



# Supporting guidance for EITI members on local procurement reporting

This brief describes the links between the Extractive Industries Transparency Initiative (EITI) and the Mining Local Procurement Reporting Mechanism (LPRM), including how EITI implementing countries can promote increased local procurement and transparency through use of the tool. Download the Mining LPRM in English or French at: [www.commdev.org/mining-local-procurement-reporting-mechanism](http://www.commdev.org/mining-local-procurement-reporting-mechanism).

## INTRODUCTION

In many EITI implementing countries, there is growing pressure to increase the amount of goods and services purchased locally by mine sites. Even though procurement is the *single largest payment type in-country* by most mine sites, there is currently a notable shortfall in government and industry measurement of, and reporting on this impact. These large figures also represent worrisome opportunities for corruption that can be mitigated through increased transparency around the procurement process. The Mining Local Procurement Reporting Mechanism (LPRM) presents a comprehensive set of publicly available mine site disclosures that can be used as a basis for efforts to improve economic impacts and transparency.

Building on a multitude of initiatives working to improve the management of mineral resources, including the EITI and the Africa Mining Vision (AMV), the Mining LPRM seeks to increase information sharing on local procurement spend at the site level, as well as practical details on mining company procurement processes and programmes that support better informed stakeholders.

Through increased and more standardised site-level local procurement information, the Mining LPRM aims to create information that empowers host country suppliers, governments, and other stakeholders to make better informed decisions when setting goals related to this issue. Additionally, connected to broader transparency and open data efforts, increased information on local procurement processes and spend allows host country organisations to better target programming, investments, and policy to

improve the connection between the mining industry and the local economy. The LPRM is also designed to increase knowledge of the practical process of mine site procurement to increase transparency and deter corruption. As well, use of the LPRM can serve as the basis for facilitating dialogue and managing expectations among stakeholders, leading to increased trust and the potential for creating partnerships.

### At a glance - The EITI and the Mining LPRM

- The Mining LPRM seeks to standardise mine site information sharing on local procurement in a similar way to the EITI's work to standardise and collect data on revenue payments to government. In most cases, procurement is the single largest payment type of a mine site.
- The potential to include reporting on local procurement is currently included in EITI Requirements 6.1 and 6.3, but most member countries are not collecting detailed information on local procurement.
- The Mining LPRM provides a set of standardised disclosures which can be used by EITI member countries to collect data on mine site local procurement practices and results.
- EITI member countries can promote use of the LPRM by hosted mining companies, including requiring its use as part of legislation and regulations.

## LINKS BETWEEN THE EITI AND THE MINING LPRM

There are opportunities for EITI implementing countries to use the LPRM as a tool to improve transparency in mining local procurement, and clear links between the EITI Standard and the LPRM. EITI Requirement 6.1 on social expenditure by extractive companies mandates disclosure of material and in-kind social payments by extractive companies, and Requirement 6.3 mandates disclosure of data on the contribution of the industry to the economy (although not figures specifically related to procurement). Use of the LPRM will create more comprehensive and reliable data on the procurement process, procurement spend, due diligence processes, and more granular details on the incentives and requirements to advance local procurement.

Aspect	Framework	Section of framework focusing on aspects of local procurement	Overlap with the Mining LPRM
Other	Extractive Industries Transparency Initiative (EITI) (2007)	Requires that both material and in-kind social benefits by extractive companies be disclosed. This could potentially relate to reporting on items such as supplier development programmes. <sup>98</sup>	<p><i>This relates potentially to numerous indicators:</i></p> <p><i>Disclosure 204: Procurement process</i> Disclosure 204 D- The reporting organisation shall provide information about local supplier development programmes or supplier capacity support (if applicable, provide URLs and phone numbers).</p> <p><i>Disclosure 302: Breakdown of procurement spend</i> The reporting organisation shall report the breakdown of procurement spend for each category of supplier provided in Disclosure 301: Categorising suppliers, including international suppliers. Reporting shall provide a breakdown by amount (in relevant currency) and by percentage of total spend. In addition, if possible, reporting shall provide a breakdown of spending by major spend families.</p> <p><i>Disclosure 507: Encouraging procurement from particular groups</i> The reporting organisation should describe efforts that proactively encourage suppliers to include and support particular groups, such as women, visible minorities, youth, and Indigenous communities.</p>

As outlined in the Appendix B of the Mining LPRM which details overlap between the mechanism and existing sustainability frameworks, the following direct links are noted between EITI reporting Requirement 6.1 and the Mining LPRM (*Mining Local Procurement Reporting Mechanism*, pg.76):

Given that “social benefits”, described in EITI reporting above, could be defined in different ways, it is predictable that the level of local procurement aspects covered in EITI reporting will greatly vary both within and between member countries. However, based on the framing, it is most likely that the focus will largely be placed on supports and services that mining companies offer to build supplier capacity, for example through formal supplier development programmes. This means that site-level reporting of the procurement processes, local procurement spend, due diligence processes, incentives to procure locally, and the external commitments and obligations related to local procurement will not be captured in most cases. Therefore, use of the LPRM will ensure that this valuable information is available in order to create a clear understanding of the state of local procurement for a given site. With recent EITI efforts to advance project-level reporting as well as increased attention to local content transparency (see [EITI’s brief EITI and opportunities for increasing local content transparency](#) released March 2018), the LPRM is well-timed as it provides EITI members with the necessary disclosures on local procurement at a site-level that can be incorporated into this push for increased detail within company reporting.



## OPERATIONALISING THE MINING LPRM IN MEMBER COUNTRIES

EITI implementing countries can use the Mining LPRM in different ways, ranging from dissemination and promotion to eventual mandatory requirements for mine sites to report using all of the required disclosures. Implementation could include integrating all or select Mining LPRM disclosures into existing country reporting requirements and publishing this data within EITI reports or as part of a separate report focused on local procurement. In the short-term, activities could include:

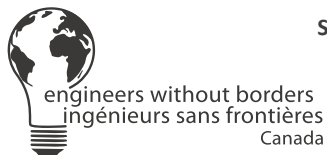
- Country-level guidance and training to mining companies, mining associations, suppliers, and other relevant stakeholders on local procurement reporting and detail on how it aligns with existing country reporting requirements.
- Support to civil society on how the LPRM could bolster current efforts and activities promoting improved mining governance.
- Training to governments on how the LPRM could support current data collection and economic planning (e.g. supplier support programs, educational spending, and targeted infrastructure).
- Commitments from EITI national multi-stakeholder groups to support and promote the LPRM.

The LPRM is a flexible reporting system and can be adapted to the country context. Ultimately, the implementation of the LPRM will vary by country, but the more data is publicly available and used, the more effective it will be in informing improved local procurement practices and helping to deter corruption.



For more information about the Mining LPRM and how you can use it in your work, contact Jeff Geipel ([jeffgeipel@ewb.ca](mailto:jeffgeipel@ewb.ca)). The development of the LPRM was supported by the German government, through GIZ; for more information, contact Janne Kaiser-Tedesco ([janne.kaiser@giz.de](mailto:janne.kaiser@giz.de)). Special thanks to Ines Schjolberg Marques from the EITI International Secretariat for her advice in developing this guidance.

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