

***Community Content: The
interface of community
investment with local content***

Overseas Development Institute and Universal Sodexo


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Some \$ Figures

SPDC Nigeria

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- ⇒ \$3.4 billion work programme (2005)
 - ⇒ \$15m to FEED Centre, Port Harcourt; share of \$30m in contractor revolving credit facility with IFC and Diamond Bank
 - ⇒ \$53 million on community development programmes (+\$75m to NDDC)

bpTT Trinidad and Tobago

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- ⇒ \$2.5 billion in work programme over 3 years (2004-2007)
 - ⇒ \$9 million 'premium' to encourage local content in platform engineering and fabrication (first platform)
 - ⇒ \$8 million on community investment (2001)

Community Content *defined*

The strategic deployment of local participation and local capability development opportunities arising from an oil or gas project, directed to strengthen the sustainability, relevance and political visibility of community investment programmes.

Community Investment often lacks sustainability

SPDC Nigeria

- ➔ historically community investment generated a number of 'stalled' projects
- ➔ 'cross-sector partnerships' heralded as the solution, with GMOUs aimed at long-term relationships and higher value projects,
- ➔ ...*but* suffer from complex institutions and weak Government capacity

bpTT Trinidad and Tobago

- ➔ social investment programme focuses on local skills and community-based enterprises micro-credit on east coast
- ➔ ...*but* not linked to supply chain opportunities on west coast, eg 200-400 local community employees at lead contractor's fabrication yard

Community Investment often lacks relevance

- ⇒ 'Social license to operate' is a key motivation for community investment:
 - ⇒ new World Bank IFC Policy requires 'broad community support' (BSC) prior to financing (*other DFIs and banks may follow suit*)
- ⇒ ...but too many community investment programmes deliver public services (health, education, water) which are seen as the duty of State and deemed a 'right' by beneficiaries, not compensation or added benefit
 - ⇒ hence SLO not secured
- ⇒ In contrast, '*community content*' - employment, vocational training, enterprise development, access to credit - rarely seen as 'duty' of State
- ⇒ Construction, food and facilities management supply chains more relevant than front end engineering services – can touch more people.

“.....the concern in business-society relationships today is not about making money the way one wants and then giving a portion of it back to the community; rather, it is about how a company earns its money, and how that company is run and how [the core business of] it interacts with communities”.

Uwafiokun, I (2007) Corporate Partnerships and Community Development in the Nigerian Oil Industry, United Nations Research Institute for Social Development

Community Investment often lacks political visibility

- ⇒ Community investment rarely on the radar of petroleum authorities, office of the Prime Minister and other official bodies and politicians who influence the business growth prospects of the company
 - ⇒ Companies go beyond minimum local content requirements to achieve competitive differentiation – *community content* need be no exception
- ⇒ *Community content* is about companies aligning community investments with the broader economic, development and industrial diversification priorities of the local area and country:
 - ⇒ In Nigeria this would mean “import substitution” and “infrastructure supportive for export market competitiveness”
 - ⇒ In Trinidad and Tobago this would mean “*creating and enhancing capabilities that are transferable to other sectors within T&T [eg tourism, construction]*”.

Case Study – Universal Sodexo in Tanzania

Sodexo Global Operations (2007)

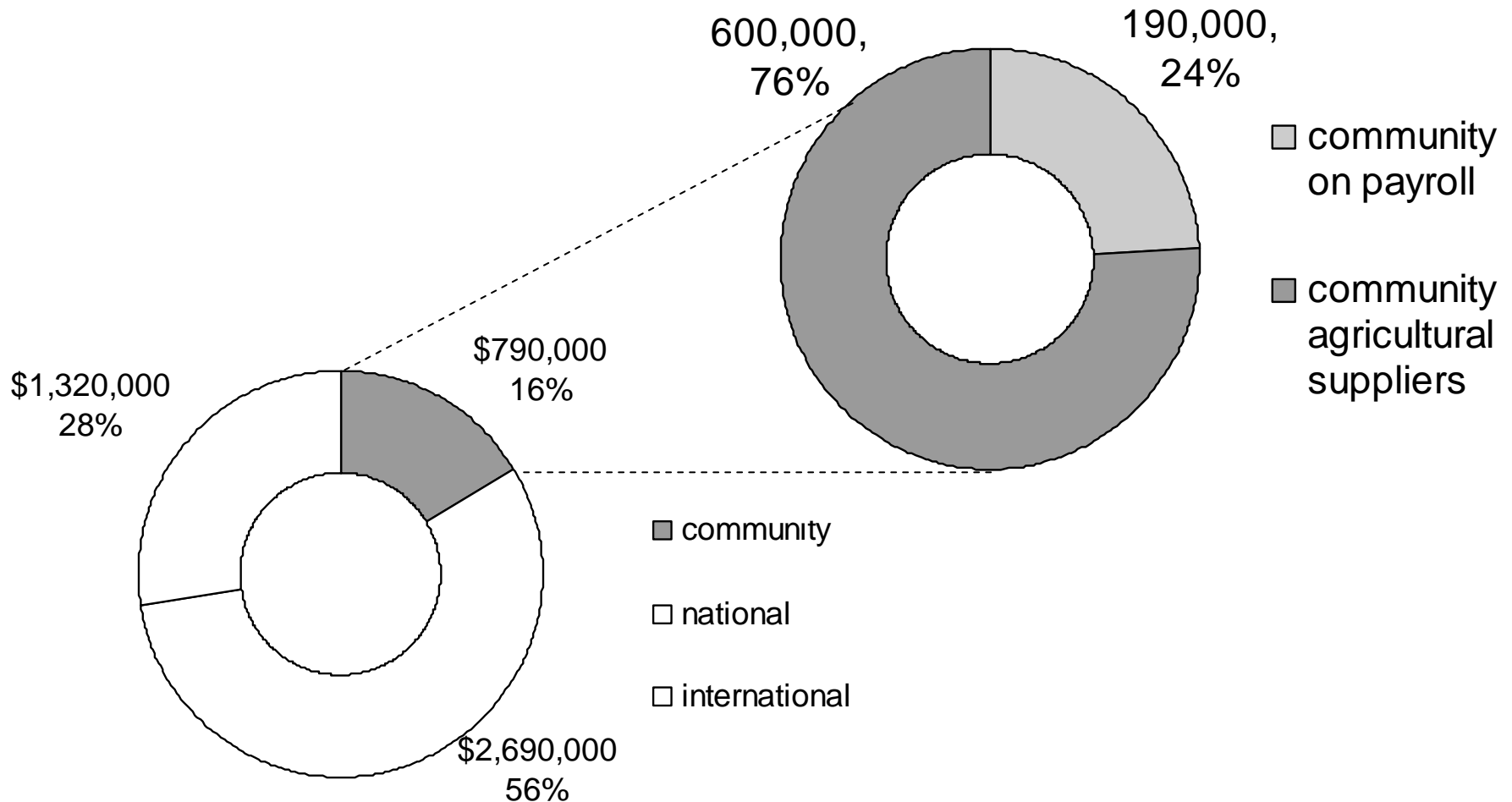


Sodexo
Remote Sites Sales: €745 m

Nth America: 32%
 Sth America: 9%
 Europe & Central Asia: 18%
 Africa: 13%
 Middle East: 11%
 Asia Pacific: 17%

Barrick Gold - Economic Value Contributed from Sodexho Food and Facilities Maintenance Contracts

Operations - Contract value = \$4.8 million/annum



Community Content Strategies

(Food services supply chain)

- ⇒ Sodexho incentivised (outside of contract scope) to:
 - ⇒ minimize transport costs and improve reliability
 - ⇒ maximize 'community content' for SLO
- ⇒ Analysis of current logistical supply constraints and future demands against survey of community producer capabilities
 - ⇒ Identification of most commercially viable new produce
 - ⇒ Experimentation with new produce – '*what grows?*'
 - ⇒ Agricultural extension: Sodexho staff performance incentives; NGO alliances
- ⇒ 34% increase in community content over 3 years
- ⇒ 57% increase in value of agricultural supplies from communities over 3 years (10 to 30 increase in product range)

Community Content Strategies

(Food services supply chain, and facilities management)

- ⇒ Traders (middle men) ensures bulk supplies
 - ⇒ No long-term exclusive growers contracts
 - ⇒ Traders drawn from producing community
 - ⇒together prevents price escalation, or produce substitution by non-community growers
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Facilities Management workforce

- ⇒ Technical training for direct labour : (i) 96% of employees from communities; (ii) 45 different job categories
- ⇒ Wider marketability of labour and sub-contractors by *clustering demand* from Sodexo sites (catering, maintenance, hospitality)

Four Essential Community Content Strategies

1. *Vertical capability development* – operators build community content indirectly by working through lead contractors and established SMEs

- ➔ closer to community supply chain
- ➔ more experienced in competency and enterprise development
- ➔ better access to other markets, both in the industry and outside (transferability)

2. *Cluster capability development*

- ➔ partnership-based enterprise zones, community focused, with emphasis on transferable capabilities
- ➔ *Variation is to cluster the 'demand side' (not supply-side), eg different operators/lead suppliers use same community vendors (or one large purchaser pools demand across a number of its service contracts). This incentivises investment by vendors to grow their own businesses.*

Four Essential Community Content Strategies

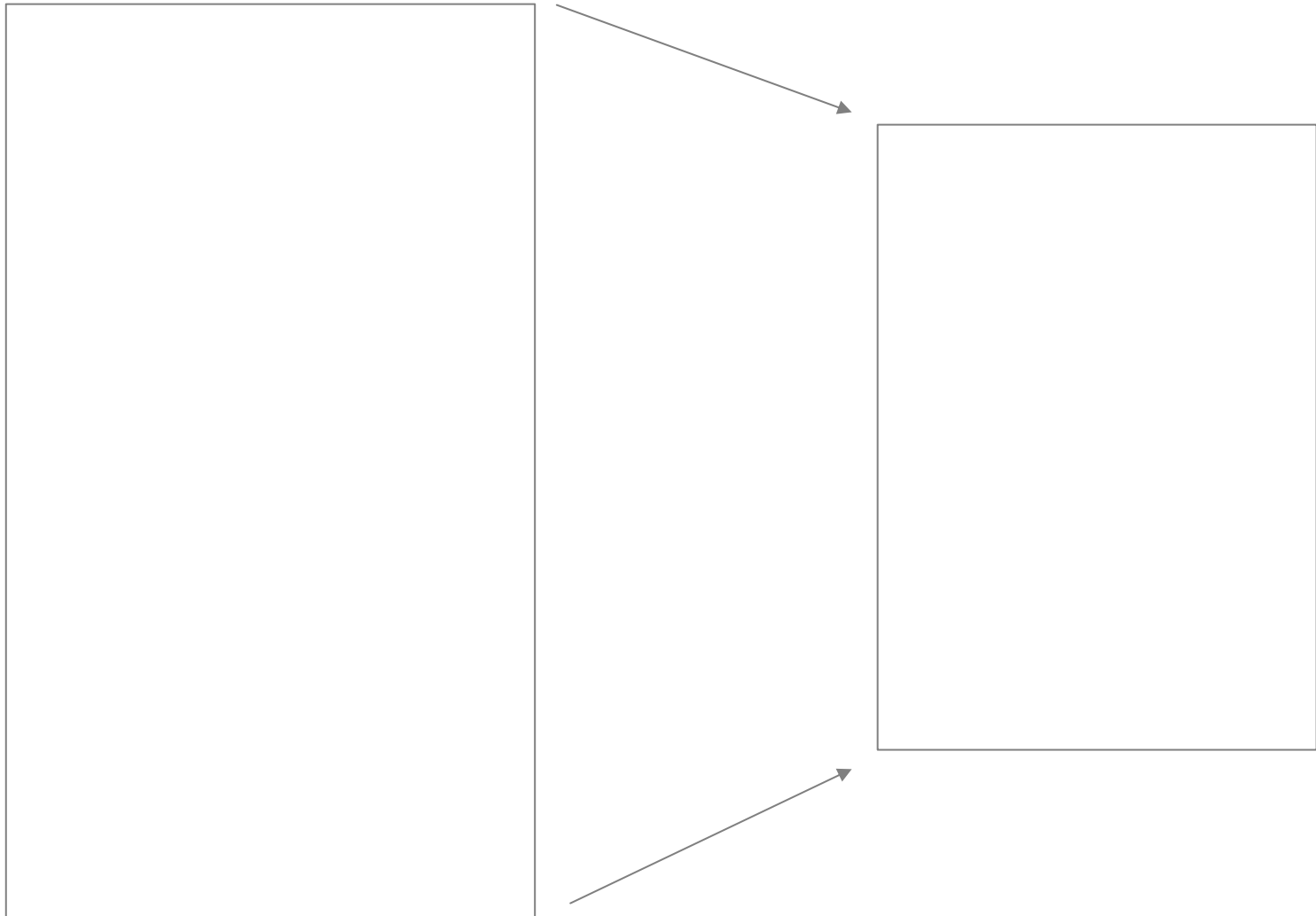
3. Long-term on-the-job capability development: at the community level:

- ➔ requires long-term commitment to O&M workstream or rolling, predictable, series of construction/fabrication work
- ➔ ...but contracts and purchasing agreements should be piece-meal, possibly with incentives for achieving preferred supplier status

4. Short-term 'on-the-job' capability development

- ➔ exploit short-term workstreams (eg construction period, temporary shutdowns) to orientate community employees or vendors to other transferable markets '*as quickly as possible*'

10 Step Method for Surveying Community Content Opportunities



Transaction Chain Analysis for Enhanced Community Content

