

HOW TO DEVELOP A FLEXIBLE LONG-TERM COLLABORATIVE APPROACH TO JOB CREATION AND SUPPLIER DEVELOPMENT

Framework Step:

STEP 2. Build an empirical basis to inform decision making through an inclusive participatory process

2.A. What can host governments do?

- Serve as conveners and identify the stakeholders to be involved: central government agencies, regions, municipalities, upstream, midstream and downstream industry, chambers of commerce and industry associations, workers (including local and migrant workers) and trade unions, entities related through a business relationship (suppliers, contractors, shareholders), research institutes and universities, centres of excellence, training institutions, trade unions, local and affected communities (e.g. communities living downstream from a river near the site, or along a transport route), civil society, and vulnerable groups, such as indigenous peoples and women.
- In order to do so, where appropriate, design mechanisms viewed as credible by stakeholders.
- Obtain sufficient support from the start, by giving due consideration to interests and concerns across different constituencies, thus creating the conditions for proactive interventions and reducing potential situations of conflict by supplying early information.
- Recognise that there may be areas of value creation beyond early reach, dependent on the type of resource, the maturity of the sector, the level of industrialisation and, more generally, the stage of development of the economy.

STEP 3. Unlock opportunities for in-country shared value creation

Opportunities for in-country shared value creation can be found in sector-specific demand for workforces and for goods and services. Extractives sector projects can also be leveraged to develop multi-purpose and multi-user infrastructure, enabling systemic linkages and economic diversification as well as affordable access to power and water. Combined together, these measures can generate positive impact on job creation, skills development, and poverty reduction.

3.1. Local workforce and supplier development

3.1.A. What can host governments do?

- Prioritise approaches that enable progress towards achieving common objectives, goals and targets over compliance with and enforcement of local content quotas.
- Undertake a baseline assessment and build credible and reliable statistics on existing industry capacity, size of local enterprises, level of participation, supplier landscape and institutional capacity for skills and small and medium-sized enterprise development to inform strategic planning required skills upgrading and technical training activities.

Tags:

- local employment
- local supplier participation and development, including SMEs
- marginalised groups (women, indigenous people)
- skills development and upgrading
- access to credit
- shared infrastructure (transport, water, power)
- technology transfer
- innovation
- economic diversification
- Other: _____

Problem Statement:

The oil and gas sector is a major source of economic growth in Oman comprising a significant portion of the country's GDP, at over 40%. However opportunities for the participation of local enterprises and the local workforce in the oil and gas supply chain were deemed by government to be limited. In 2012 the Ministry of Oil and Gas commissioned a diagnostic study to identify the gap between the inputs needed by the sector, and the existing capacity for local workforce and supplier participation, to better understand opportunities available for increased local employment, and increased manufacturing capacity and service provision. The study identified USD 64 billion additional value that could be captured through oil and gas supply chain activities, encompassing both local sourcing and local employment, over the period 2013 to 2020. This figure was arrived at in part by cross-analysing the number of Omanis already in the workforce broken down by sector and skill level as of 2012, against anticipated workforce demand in the oil and gas sector up to 2020. To reach the identified in-country value potential, the government sought to develop an overarching strategy and long-term roadmap that would encourage coordination between the multiple government and industry stakeholders, while allowing for a flexible approach to implementation that takes full advantage of the economic potential of the country's significant oil and gas sector.

Parties Involved:

- Government of Oman encompassing the Ministry of Oil and Gas, Ministry of Finance, Ministry of Manpower, Supreme Council of Planning, and Ministry of Commerce and Industry
- Major oil and gas companies operating in Oman: Petroleum Development Oman (PDO), BP, Oxy, Oman LNG, Petrogas, Daleel Petroleum, Oman Oil Company EP
- The Oman Society for Petroleum Services (OPAL)
- Local firms in the oil and gas sector in upstream, midstream, and downstream positions
- Accenture Consultancy

Common ground:

Prior to the development of the In-Country Value Blueprint Strategy 2013-2020, Oman’s oil and gas industry had launched a number of individual initiatives aimed at developing in-country value from the extractive sector. These programmes sought to address workforce development, the local sourcing of goods and services, and the enhancement of the business environment to support local businesses. While these initiatives made important gains, they were deemed to lack coordination, and failed to meet objectives in terms of enhanced local manufacturing capacity or local employment. Further, national workforce participation targets in the sector, set by the Ministry of Manpower (90% for operators by 2020), were deemed by government to be unrealistic. Both industry and the government were however aligned on the need to develop a longer-term strategy that was able to respond in a more focused manner to existing supply and demand realities. Building on this common ground through the development of a long-term in-country value strategy was considered the best way forward.

Actions taken:

To develop this longer-term strategy, the government established an ICV Committee led by the Ministry of Oil and Gas and PDO, with the participation of the Ministry of Finance, Ministry of Manpower, Ministry of Commerce and Industry and OPAL, as well as oil and gas companies operating upstream, midstream and downstream in the value chain,, including PDO (Shell JV), BP Oman, ORPIC, Oman Oil EP, Daleel Petroleum, OLNG, CC Energy, and OXY. A Project Management Office (PMO) was established, along with two sub-committees to support the process: the Contracts and Procurement/ICV Managers sub-committee, and the Human Resources Managers sub-committee.

As a first step, a diagnostic study was commissioned by the ICV Committee in 2012 to identify the gap between the inputs needed by the sector, and the current capacity for local participation. The study, produced by Accenture Consultancy, analysed the consolidated seven-year demand, from 2013 through to 2020, of all the participating companies in terms of goods, services and workforce. It also assessed the local market capability and capacity against industry demand and standards in order to identify the main gaps, constraints and opportunities for further ICV development. Results of the study showed that 18% of oil and gas industry spend was retained in country, with the remainder externalised. This included the payroll of expatriates and total imports of Tier 1 and Tier 2 suppliers. The study in turn informed the development of the ICV Blueprint Strategy, which serves as a comprehensive roadmap to raise the percentage of the local contribution in the oil and gas sector from 18% to 32% by 2020. The study further supported the identification of key opportunity areas for in-country value creation linked to the oil and gas sector. These were:

Local workforce development, through investment in vocational training, and international oil and gas standard accreditation to increase employment levels of skilled Omanis. The local workforce programme was developed by analysing more than 200 skills, prioritised based on market demand and low Omanisation levels. Working with subject matter experts, prospective employers and training institutions, the PDO’s National Objectives Training Programme provided training-for-employment, in order to overcome the shortage of technical skills within its contractors’ workforce. Access was provided to accredited training programmes for Omani trainees (lasting 12 to 18 months depending on the type of trade, such as mechanical, electrical, welding, scaffolding). This meets the employers’ needs and standards in the short-term, while increasing opportunities for trainees, to develop businesses for example, in the longer-term.

Supply chain development, through tendering, long-term business agreements and business support. Based on the assessed demand of the oil and gas sectors, implementation feasibility and local supply market maturity, the aim was to create a balance across sectors. Initiatives range from the development of raw materials, assembly, blending, and manufacturing to fabrication, maintenance and repair, with emphasis placed in the first instance on supporting the development of SMEs, followed by the creation of joint ventures.

Cross Industry Development opportunities. Fifty cross-industry development initiatives and enabling programmes have been identified structured around six dimensions of the strategy, namely: Human Resources, Technology, Business Development, Capital and Finance, Contracting and Tendering and Legislation and Process Improvement.

A **Joint Supplier Registration System (JSRS)** which functions as a centralised supplier database listing Omani registered suppliers, and a **standardised approach to contractual terms and conditions**, including clarity regarding compliance with international standards in manufacturing were also prioritised.

The ICV Blueprint Strategy and Roadmap 2020 were launched on 18 December 2013, at which stage the first wave of ICV opportunities were presented to the local market. Almost 100 specific initiatives were defined in order to tap into the identified opportunity areas. This included 53 local procurement initiatives and 40 enabling initiatives across the six cross-industry dimensions.

By emphasising a process-oriented approach, the diagnostic study and subsequent Strategy supported the development of realistic goals. Through the development of the Blueprint Strategy, the initial employment goals set by the government were revised down, from 100,000 jobs to a more realistic estimation of 36,000 new jobs in the oil and gas industry. Implementation also included the creation of an “Opportunities Status” database, which lists tender opportunities for Omani businesses, and an “Opportunities Catalogue” listing all the business opportunities identified by industry as a result of the Blueprint Strategy. The catalogue is updated with new opportunities, such as Security Fencing, presented together with five other opportunities in June 2014. Remaining opportunities identified in the Blueprint Strategy were presented in separate waves subsequently. A dedicated website was launched including all ICV opportunities and progress updates.

In implementing the Blueprint Strategy, an ICV Project Management Office (PMO), established by the Ministry of Oil and Gas, was sourced jointly from the Ministry and operators’ staff. The PMO worked as a common platform for operators to exchange data, ideas, successes and challenges. It hosted meetings, including on a monthly basis with the sub-committees comprising operators’ ICV representatives, and reports to the main ICV committee on behalf of the sub-committees on quarterly basis. The PMO facilitates engagement with relevant stakeholders, including industry, to ensure the ongoing alignment of objectives and to set and reassess priorities and implementation phases. This is achieved primarily by communicating with industry on progress made and to solicit feedback and updates, to ensure that all stakeholders remain aligned throughout implementation.

Once an ICV opportunity is realised (for example, opening of a factory or workshop) the respective operator provides PMO with an “opportunity realisation statement” including a summary of the opportunity and contact details of the operator and vendor/contractor. This ensures other operators are aware of and can use products and services available locally and facilitates monitoring and evaluation.

Obstacles:

The involvement of multiple groups and individuals in a consultative process produces challenges in terms of managing outputs, timelines and coherence. The breadth and scope of the ICV Blueprint Strategy was one of the strengths of the approach. However, by including multiple stakeholders from both within and outside of government, ensuring that synergies were recognised and that the implementation of the ICV could be carried out successfully presented challenges. For example, the process faced resistance to change from some internal and external stakeholders, and to the need for additional supply chain investment. Ensuring a transparent and objective bid evaluation environment and post award assurance was a further challenge encountered in implementation. The lack of category management within some contract and procurement departments also presented an obstacle, in terms of collecting demand and/or supply data in a timely manner, at the Strategy formulation stage.

Enabling factors:

- Both industry and government were aligned on the need for a holistic and sustainable plan supported by empirical evidence, addressing market conditions, and local capabilities. This was facilitated by recognition at the management level that the ICV Strategy represented a process to achieve long-term results rather than short-term gains.
- The ICV benefited from the willingness of government to adjust initial goals, which turned out to not be realistic. There is no local content regulation in Oman, and the flexible and collaborative approach of the ICV is one of its critical success factors. The Government (Ministry of Oil & Gas in particular) plays a facilitation role, setting national priorities, such as job creation and local industrialisation, while supporting operators in terms of processes to achieve these goals. This ‘bottom up’ process-oriented approach was further facilitated by the role of the PMO and effective communication, resulting in realistic ICV goals.
- The process benefitted from a horizontal approach that involved different levels of central government, including all relevant ministries. The establishment of a Project Management Office within the Ministry of Oil and Gas provided a common platform to implement the Strategy and to ensure alignment and seamless integration with various Government entities, particularly those related to ease of doing business in Oman. Regular consultation between the PMO, sub-committees, and industry stakeholders was crucial to ensure alignment throughout implementation of the Strategy. Development a Prioritisation Matrix on the sectors and skills groups requiring development, the development of common standards for selected skills, working with educational institutions to assess existing programs against needs and standards, and upgrading facilities and the delivery of training were all facilitated by this process.

Lessons Learned:

- The ICV Blueprint Strategy demonstrates how independent assessments can provide a solid basis for longer-term decision making and planning. Through development of the ICV Blueprint Strategy, including the initial gap analysis by an external consultancy, the initial employment goals set by the government through a quota target were assessed as being beyond reach. The process therefore facilitated the readjustment of goals to more realistically reflect the context.
- The collaborative vision and participatory planning process took time; however it proved essential to ensuring buy-in for the ICV Blueprint Strategy from across government and the private sector, including stakeholders from across the whole oil and gas value chain. Further, it was important to recognise the long-term nature of the Strategy. While there are always some quick wins, the results will come in the medium-long term.
- Relatedly, while the ICV Strategy facilitated the establishment new and emerging local companies, the challenge has shifted, as such local companies are expected to become competitive, requiring that they diversify sources of income or improve competitiveness. This sustainability factor must be considered from the outset.
- Implementation of the Blueprint Strategy to date has similarly highlighted the need to track the value-add throughout the whole value chain, and to adjust targets and expectations accordingly. Assurance should start early, to ensuring that the Strategies elements are being delivered as promised and to allow early intervention if required. The ongoing consultative approach taken by the ICV Project Management Office and the ICV sub-committees has ensured that both government and industry remain aligned in terms of implementing the initiatives recommended by the Strategy, and ensuring these initiatives remain focused and realistic. The ongoing collaborative nature of the Strategy, including regular consultations with industry facilitated through a central ICV Project Management Office, has therefore proven critical to ensuring the long-term impact of the Strategy.