from misalignment with development goals. The goal is to determine the desired economic development outcomes of the local content policy by providing clear objectives in the short and long run. The options include:

- Improving the economies of communities in the vicinity of natural resources projects,
- Boosting a country’s SMEs and manufacturing sector,
- Developing national manpower,
- Creating a platform for industrialization,
- Boosting export trade.

KEY CONSIDERATIONS
The options above are not mutually exclusive. Therefore, a clear sense of their comparative relevance and relative importance to national development is essential. Because countries are unlikely to effectively pursue all options simultaneously, prioritizing them is also necessary. This hierarchy should take account of development priorities, the State’s absorptive capacity and public resources implications. Some evaluation of the underlying trade-offs and potential benefits of each option are useful for consensus building over long-term policy objectives. Some specific policy questions to guide the evaluation process are:

- What are the country’s overall development needs?
- What are the local content policy-specific development objectives?
- How can the policy objectives support current and future development priorities?
- How can the local content policy be aligned to development priorities?

CONCLUSION
The process above gives direction to subsequent steps without which the task of formulating, implementing and evaluating impact would lack context.

OUTCOME
Consensus over short and long-term policy objectives.
STEP 2
DETERMINING POLICY SCOPE

CONTEXT
It is essential to define the concepts of “locality” and “economic content” from the outset. Both are useful to guide policy formulation, establish targets and pre-determine desired economic benefits and development impacts. Defining locality involves defining the constituency, desired economic deliverables, the development challenge being addressed, the stakeholders who will be consulted in its design, the institutions necessary for implementation as well as the profile of direct beneficiaries.

ACTION 1: DEFINE LOCALITY
The definition of locality is based on two factors. Firstly, the geographic footprint of the policy targets as defined by the country’s administrative structures, economic development goal(s) and the legal parameters within which the policy will be implemented. Geographically, parameters for defining the locality include:

- The region occupied by the community in the vicinity of the project,
- The sovereign State,
- A regional economic community (common market) of which the country is a member.

The second factor in determining the parameters for the “locality” is the legal profile of what constitutes a local entity as it pertains to suppliers of goods and services. Examples include:

- A resident institution registered under the national laws of the host country,
- An entity predominantly or wholly-owned by citizens of the host country,
- Goods and services procured locally regardless of origin,
- Goods and services manufactured and procured in the host country.

Locality is not self-evident. It needs to be clearly articulated to manage expectations and enable investors to make informed choices based on risks and rewards associated with the policy. The process of defining locality also underscores the need for policy alignment with the expectations of different but divergent constituencies who rely upon local content policies for economic and social upliftment. On the other hand, it enables countries to implement the policy and manage trade relations nationally, regionally and globally without violating existing trade agreements.

KEY CONSIDERATIONS
Determining locality requires careful consideration because the options have implications on public resources and give rise to socio-and economic trade-offs. A key consideration is the goal of the policy and the obligations embedded in the policy. The choice of geographic or legal parameters implies potential conflict arising from the competing interests of groups, such as communities in the vicinity of a project, national and regional industrial hubs, regional common markets,
international trade signatories and bilateral treaty partner countries. Each of these has legal, cost, political and social implications that require careful scrutiny to ensure that their impact is aligned to the policy goals.

**ACTION II: DEFINE ECONOMIC CONTENT**
The second concept embodied in the local content principle is the nature of the "economic content". Economic content refers to project inputs whose vertical, horizontal and other economic linkages collectively constitute the economic value that a local content policy is intended to capture. An important component of the policy is to set out these economic deliverables. Clearly stated economic deliverables enable policymakers to achieve alignment between the policy focus areas and long-term development goals. The process of defining economic content also lays the foundation for identifying capacity gaps, implementation and performance monitoring in order to capture benefits defined through the concepts of locality and economic content.

**KEY CONSIDERATIONS**
Long-term development goals and potential impact influence the choice of the desired economic deliverables. Another consideration is the ability of national public and private organizations to meet demand and standards for the supply of goods and services competitively. A third consideration is the need to contain the risk of unintended consequences, such as potential adverse effects of the economic content on the project’s financial performance and the State’s capacity to attract investment in the sector.

Where applicable, national laws and public sentiment must be harmonized with global trade laws and bilateral treaties. Care must be taken to ensure that the definition does not violate these. Typical forms of economic content include requirements for:

- Acquisition of equity in projects by citizen entrepreneurs or national resource companies,
- Procurement of financial services from national financial institutions,
- Citizen empowerment schemes (skills, SME access to markets),
- Citizen employment (training, scholarships and technical vocational education),
- Procurement of goods and services from citizen firms.

**CONCLUSION**
Properly defining the scope and evaluating the policy considerations based on locality and economic content is important because both give rise to trade-offs, determine the level of investment, define State obligations and influence public expectations. If carefully analyzed, the definitions clearly articulate the project’s policy parameters, focus areas, the nature of the value to be extracted and potential economic outcomes. As cornerstones for determining the policy’s scope, these definitions lay the foundation for the next step, which sets out the principles for drawing up the policy based on clear targets, determination of locality and economic benefits being targeted.

**OUTCOME**
Clarity over policy parameters, focus areas, the nature of the value to be extracted and potential economic outcomes.
STEP 3
ESTABLISHING POLICY GUIDELINES

CONTEXT
To be sustainable, the policy must be founded on clear ideological, economic, political and social principles. This enables policymakers to harmonize the policy to the wider socio-economic and national development framework. The aim of this step is to provide the high-level principles to anchor policy, legal and institutional frameworks.

KEY CONSIDERATIONS

OPTION 1: A prescriptive policy that is designed with explicit legal targets with which investors must comply.

This approach assumes the ability of State institutions to oversee investors’ activities and ensure legal compliance. It also assumes the capacity of governments to police project sponsors. On the other hand, the approach presumes that investors have a motivation to comply. The Angolan, Nigerian, Tanzanian and Ghanaian petroleum local content policies on procurement are cases in point.

OPTION 2: An incentive-based policy that provides guidelines to sponsors on how to increase local content in accordance with the policy.

Through incentive schemes, investors are encouraged but not compelled to increase project local inputs. The approach assumes that the incentives are a sufficient motivation for investors and that in return the State is adequately compensated through the resulting increase in domestic economic activity. The approach recognizes the competitive nature of resource projects and the potential for host countries to use incentives to attract foreign firms and encourage them to use local suppliers and service providers. Because this approach is based on motivation and investors’ own value proposition to host governments, it might be more sustainable than a prescriptive approach. Australia is often cited as a good example.

OPTION 3: A policy of “no policy” or legal requirements.

Under these circumstances, the State has no formal policy or legislative requirements for investors. Host nations engage, encourage investors and keep a watchful eye but leave the sponsor to decide where and how to procure project inputs. Such an approach assumes that, by adopting open market principles, certain logical market outcomes will translate into benefits to the national economy. Such a policy plays to investors’ strengths by enabling them to choose preferred sources. It assumes that the relative value of benefits to the State is justifiable and compatible with those enjoyed by project sponsors. Most importantly, it also assumes the State’s capacity to safeguard against abuse by investors. Botswana’s policy of “open market economy” based principles and the absence of local content policy requirements exemplifies this approach.

CONCLUSION
Whatever principles and direction a government adopts in formulating a policy, trade-offs are inevitable. It is particularly helpful for policymakers to remember that each of these broad guidelines have many variations. Policymakers need to be conversant with these variations and resulting trade-offs. This factor is not a constraint, however, but an opportunity for governments to be flexible and align national goals with private investor and partner interests.

OUTCOME
Clear guidelines to inform the direction and content of the policy and law.
STEP 4
ANALYZING DOMESTIC MARKET CONDITIONS

CONTEXT
This step analyzes the relevant aspects of the domestic economy to ascertain the ability of the country’s public and private institutions to respond to opportunities and challenges created by the policy.

The success of the policy depends largely upon the capacity of national public and private institutions to implement, monitor and assess impact and to meet project commercial targets and regulatory provisions. In the event of a capacity gap, analyzing the domestic market facilitates interventions to bridge the gap. Legally, the analysis ensures that the proposed policy is not at loggerheads with existing legal arrangements. The policy and institutional audit is necessary to avoid future bottlenecks, remove potential loopholes and increase effectiveness. It also clarifies the roles and responsibilities of the different State organs.

KEY CONSIDERATIONS
To effectively conduct the assessment, policymakers are encouraged to ask the following questions:

- What laws and institutions exist to enforce policy and monitor performance?
- What existing commitments, laws and institutions potentially overlap or conflict with the envisaged policy?
- What national firms exist to meet demand for goods and services competitively?
- What are the main policy opportunities and constraints?
- What type and level of resources are necessary to address the constraints and bridge the capacity gap?

The investigation of the legal issues covers bilateral trade treaties, exemptions granted to investors by national laws and conflicting provisions.

CONCLUSION
The absence of capacity or the existence of conflicting legal instruments does not detract from the merits of a policy. However, the analysis enables the State and investors to institute corrective measures. The investment made in reconciling various policies, laws, institutions and agreements is justified by the assumption that the expected returns will (in the short or long term) warrant the effort. Most important, an upfront investigation avoids future bottlenecks during implementation.

OUTCOME
The ability to bridge the capacity gap to develop a long-term capacity building plan in line with the needs.
STEP 5
UNDERSTANDING EXTERNAL MARKET FACTORS

CONTEXT
Natural resources projects are licensed, developed and regulated within the confines of individual countries or common markets. However, there are larger microeconomic factors beyond licensing countries, including international trade structure, market conditions and actions of competitors which also influence decisions by project sponsors. These factors impact the availability of finance, the cost of procuring project finance and demand for commodities and expertise. These in turn influence corporate strategy for procurement and investor responses to local content policy requirements. Local content policy initiatives are unlikely to succeed without giving regard to internal and external market conditions and impact on project sponsors.

The projects that are relied upon to springboard domestic economies are subject to and impacted by these transnational market, financial, legal and trade arrangements. This step enables policymakers to reconcile national development imperatives with global market realities. While external market factors are not sacrosanct, they can be divergent to the goals of national local content policies making it difficult for firms to comply and for governments to attract investment. Therefore, an understanding of their nature is useful for policymakers to increase the chances of success. Understanding the potential for local content policies to undermine foreign investment is important given that in the first instance the policies are meant to leverage investment in natural resources.

KEY CONSIDERATIONS
The following specific market factors require scrutiny to increase alignment between governments and investors, thereby increasing potential policy effectiveness:

- The structure of global procurement networks in a sector,
- The country’s competitiveness relative to countries from which project inputs are sourced,
- The structure of corporate supply chains of project sponsors,
- Private sector capacity in innovation, manufacturing, service industries and labor markets,
- The country’s negotiation capability and strategic leverage in relation to project sponsors,
- Host country trade and industry regulatory capacity.

CONCLUSION
The knowledge of these factors enables the State to structure the policy to balance both internal and external market challenges and opportunities. Specifically, the information strengthens a government’s ability to negotiate with project sponsors and suppliers to secure support for the policy.

OUTCOME
The ability of the State to align policy with market conditions through an understanding of their potential impact on policy effectiveness.
STEP 6
ASSESSING PROJECT OR SECTOR ABSORPTIVE AND ECONOMIC CAPACITY

CONTEXT
Ideally a local content policy should be overarching and not designed for a specific project or sector. However, in many countries policies target a specific natural resource project or sector. Therefore, a local content policy that targets a specific project requires an assessment of the project’s capacity to sustain the economic activities envisaged. The goal is to achieve policy effectiveness without undermining project economics. Therefore, this step is intended to weigh policy against a project’s capacity to deliver quantifiable benefits.

To validate the capacity of projects to meet expected deliverables, policymakers must obtain qualitative and quantitative data based on the volumes and values of inputs to projects. This data justifies the policy and related public investments. It also validates the sustainability of the economic activities envisaged.

KEY CONSIDERATIONS
In conducting the assessment, particular attention should be paid to those activities set out under Steps 1 and 2. This avoids false expectations and the risk of eroding project economics. Below are some issues and activities to quantify:

- Current level of demand for goods and services relative to local supply,
- Expected project life cycle and its capacity to sustain the desired level of economic activity,
- Estimated value or volume of project inputs that will be generated throughout the project life cycle,
- Internal environment and inherent constraints and opportunities,
- Employment capacity and skills required throughout the project life cycle,
- Financial robustness of the project,
- Corporate supply chain strategy and constraints resulting from contracts with current suppliers.

CONCLUSION
A clear understanding of the effect of these considerations on policy deliverables will enable policymakers to match expectations with reality. The analysis will also assess project resilience in relation to global market trends and, therefore, its capacity to absorb additional costs (where necessary) without compromising policy goals. In addition, it enables governments to negotiate with project sponsors based on knowledge as envisaged in the next steps.

OUTCOME
Data on the project’s (or sector’s) capacity to sustain projected policy deliverables throughout its life cycle.
STEP 7
ASSESSING PROJECT SPONSORS’ LOCAL CONTENT STRATEGIES AND PERFORMANCE

CONTEXT
Effective policy implementation requires the host government to work in partnership with project sponsors. To do so, it is useful for policymakers to understand the sponsors’ procurement strategies and their potential alignment (or lack thereof) to the local content policy. This understanding will enhance the capacity of host countries to reduce misalignment where it exists and to leverage the market position of the firms.

The object of this assessment is to contain the risk that an investor’s corporate strategies are at a tangent to policy goals by gathering information to reconcile any divergent goals and to complement the actions of the project sponsors in a mutually beneficial way.

KEY CONSIDERATIONS
The following are some of the important questions for policymakers to respond to:

- What is the investor’s own approach to the local content policy?
- What relationship does the investor currently have with local suppliers?
- What is the value of goods procured locally?
- What leverage does the investor have over its global suppliers and service providers?
- What is the track record of the investor and its suppliers on local content?
- What is the investor’s relative commitment to the project as compared to other projects in its portfolio?
- What should be the strategy for negotiating an increase in local inputs with the project sponsor?

CONCLUSION
Different project sponsors have different strategies for local content. Many increasingly see procurement of local goods and services as a value proposition to host countries. Understanding these strategies and reconciling goals for mutual benefit is critical for alleviating the concerns of sponsors who fear prescriptive measures.

OUTCOME
A basis for engaging effectively with project sponsors.
STEP 8
DETERMINING APPROPRIATE LEGAL, INSTITUTIONAL, SKILLS AND MONITORING FRAMEWORKS

CONTEXT
The availability of laws and capable institutions is a prerequisite for effective policy implementation and monitoring. This step analyzes the ability of the country’s public and private institutions to respond to opportunities and challenges created by the policy. It also aligns the regulatory structures to policy goals.

Different policy options give rise to the need for different legal and institutional capacity. The choice of policy guidelines as described under Step 3 defines the necessary frameworks. For instance, a prescriptive- or incentive-based framework assumes a law and institutions for enforcement.

KEY CONSIDERATIONS
Below are three institutional structures for consideration. Each varies in its potential effectiveness and resource requirements:

OPTION 1: A regulatory arm of the State that operates as an integral part of other organs charged with regulating investors.

OPTION 2: An independently constituted implementing body that serves as an agent of the State and interfaces with investors to monitor performance while leaving legal enforcement to the regulator.

OPTION 3: A specially created legal entity to carry out both legal enforcement and performance monitoring.

CONCLUSION
All options have implications for State resources. Therefore, their inherent limitations must be reconciled with known State resources and institutional capabilities. As such, these actions are directly linked to the outcomes of Step 4.

OUTCOME
The estimated resources needs, role clarity and the ability of the State to enforce policy and monitor effectiveness.
CROSSCUTTING PROCESS
ENGAGING STAKEHOLDERS

CONTEXT
As shown under Step 7, the success of local content policies depends primarily on government leadership and the commitment of project sponsors. However, there are other constituents whose contribution to policy dialogue will enhance policy effectiveness. They include entrepreneurs, trade associations, industry associations, training institutions, financiers and policy implementing agencies. Stakeholder contributions are essential because they constitute an important part of the internal environment discussed under Step 4.

The activities envisaged by the policy will impact the needs and interests of different stakeholder groups. Therefore, to ensure buy-in, meaningful engagement and management of expectations, the profile and potential for each group to positively or negatively impact outcomes should be understood. The engagement of stakeholders is necessary at all stages and is likely to involve diverse interest groups. Therefore, issues of concern to stakeholders should be clearly mapped to facilitate constructive dialogue.

KEY CONSIDERATIONS
Just as the State has to evaluate the institutional capacity, it should engage (or consult) key stakeholders to align interests. With regard to State institutions, such an engagement ensures role clarity, complementarities and reduces institutional peer rivalry. In terms of capacity building, consultations enable government, investors and industry associations to agree on areas of accountability in bridging the market capacity gap and setting local supply targets. They also enable the alignment of national manufacturing and service standards with international norms. Finally, consultations help manage expectations with respect to national public and private institutions. Some of the main stakeholders include:

- Local entrepreneurs,
- Implementing and regulatory arms of government,
- Training institutions,
- Industry associations.

CONCLUSION
In many ways the success of any local content policy depends on the alignment of stakeholder views and expectations. On the other hand, success itself can be measured by a policy's ability to meet stakeholder expectations. Therefore, the mapping of stakeholders' concerns is essential at each stage because it ensures that their perspectives and potential contributions are taken on board. In short, as stated earlier, stakeholder engagement is not a once off activity but rather a necessary ingredient across the roadmap process.

OUTCOME
Buy-in from key stakeholders and role clarity between public and private institutions.
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