

# Local content policies: a channel for diaspora reintegration in countries of origin?

Lunchtime side event at IOM IDM 2013

Diaspora Ministerial Conference

13:15 – 14:45, Tuesday 18 June 2013

Main hall, CICG

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Several governments have introduced local content policies to guide the hiring and purchasing behavior of foreign companies licensed to exploit their natural resources. This interactive panel discussion will explore ways that governments can align these policies with broader concerns to attract the return of their skilled diasporas.

This discussion will be of particular interest to governments that have developed or are developing local content policies (whether focused around natural resources or other sectors), their international development partners, and international organizations working to support migration and development strategies.

## Agenda

**Case study presentation:** “Leveraging local content policies for broader economic development: lessons from Mongolia” – Göran Hultin, CEO Caden Corporation and Vice-Chair, World Economic Forum’s Global Agenda Council on Migration

### Panel discussion:

- Mr Shakeel Ahmed Yousuf Abdul Razack Mohamed, Minister of Labour, Industrial Relations and Employment, Government of Mauritius
- Ms Isabel de Sola, Knowledge Manager, Global Agenda Councils, World Economic Forum

### Audience Q&A

Moderator: Chukwu-Emeka Chikezie, Director, Up!-Africa Limited

# Local content policies: a channel for diaspora reintegration in countries of origin? Rationale for side event at IOM IDM 2013 Diaspora Ministerial Conference

## Introduction

This concept note sets out a rationale for a side event in the International Organization for Migration's (IOM) International Dialogue on Migration 2013 Diaspora Ministerial Conference (18-19 June, Geneva; <http://www.iom.int/cms/idmdmc>). The side event, with a working title "Local content policies: a channel for diaspora reintegration in countries of origin?" is predicated upon a sense that policymakers, having registered their interest in diaspora engagement for development, are now looking for concrete strategies and pathways to effect such engagement to the mutual satisfaction of all stakeholders.

## Why focus on local content policies?

In the wake of relatively recent natural resource finds, several resource-rich developing countries have enacted local content policies as a way of guiding or regulating the behavior of international firms licensed to exploit natural resources to maximize local benefit in the process. Typically, such policies aim to increase both direct employment for locals and supply chain participation by local small and medium-sized enterprises (SMEs). In Africa especially, there is a feeling that the continent failed to use its natural resources exploited in the immediate post-independence period to engineer the continent's takeoff into stronger sustainable economic performance. Local content policies are emerging with a sense of determination that history must not repeat itself. Moreover, hikes in commodity prices amid strong demand from emerging economies have sustained recent growth in Africa. This pattern of growth has been "jobless", further driving the perceived need for local content policies.

In some instances, there is evidence of policy incoherence in the way that local policies have been devised because their impact may be to re-impose barriers to doing business that have been removed through World Bank-sponsored Doing Business Reforms. Local content policies are de facto or de jure labor migration policies, to the extent that they set out to regulate the flow of foreign labor into the local economy.

As currently enacted, local content policies in some countries run the risk of resulting in some mix of the following unintended consequences:

- Severe labor market distortions as the foreign company is compelled to attract the most able talent that gravitates toward the resource extraction sector, even when their skills are best-suited to other sectors of the economy;
- The perverse consequence can be dips in labor productivity in both the extractive sector as well as other sectors as a result of the misallocation of talent across sectors;
- A practice of "fronting" where locals are hired mainly for the express purpose of appearing to conform to quota requirements, with harmful cost implications for the company (that ultimately affect government revenues) and damaging dissipation of skills or opportunity costs;
- Tendency to focus on immediate direct employment opportunities at the expense of exploration of wider inter-sectoral linkages and long-term opportunities to ignite other sectors as growth poles in the economy.

### Premise on which side event is based

The side event is premised upon the opportunities that exist to pursue an alternative path to local content that, among other things, integrates diaspora return (“brain gain”) into an overall approach to local content that has been proven to work.

Elements of this alternative approach that would be explored during the side event include:

- A thoroughgoing analysis of the inter-sectoral linkages with the particular resource extraction sector in question, combined with an assessment of immediate, medium-, and long-term opportunities for wider economic generation, and risk assessment;
- Embrace a competitive capabilities approach at the firm, sector, and economy wide levels;
- Integration of migration concerns into wider developmental efforts.

So, what objectives might such an event set out to achieve?

### Side event objectives

- Showcase productive ways of integrating diaspora skills in ways to derive long-term gain from growth sectors;
- Stimulate more research into local content policies, labor migration, and labor market information systems;
- Encourage provision of tools and solutions to tensions between governments' desire to see enhanced local content utilization in their resource sectors with investors' needs for productive and competitive operations;
- Facilitate exchange of experience and perspective in this emerging area of policy and practice;
- Encourage regionally integrated and collaborative responses to local content challenges.

### Outcomes

Likely outcomes would include:

- Interactions among government officials concerned to improve the performance of their local content policies and perhaps even the beginnings of an informal network among them;
- Shared learning about how to use local content policies to strengthen labor market policies and practice and mobilize diaspora skills in developing countries;
- Better mutual understanding between governments and investing resource extracting companies on their respective mandates, constraints, and needs;
- Clear recommendations on the way forward.

### Participants

For the case study, Göran Hultin of Caden Corporation and Vice-Chair, World Economic Forum's Global Agenda Council on Migration, will provide an in-depth case study based on recent work done in Mongolia.

The Government of Mauritius, 2012 Chair of the Global Forum on Migration and Development (GFMD) has played a pivotal role in broader regional strategies around talent mobility in the context of regional integration. Most recently this has culminated in the

formation of the Accelerated Program for Economic Integration (APEI) involving Malawi, Mauritius, Mozambique, Seychelles, Zambia.

The World Economic Forum has provided thought leadership and practical solutions to enhance talent mobility and also conducts rigorous research into the relative competitiveness of countries and key sectors.