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Development-centred globalization:

Towards inclusive and sustainable growth and development

Outcome of the Fifteenth African Oil, Gas and Minerals Trade and Finance Conference and Exhibition

UNCTAD XIII Pre-Conference Event

4–6 April 2012, Brazzaville, Congo

Note prepared by the UNCTAD secretariat

Executive Summary

An integral aspect of UNCTAD's work on the commodity sector involves contributing to the efforts of developing countries, especially least developed countries, to formulate strategies and policies to respond to the challenges and opportunities offered by the production and trade of commodities. It is in this context that UNCTAD co-organized the fifteenth African Oil, Gas and Minerals (OILGASMINE) Trade and Finance Conference and Exhibition in Brazzaville, Congo, with the Government of the Congo, represented by the Ministry of Planning, the Ministry of Hydrocarbons, the Ministry of Mines and the National Oil Company, namely SNPC, as a contribution to the UNCTAD XIII deliberations during the side event on commodities entitled "Natural gas as an engine of growth". The Conference and Exhibition were attended by more than 500 delegates representing 29 countries, of which 18 were from the African continent.

Outcome of the Conference

1. Over the last decade, rapid economic growth in emerging economies has led to increased demand for energy and mineral commodities. As Africa is richly endowed with these resources, investments in upstream activities to develop them have increased but the overall impact on host country economies has been minimal, owing in part to the lack of production (backward and forward) and horizontal linkages with the broader economy.

2. Developing the vast energy resources is also critical for almost 600 million people living in energy poverty in sub-Saharan Africa. An improved access to modern energy services such as electricity could contribute immensely to economic growth and decrease the threats that the use of inefficient energy forms such as burning biomass pose to the environment and public health. Natural gas offers an opportunity for producing modern energy services more efficiently and for mitigating environmental impacts.

3. The fifteenth OILGASMINE Trade and Finance Conference and Exhibition examined opportunities in Africa's extractive industries and debated issues relating to creating and retaining value in national economies. The debate was substantiated by a background publication prepared by the UNCTAD secretariat entitled *Extractive Industries: Optimizing Value Retention in Host Countries*. The debate also focused on improving access to energy – a timely topic during the International Year of Sustainable Energy for All, 2012.

4. The conference commenced with an assessment of progress made in the implementation of the Natural Resources Information Exchange (NRIE), an initiative called for at the thirteenth OILGASMINE Trade and Finance Conference and Exhibition held in Mali in 2009 to assist African countries in optimizing the management of their natural resources. NRIE will provide a platform that will facilitate access to reliable information on the mineral value chain using information and communications technologies (ICT). Under the co-chairmanship of Mr. Samuel Gayi, Head of the Special Unit on Commodities, and Mr. Kabine Komara, former Prime Minister of Guinea, International Coordinator of NRIE, experts shared their experience and examined strategies for pushing forward with the implementation of the Exchange. Experts were reminded that it has been chosen as a tool for implementing the African Mining Vision, as well as the Framework of Action for the Development of the Mineral Resources Sector in the African, Caribbean and Pacific States. It was acknowledged that a lack of funds was stifling progress on the implementation of NRIE. The main recommendations from this meeting for its full implementation include the intensification of resource mobilization by aligning the NRIE initiative with objectives of other institutions in order to facilitate fundraising and the establishment of a road map with measurable indicators.

5. Africa's broad natural resources base was highlighted for both the oil, gas and mining sectors. It was also pointed out that the real potential of the minerals sector was not known because of a lack of geological maps and investments, but available data suggest a vast potential for extractive industries development. The challenge, however, is the formulation and implementation of policies that encourage value retention in national economies rather than the current enclave-type development that has deprived resource owners of the benefits derived from resource exploitation.

6. The Deputy Secretary-General of UNCTAD, Mr. Petko Draganov, called for the establishment of more production and horizontal linkages in the extractive industries to capture in host countries some of the value created by the industries. Such linkages, it was emphasized, will positively contribute to building domestic productive capacities by the development of human capital, skills and technology. The role of government in creating an

enabling environment for local and foreign participation was noted. Local content strategies that align public economic policy and priorities for industrial development, private-sector development, including investment promotion and competitiveness, were emphasized as a critical approach towards achieving sustainable development of the sector.

7. The role of technology in value creation was underscored by the Minister of Hydrocarbons of the Congo, Mr. André Raphael Loemba, and was further discussed by experts. Some of the highlighted benefits that could accrue to users of technology – for example, geological information systems – include better analysis of information on resources, good governance and transparency. Experts challenged policymakers to plan ahead for the type of technology needed for the development of a responsive industrial base and the appropriation of such technologies. This could lead to more opportunities for local entrepreneurs in the mineral value chain.

8. Value addition experiences shared by experts highlighted the creation of downstream industries from natural gas. For example, value addition projects such as liquefied natural gas, liquefied petroleum gas, and methanol production could be developed from natural gas exploitation and also from associated gas, which is widely flared on the continent. Such projects will not only monetize resources that are being wasted through flaring but would also create jobs and reduce environmental damage resulting from the release of greenhouse gases into the atmosphere.

9. Experts discussed the challenges and responses in boosting local participation in the extractive industries. Two main challenges highlighted include a lack of skills and financing. Experts emphasized the need to build the capacity of locals by means of vocational and technical training, and education. Governments were encouraged to establish vocational structures and local institutions specialized in research and development, and to form partnerships with operating companies as a means of raising competitiveness and transferring technology to local enterprises. Some strategies adopted by oil companies in increasing local content, such as reward schemes and the awarding of new contracts were highlighted. Also discussed were innovative structured financing methods and local content funds, which would enable local entrepreneurs to access affordable finance for investment. National companies should be used as policy instrument to streamline and consolidate local participation in procurement plans so as to facilitate the build up of an industrial base and relevant competencies.

10. The development of a sustainable extractive industry was also discussed. Experts highlighted the environmental consequences and social challenges involved in natural resources exploitation. Economic performance of the extractive sector should be reconciled with environmental and social performance. Obtaining and maintaining social license to operate was seen as essential, since mining companies need community support to mitigate social impacts and minimize business risks.

11. During the Ministerial Round Table, Ministers adopted recommendations resulting from the three days of intensive deliberations and discussions of experts on issues related to value creation and retention, energy access and sustainable development of natural resources. The Ministers expressed their desire that the recommendations be adopted in Doha, and that they contribute to building a sustainable extractive industry in Africa.

The following recommendations were made:

(a) To strengthen NRIE by means of formal agreements to be concluded with the African Union for the implementation of the African Mining Vision;

(b) To ensure that NRIE becomes an instrument for enhancing skills in information technology and to develop new geographical and geological information software by means of reinforced collaboration with the academic world;

(c) To give UNCTAD the lead role in the cluster on mining in the framework of the United Nations Regional Coordination Mechanism based on its experience in managing mineral commodity value chains and investment. Partnership with the Economic Commission for Africa should be strengthened in this endeavour;

(d) To develop an African energy vision that will prioritize the development of gas monetization programmes, the expansion of low-carbon energy sources and enhanced access to energy;

(e) To stimulate the harmonization of legislation related to the valorization of natural resources (mining and petroleum laws, marketing systems and international conventions such as the Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters);

(f) To develop a multi-stakeholder toolkit for measuring and monitoring local content in Africa that incorporates policy measures in tackling challenges faced in the extractive industries;

(g) To develop a specific structure aiming at accelerating the innovation and appropriation of technology;

(h) To promote adequate financing mechanisms to support the emergencies of indigenous entrepreneurs and to strengthen the participation and competitiveness of local entrepreneurs in the extractive industries;

(i) To recommend the promotion of joint cross-border infrastructure investments for the cost-effective development of the mineral sector;

(j) To foster the implementation of Agenda 21 in both active and abandoned mining sites, taking into account the gender dimension;

(k) To enhance South–South cooperation in the implementation of these recommendations;

(l) To recommend that UNCTAD XIII officially adopt these recommendations and disseminate them to all stakeholders.
