Optimal Local Content Policy for Extractive and Exploration Industries
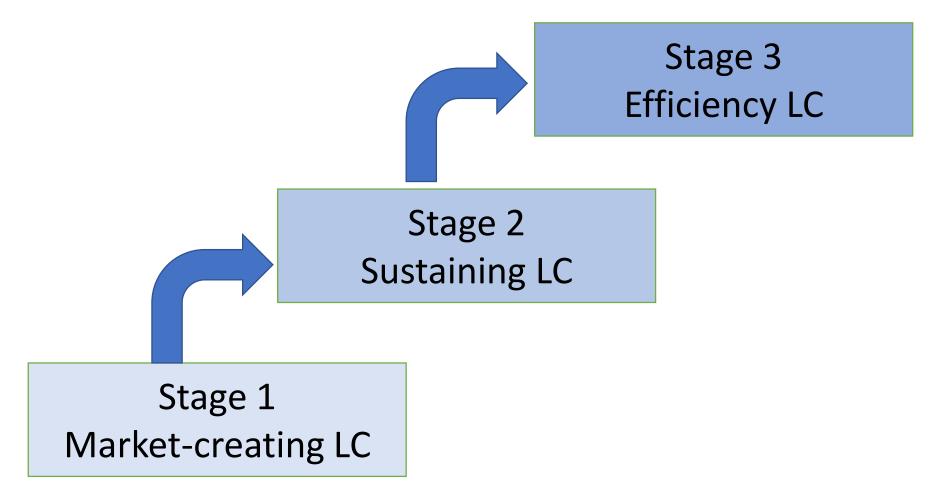
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Three Stages of Local Content Policy

Stage 3
Efficiency LC

Stage 2
Sustaining LC

Stage 1
Market-creating LC

Source: "Local Content Policies in Resource-rich Countries" (2016) by Y.Kalyuzhnova, Ch.Nygaard, Y. Omarov & A. Saparbayev

Stage 1: Market-creating LC

Local Content Policy in extractive industry is a possibility of gaining an additional (non-monetary) rent from extractive sector.

Local Content Requirements → Subsoil Users → Local Business & Local Labour

Fines on local content requirements

	2010-2015	From 2015
Goods, % of value	30	
Works, % of value	30	1
Services, % of value	30	1
Labour, in GBP (converted by author)	£11,000	£11,000
Trainings of local labour, % of value	30	1

Source: Governmental Degree N1412/2010 and Order of Minister for Investment and Development of the Republic of Kazakhstan N412/2015

Local Content Requirements

	N of contracts	Average Requirement
Goods	701	40%
Works	699	83%
Services	700	83%
Labour Managers	594	84%
Labour Specialists	588	89%
Labour Workers	584	92%
Trainings of local labour	657	16 mln tenge

Data source: NADLoC 2013-2015

Average Local Content Requirements (metal) (+ comply/-do not comply)

Requirements	2013	2014	2015
Goods, %	-12	-27	6
Works, %	-2	6	11
Services, %	7	6	11
Managers, %	8	-17	19
Specialists, %	5	-4	7
Workers, %	3	-1	-23
Training, mln Tenge	21	-2	549

Data source: NADLoC, average

Results

Indicators which influence the compliance with local content requirements	Indicators which have no impact on meeting of local content requirements
Devaluation of Tenge	Kazakhstani graduates (number of)
	Bolashak graduates (number of)
	Labour force (number of)
	SMEs (number of)
	Local wages

Data sources: NADLoC; Center for International Programs Bolashak; Ministry of Labor and social protection of population; Committee on Statistics; National bank of Kazakhstan