

30 November 2022

**RE: Draft UNRMS Principles and Requirements**

Dear United Nations Economic Commission for Europe Expert Group on Resource Management (EGRM),

We at the Mining Shared Value initiative of Engineers Without Borders Canada greatly appreciate the opportunity to provide input on the Draft UNRMS Principles and Requirements. This is a crucially important high-level document which will guide behavior across natural resource extraction and related activity, and it comes at a crucial time in the context of the green transition.

For background, we are a non-profit initiative that works to improve the development impacts of extractive industry activity through increasing local procurement of goods and services in the host countries and communities that choose to host extraction. We manage the World Bank's online knowledge platform dedicated to local procurement and other forms of local content in extractive industries, the Extractives-led Local Economic Diversification Community of Practice (ELLED CoP). We also are also a member of the global Publish What You Pay (PWYP) coalition pushing for increased transparency in extractive industry governance. Finally, we advise both extractive industry companies (Shell and Teck Resources for example), and governments on local content policy.

Our comments focus on the need for clearer language when it comes to "value addition" which we argue should be replaced with "local content," and suggestions to further strengthen the Transparency Principle and Requirements.

For the first, "Value addition" is one of the principles but this is problematic terminology that is not in line with vocabulary used in natural resource industries for what it then describes. What is described in this principle is in fact local content – participation by host country actors in the value chain of investing natural resource activity. For the vast majority of practitioners working in government, industry, and civil society, "value addition" is generally used in a more specific context – the beneficiation of raw materials. The refining of extracted petroleum, or the cutting and polishing of diamonds are examples of what most people will think of for value addition. In addition, local content is the phrasing used by most regulators when creating and implementing regulations towards the creation of these linkages. For these reasons, the principles would benefit greatly by changing the name of the principle from value addition to local content.

In addition, within the principle, "upstream linkages into resource capital goods" is also not language that will be familiar to most people directly working in natural resource management. This should be changed to "upstream linkages to goods and services suppliers." The natural resource sector in fact

procures huge quantities of services, as well as goods that are not resource capital. “[R]esource capital goods” is also unclear terminology, and so simply, “goods” would be better to use.

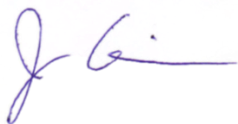
It is highly welcome to see transparency included as a principle. One minor change would be beneficial to the Principle section. In the sentence, “The need to avoid corruption, from the award of contracts and licences to the delivery of services, emphasizes transparency in informing public debate and realistic options for sustainable development,” the word “delivery of services” should be changed to “procurement of goods and services.” “Delivery” of services is ambiguous and could be read either as services supplied to a natural resource project, or social services provided by a project. Procurement of both goods and services is usually the single largest payment made by mining and oil and gas projects and operations for example, and so it is a much more important risk for corruption to mention.

In the Requirements part of the document, the issues of both local content (value addition) and transparency are well covered. We have two minor suggestions to further strengthen the language:

- Under local content/value addition, “Assessment and reporting of upstream, sidestream and downstream possibilities” should be changed to “Assessment and public reporting of upstream, sidestream and downstream possibilities.” Public reporting is crucial for society to hold both companies and governments to account in their goals of creating these possibilities, and also to deter corruption.
- Under transparency, “(a) Supply chain transparency: Supply chain transparency requires companies to know what is happening upstream, sidestream and downstream in the supply chain and communicate this knowledge internally and externally;” is a great component. A corresponding component should be added to explicitly guide governments. Such a bullet could read “Governments should require measurement and public reporting of company upstream, sidestream and downstream linkages, as well as their supply chain due diligence processes”

We hope our comments help strengthen what is already a strong document to guide natural resource activity, in line with the Sustainable Development Goals. Please do not hesitate to reach out if you have questions on our inputs, or if you would like to set up a virtual meeting to discuss further.

Sincerely,



Jeff Geipel, Founder and Managing Director,  
Mining Shared Value, Engineers Without Borders Canada