

UNCTAD

**Regional Workshop and Project Launching on Ameliorating the
Structural Effects of Mineral Resources in the Economic
Community of Central African Countries**

Ndjamena, Chad, 25-30 November, 2015

Developing National Local Content Policy In Africa

By

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The views expressed are those of the author and do not necessarily reflect
the views of UNCTAD.



DEVELOPING NATIONAL LOCAL CONTENT POLICY IN AFRICA.

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Ameliorating the Structural Effects of Mineral Resources in
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Njamena, Chad, 25-30 November, 2015.*

Outline

1. What is Local Content?
2. Why Interest in Local Content?
3. What are the Objectives of Local Content Policy?
4. What are the Key Elements of Local Content Policy?
5. What are the Challenges of Developing Local Content Policy?
6. Concluding Remarks.



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1. Introduction: Definition of Local Content

- Generally, local content (LC) is the added value brought to a host nation (and regional and local areas in that country) through the activities of the coal, oil, gas or extractive industry. This may be measured (by project, affiliate, and/or country aggregate) and undertaken through:
 - Workforce development: employment of local workforce; and training of local workforce.
 - Investments in supplier development: developing supplies and services locally; and procuring supplies and services locally.
- Some see LC in the hydrocarbon sector as local ownership, control and financing by citizens of a nation, in the sector that promotes and enables the optimal use of in-country human resources, materials and services.




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1. Definition of Local Content contd.

- It is value addition leading to sustainable development and culminating also in job creation, economic growth, environmental protection and long-term gains.


Thus, developing local economies, stimulating local industrial development, increasing local capability, building a local skilled workforce and creating a competitive supplier have become the minimum requirements for doing business with host countries and national companies.



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2. Why Local Content Development?



- Are major coal, oil and gas discoveries a blessing or curse?
- Norway's case demonstrates the huge benefits of oil and gas finds.
- To some extent, Botswana's case shows important blessings from mineral resources wealth.
- However, other African countries' experiences show how a curse natural resources wealth can be.
- There is huge advantage to have mature institutions in place before hydrocarbon finds.
- Other countries discovering hydrocarbons have to build progress "from scratch".



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2.1 Potential Benefits of Local Content.



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2.3 Growing Global Interest in Local Content Development




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2.4 Why the Interest in Local Content Development?

- The interest in local content development policy are:
 - Rapid transformation of the hydrocarbon sector for inclusive development and integration of hydrocarbon exploration, production and distribution activities.
 - Accelerate growth of indigenous involvement in the hydrocarbon sector.
 - Create opportunities for individual citizens to invest in upstream, midstream and downstream hydrocarbon development.
 - Enhance the development of national technical and commercial hydrocarbon skills.
 - Promote development and poverty reduction by:
 - Providing jobs and opportunities for local businesses;
 - Facilitating technology transfer; and
 - Building local knowledge and skills that are critical for development.





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3.0 What are the Objectives of Local Content Policy?

- The objectives of local content policy are to:
 - Facilitate increased use of competitive national goods and services
 - Expand the commercial co-operation between national and foreign companies
 - Strengthen/enhance the sophistication of national financial markets by floating shares in upstream and midstream companies
 - To avoid the natural resource curse
 - Transformation and visibility of local businesses into world class companies, which can then export their newly acquired competencies
 - Significant conservation of foreign exchange reserves
 - Development of linkage industries which will support the hydrocarbon sector e.g. steel sector.




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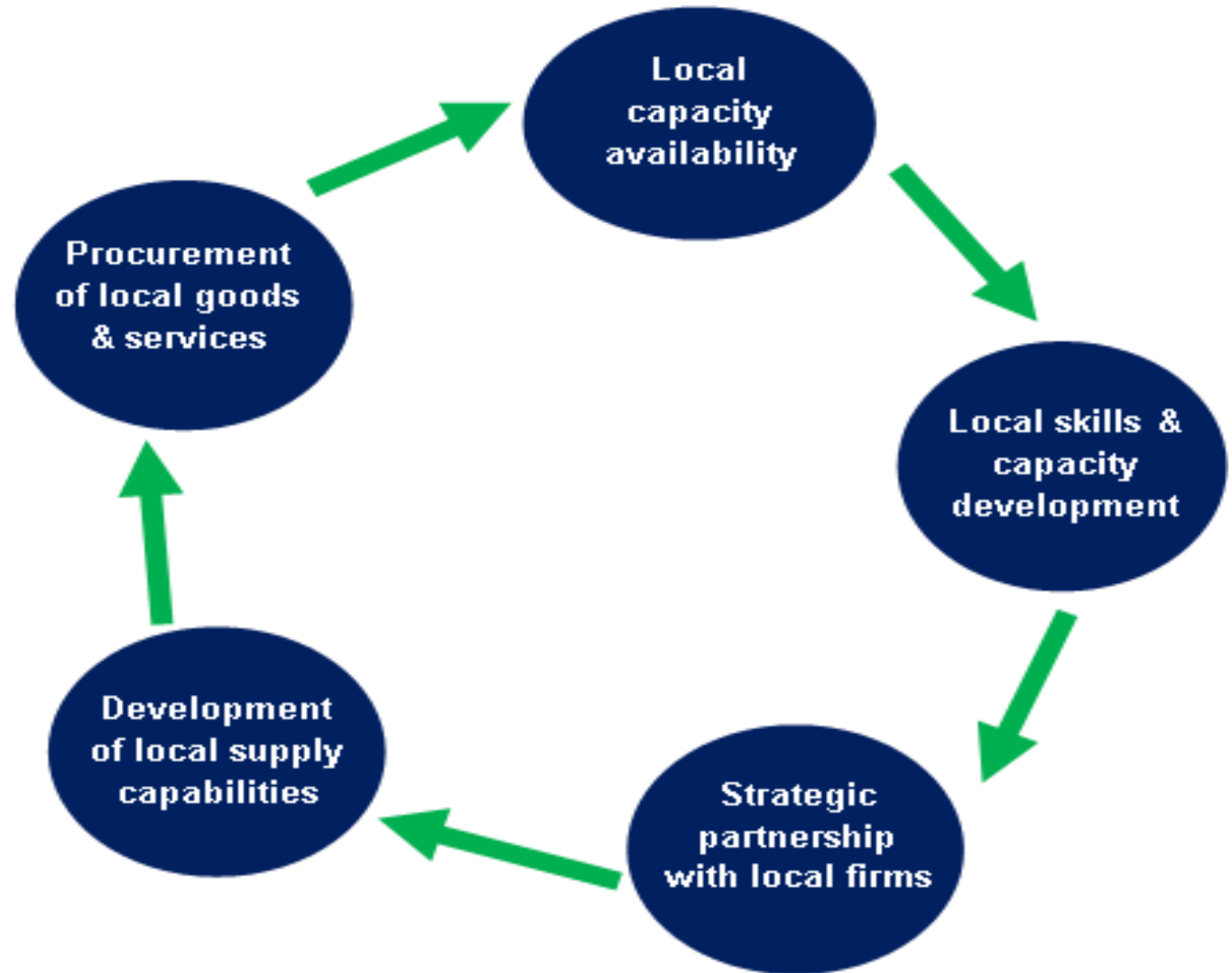
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4.0 Key Elements of Local Content Policy




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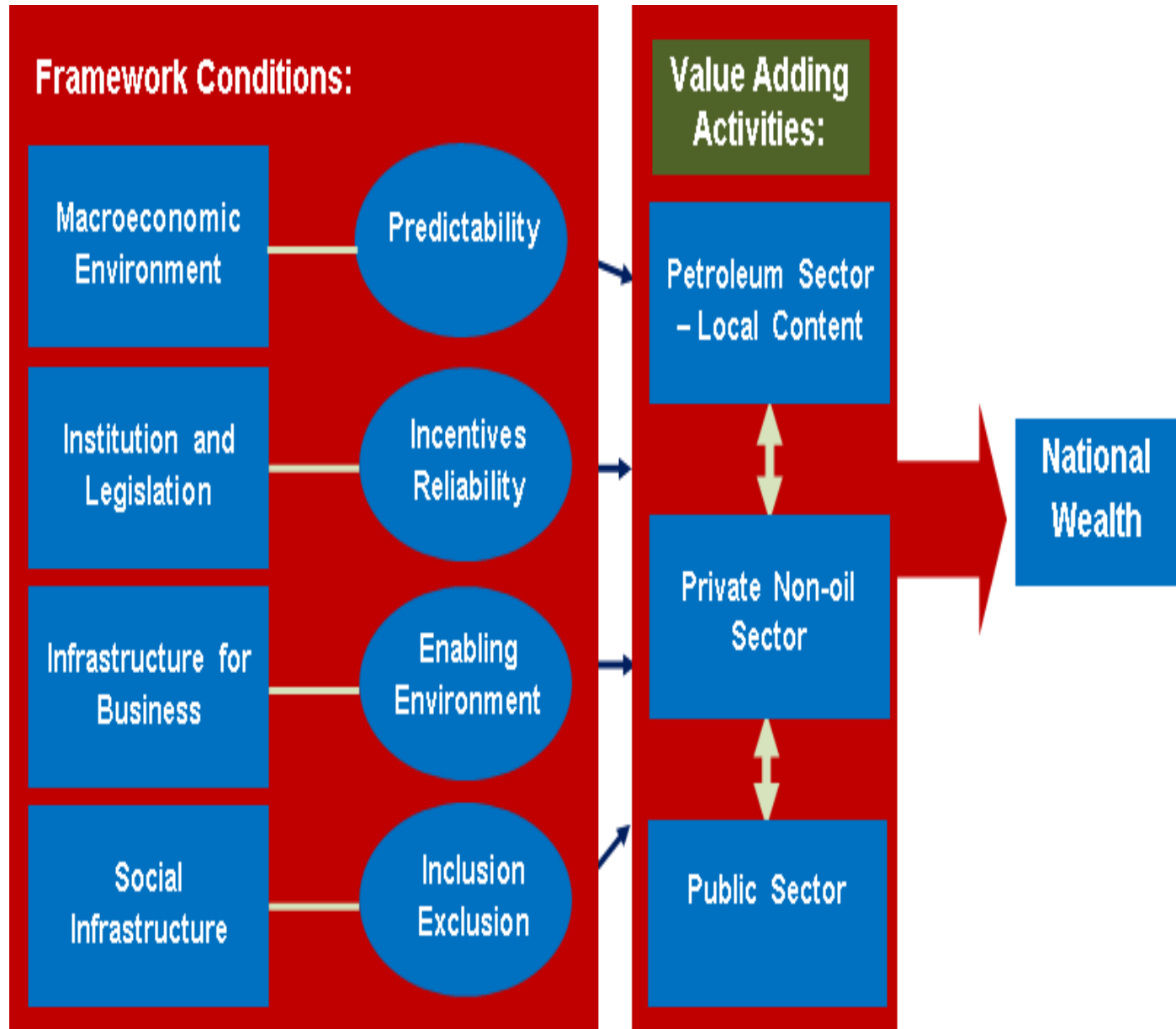
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4.1 Key Elements in National Local Content Development contd



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4.2 Experiences in National Local Content Development.



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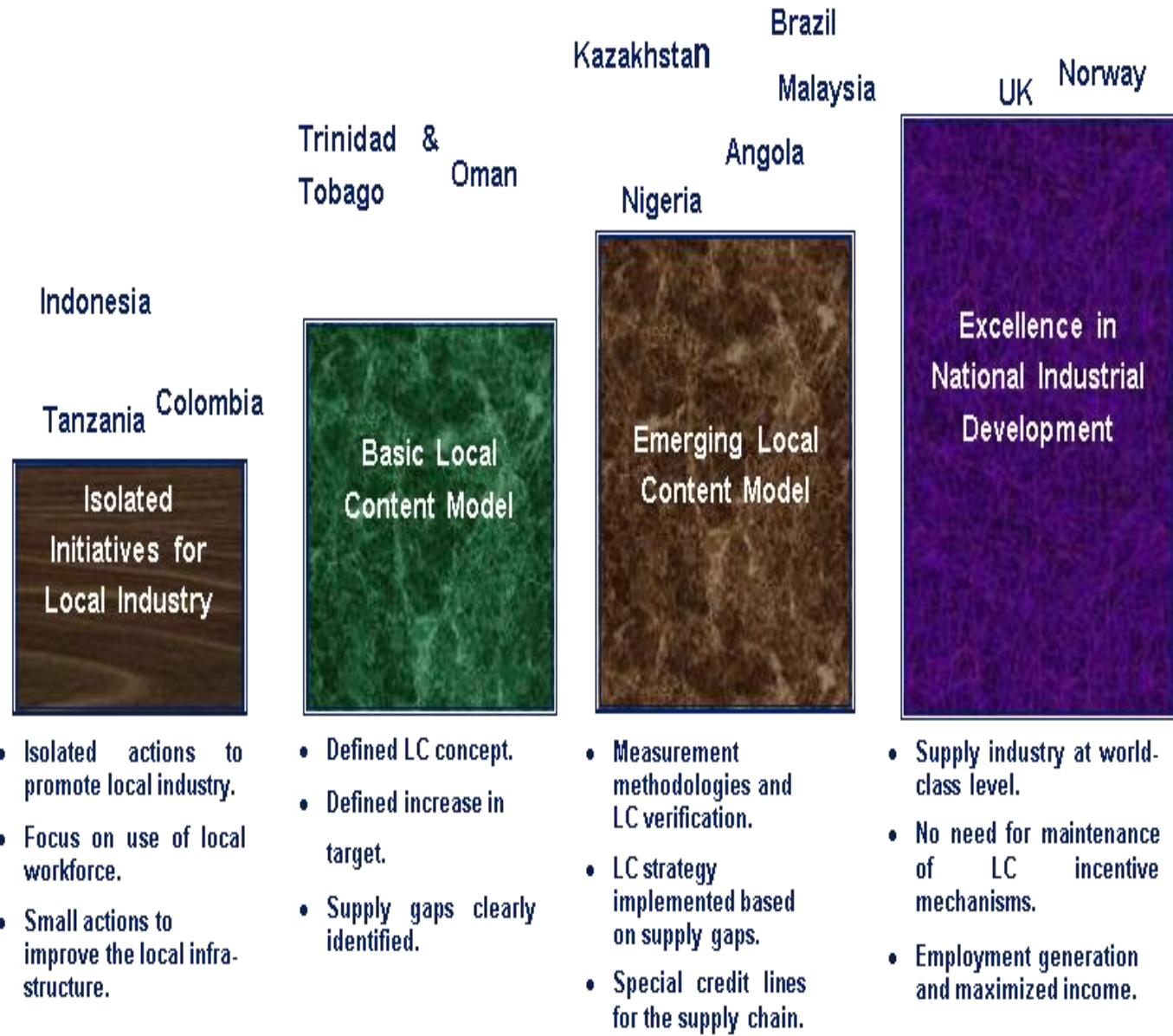
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4.3 Lessons from National Experiences in Local Content Development.

- Minimize licensing and bureaucracy
- Stimulate competition between operators and suppliers
- No room for shell companies
- Allow freedom to operate:
 - Risk analysis instead of prescriptive standards
 - New technologies & innovation
- Be selective based on strategic value
- Invest in training & qualification
- Invest in Quality Assurance and independent assistance
- Import the best to realize the local potential
- Ministries, industries, universities must pull in the same direction
- Take the long-term view
- Be busy but patient - and never give up





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5.0 Challenges of National Local Content Development.

The challenges of developing national local content policy are:

- **Limited local content capability-Local entrepreneurs are not competitive in price/quality/technical competence**
- **Access to capital equipment**
- **Reluctance by investors to assist local content companies**
- **Perception that local content participation is based on commissions, not as a value-adding activity**
- **Most local firms lack experience, financial track record and the quality systems required**
- **High minimum capital requirements – a challenge**
- **Breaking into the global supply chain is difficult**
- **Believe that their greatest deficiencies are technical**
- **International companies have identified business and management practices as the main challenge**
- **Financing Challenges**
 - **Limited local funding capacity**
 - **Short tenors relative to requirements**
 - **High cost of local borrowing**
 - **Limited access to international financing**



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6.0 Concluding Remarks.

Local content is gaining currency globally particularly in developing countries because it is considered as a strategy to increase the value-added of the exploitation of mineral resources to the socio-economic development of mineral producing countries. It is also seen as a mechanism for enhancing employment generation and the effective development of the different aspects of mineral sector value chain in the economies.

To achieve effective local content development policy, there is the need for appropriate government support, friendly investment climate, availability of financial resources and the implication of the relevant stakeholders such as the private sector enterprises and the civil society to ensure their commitment to the implementation of the policy.





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THANK YOU.

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