

## Worksheet G

### IX. Private sector development

In order to foster development beyond the lifecycle of extraction, governments must ensure not just that companies operate transparently, accountably and with integrity, but also that the resource sector stimulates the growth of other sectors and benefits the wider economy.

While public attention and demand is often trained on the few jobs available from extractive industries, this is just a small part of the possible non-financial contributions of the private sector and parties are in a strong position to help expand that view, manage expectations and reorient that energy towards economic diversification. The policy position can support this effort by setting out the principles for creating a good enabling environment for responsible business. It can also identify policies and mechanisms for harnessing resource companies' expertise and inputs to strengthen the private sector overall, ideally leading to meaningful economic diversification. This happens through job creation and the purchasing of local goods and services, building resource sector-related infrastructure that can be shared with other users and processing commodities that can provide cheaper energy, petrochemicals or mineral inputs to industry.

#### Costs and trade-offs

*When developing policy stances related to **local content** it is particularly important to consider:*

- How many direct and indirect jobs might realistically be available in the extractive sector over the lifecycle of projects
- The skill levels required for those jobs and the investment needed to build those skills in the domestic workforce (if not present already)
- The capacity for domestic companies to meet the likely service and subcontracting needs of the sector and the investment required to help local companies participate efficiently (if not already the case)

*When developing policy stances related to **extractives-linked infrastructure** it is particularly important to consider:*

- The current and future infrastructure needs of extractive sites and the surrounding communities, and the time and financial costs of building or adapting the current infrastructure to meet those needs





- The potential economic and development impacts of the additional infrastructure for the surrounding community
- The maintenance costs of the infrastructure over time
- The financial and economic implications of opening up infrastructure for shared use

*When developing policy stances related to **downstream investments** it is particularly important to consider:*

- The time and financial costs of creating a domestic processing facility, weighed against the added sales value of a more processed good
- The potential national consumption rate for the processed resource, how the unit costs for the consumption rate compare with what is available on the foreign market and the foreign demand for the product

For more information on these policy issues, please refer to Precepts 10 and 11 in the Charter Benchmarking Framework and the NRG primers on extractives-linked infrastructure and local content.<sup>187</sup>

Guiding questions	Current orientation
<ul style="list-style-type: none"> <li>• Does the party already have a stance (formal or informal, public or internal) on how resource extraction should benefit the wider economy? If so, what is that stance?</li> </ul>	
<ul style="list-style-type: none"> <li>• Does the party already have a stance (formal or informal, public or internal) on how private companies should contribute to local economic development? If so, what is that stance?</li> </ul>	
<ul style="list-style-type: none"> <li>• What do the party base and its core constituencies think about the how resource extraction should benefit the wider economy and how private companies should contribute to local economic development? What does the wider population think?</li> </ul>	

<sup>187</sup> The Extractives-linked Infrastructure primer is available at <<https://resourcegovernance.org/analysis-tools/publications/primer-extractives-linked-infrastructure>>; and the Local Content primer is available at <<http://www.resourcegovernance.org/analysis-tools/publications/primer-local-content>>.

Guiding questions	Current framework
<ul style="list-style-type: none"> <li>• What is the current legal and regulatory framework for non-extractive private sector development? Is it adequately enforced?</li> </ul>	
<ul style="list-style-type: none"> <li>• What are the major challenges and obstacles for businesses operating in the country, in both the resource and non-resource sectors?</li> </ul>	
<ul style="list-style-type: none"> <li>• What are the major weaknesses in the country's education and health levels, and how women are able to participate in the economy?</li> </ul>	
<ul style="list-style-type: none"> <li>• What does the government currently do to ensure that the resource sector benefits the wider economy? Do domestic workers have the opportunity to operate in the sector through local content requirements or other means?</li> </ul>	
<ul style="list-style-type: none"> <li>• Is the sector's infrastructure available for third-party use wherever possible, in law or in practice?</li> </ul>	
<ul style="list-style-type: none"> <li>• Are natural resources processed and used domestically?</li> </ul>	
Policy options	Stances
<p><b>What should the government do to ensure that it makes general purpose investments and to remove bottlenecks to non-resource sector growth?</b></p> <ul style="list-style-type: none"> <li>• How should the government engage with the private sector in a manner that protects the best interests of the country as a whole, on grounds of economic rationale rather than patronage?</li> <li>• Should more be done to identify and address gaps between the country's existing physical infrastructure and the needs of the private sector?</li> <li>• Should the government do more to identify and address bottlenecks and gaps in domestic construction services?</li> <li>• Should more be done to identify and address bottlenecks in the financial system?</li> <li>• What needs to be done to identify and address weaknesses in the country's health and education levels?</li> <li>• What needs to be done to identify and address weaknesses in how women are able to fully contribute to the economy?</li> <li>• Should more be done to identify and address weaknesses in business regulation?</li> </ul>	<p><i>Example stance:</i> The party believes that the government should prioritize removing bottlenecks to non-natural resource sector growth. We therefore commit to develop a plan for identifying bottlenecks in the construction and financial systems that are created or exacerbated by the resource sector.</p>
<p><b>What should the government do to ensure that domestic businesses and workers have the opportunity and capacity to operate in the extractive sector?</b></p> <ul style="list-style-type: none"> <li>• What needs to be done to remove barriers to local participation?</li> <li>• Should there be local content rules? If so, what should be done to ensure that they are consistent with local capacity, avoid excessive protection and guard against corruption? How should the government monitor and enforce companies' adherence to the rules and the government's own support measures?</li> </ul>	<p><i>Example stance:</i> The party believes that the government should do more to ensure that domestic businesses and workers are able to operate in the extractive sector. We therefore commit to establishing fair and appropriate local content rules for the sector.</p>

Policy options	Stances
<p><b>Should the government ensure that extractive industry infrastructure is open to third parties wherever economically feasible?</b></p> <ul style="list-style-type: none"> <li>• What should be done to help the coordination of extractive companies with other potential infrastructure users?</li> <li>• How should the costs and benefits of facilitating shared use of infrastructure be assessed?</li> </ul>	<p><i>Example stance:</i> The party believes that shared natural resource-related infrastructure is beneficial to the wider economy. We therefore commit to assist in the coordination of resource sector companies with other potential infrastructure users.</p>
<p><b>Should the government take the opportunity to use oil, gas and mineral resources domestically, when the opportunity costs of doing so are more than the benefits?</b></p> <ul style="list-style-type: none"> <li>• If so, should an independent and robust assessment of the market failures, costs and benefits of domestic processing and marketing be published?</li> </ul>	<p><i>Example stance:</i> The party believes that some of the country's natural resources should be used domestically. We therefore commit to developing a policy on this issue, informed by a thorough market assessment in order to understand the costs and benefits.</p>