

CNUCED

**Améliorer les effets structurants du secteur
des ressources minérales dans les pays de
la Communauté économique d'Afrique centrale**

Atelier régional et lancement de projet

N'djamena, Tchad, 25-30 novembre, 2015

**Renforcement des capacités du secteur des ressources
minérales sur l'économie locale
Perspective régionale et internationale**

par

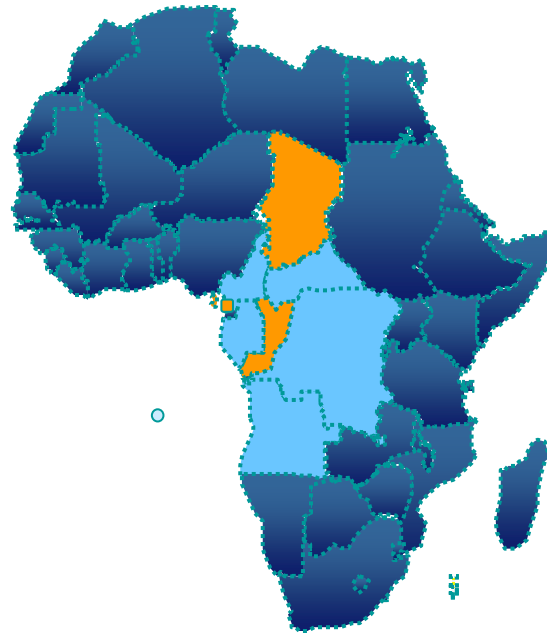
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Renforcement Des Capacités Du Secteur Des Ressources Minérales Sur L'économie Locale

Perspective Régionale Et Internationale



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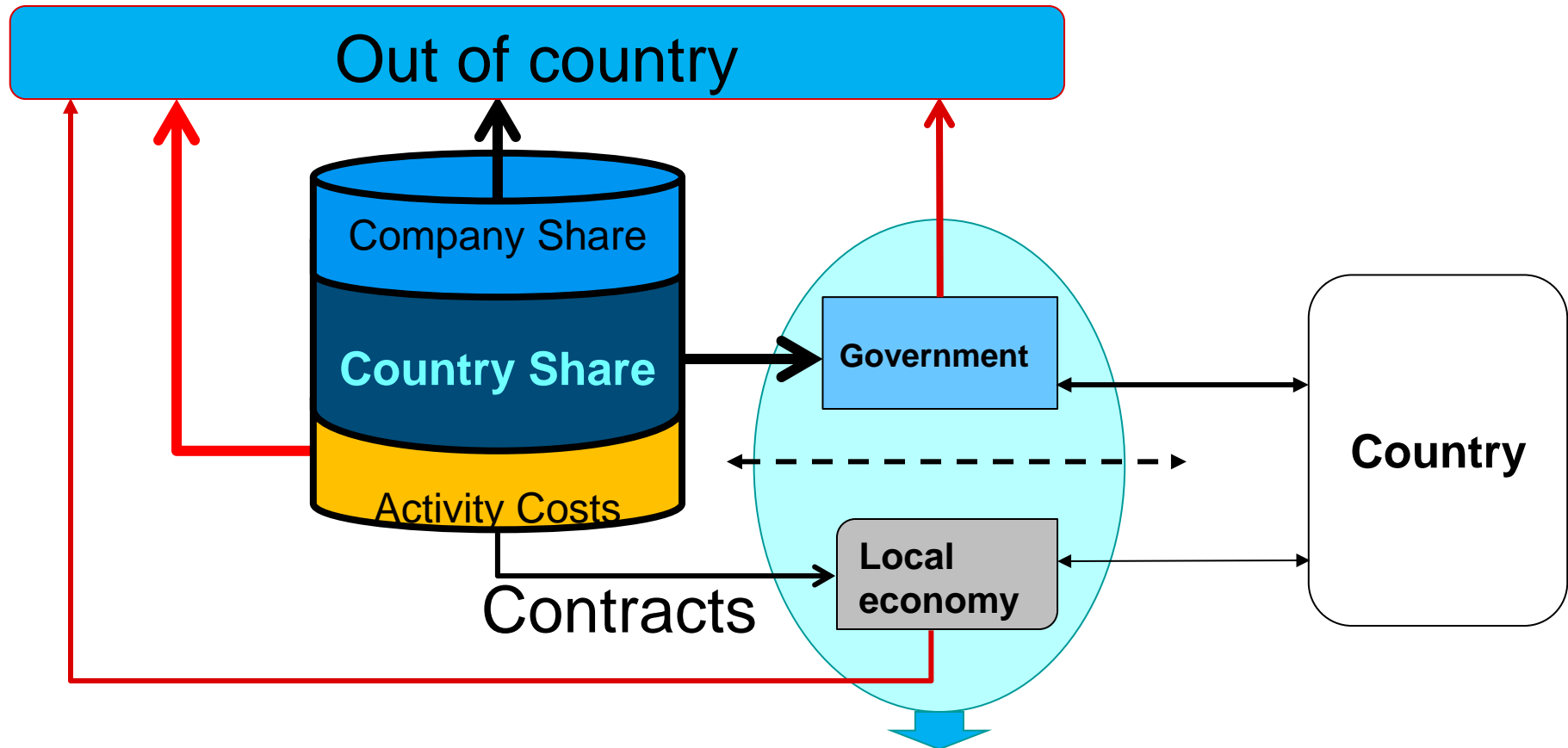


Content

- **General aspects and definitions**
- Economic environment and Local content expectations
- Local content objectives setting and control
- Local capacity building summary
- Regional content
- Comparison & Risks



Model: Curse or Blessing?



The unbalance will lead to the dutch disease: “curse” of oil
The right balance will create wealth: “blessing” of oil



Definitions

- Ipieca
 - The added value brought to a host nation through the activities of Oil and gas industry
- Brazil
 - The Percentage of Material equipment, systems and services produced locally in relation of total amount of purchase made by a concessionaire in Brazil



Local content objectives: Norway-Nigeria

- Norway:
 - Maximize value creation from petroleum activities – prudent resource management
- Nigeria
 - Building a new Oil & Gas Industry using NCD as instrument for industrialisation of Nigeria

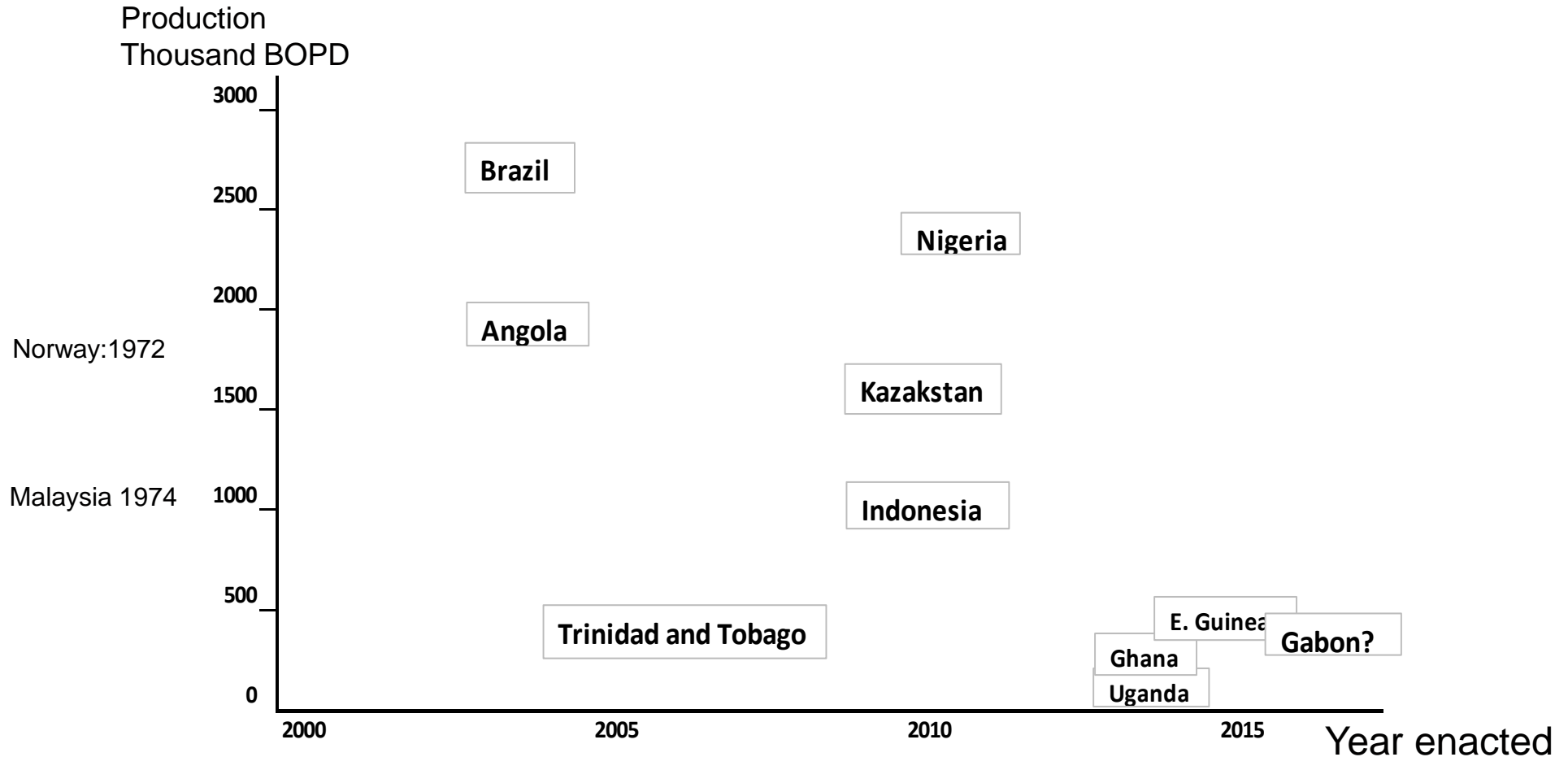


Local content objectives: Ghana

- Promote the maximisation of value-addition and job creation through the use of local expertise, goods and services, business and financing in the petroleum industry value chain and their retention in the country; develop local capacities in the petroleum industry value chain through education, skills transfer and expertise development, transfer of technology and know-how and active research and development programs; achieve the minimum local employment level and in-country spend for the provision of the goods and services in the petroleum industry value chain; increase the capability and international competitiveness of domestic businesses; and achieve and attain a degree of control for Ghanaians over development initiatives for local stakeholders”



Countries with recent Local Content legislations



Key Aspects in Oil, Gas, Mining Development

Mineral Industry

Legal

Financial

Technology

Human resources



Transformation & Manufacturing Industry



Added Value

Added Value



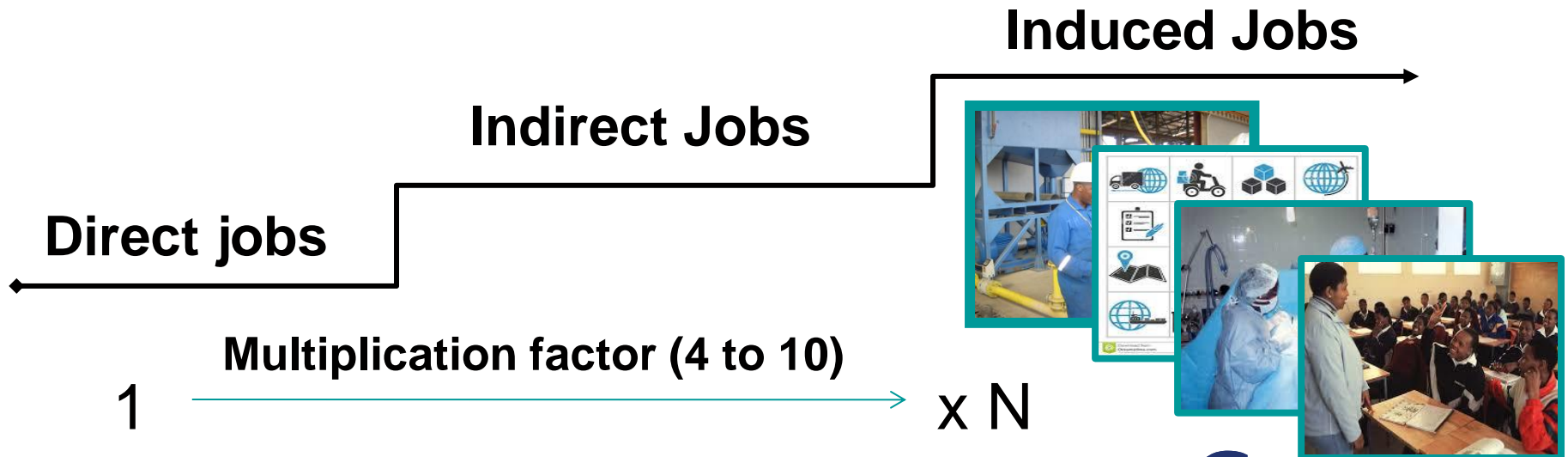
Key components

- Workforce
 - Recruitment
 - Training
- Technology & Local Suppliers
 - Sourcing
 - Development
- Social responsibility

Appropriate legal framework



Direct, Indirect, Induced Activity



Content

- General aspects and definitions
- **Economic indicators and Local content expectations**
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Economic indicators 1/2

	GDP (2015- B\$)	Production (2014-kBOPD)	IDH(2014)	Doing Business ranking (2014)
Norway	421	1902	0.944	6
Malaysia	328	696	0.773	18
Trinidad and Tobago	29	116	0.766	79
Kazakastan	203	1717	0.757	77
Brazil	1903	2950	0.744	120
Indonesie	895	913	0.684	114
Gabon	15	240	0.674	144
Ghana	39	106	0.573	70
Congo (Brazzaville)	13.5	267	0.564	178
E. Guinea	8.5	269	0.556	165
Angola	106	1756	0.526	181
Cameroun	29.6	81	0.504	158
Nigeria	515	2427	0.504	170
Tchad	13	103	0.372	185
RDC	32.7	20	0.338	184



Economic indicators 2/2

	GDP (2015-B\$)	Production (2014)	GDP growth 2013 (%)	GDP growth 2014(%)	GDP growth 2015(%)
Norway	421	1902	0.7	2.2	1
Malaysia	328	696	4.7	6	4.8
Trinidad and Tobago	29	116	1.7	1.1	1.2
Brazil	1903	2950	2.7	0.1	-0.1
Indonesie	895	913	5.6	5	5.2
Gabon	15	240	5.6	5.1	4.4
Ghana	39	106	7.3	4.2	3.5
Congo Brazaville	13.5	267	3.3	6.8	1
E. Guinea	8.5	269	-4.8	-3.1	-15.4
Angola	106	1756	6.8	4.2	4.5
Cameroun	29.6	81	5.6	5.7	5.3
Nigeria	515	2427	5.4	6.3	4.8
Tchad	13	103	5.7	6.9	6.9
RDC	32.7	20	8.5	9.2	8.4

source: IMF IMF Eia IMF



Local content marathon

- Local content detailed objectives depends on countries development level and development strategy
- No standard tool box but some comparable countries
- Each countries competes against its own development
- Time lines for achievement will be different
- ***It is a marathon, not a sprint***



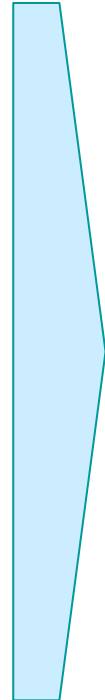
Local content Drivers vs Cies



Countries

- Economic growth
- Local capacity
- Employment
- Nationals Empowerment
- Social development

Companies

- 
- Business Growth
 - Efficiency
 - Profit & Cost controls
 - Fair business rules
 - International Standards



IOC's Local Content strategy

Company	Strategy name	Main Components
ExxonMobil (2008)	National Content Strategy	Workforce development Supplier Development Strategic Community investments
Statoil (2010-2011)	Positive local impacts Local content	Local Recruitment Local Procurement Local supplier development Education and training
Total (2012)	Local content Programs	Local training and Recruitment More Nationals in the Workforce Supporting local Entrepreneurs Supporting SME's
BP 2005, 2009	Local content development strategies	Local supplier development Develop local expertise Local supplier participation
Shell (2013)	Impact on local communities	Creating Jobs Capacity and Technology building Contracting and business opportunities Social investment



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Local content to bring in common ground and mutual benefits

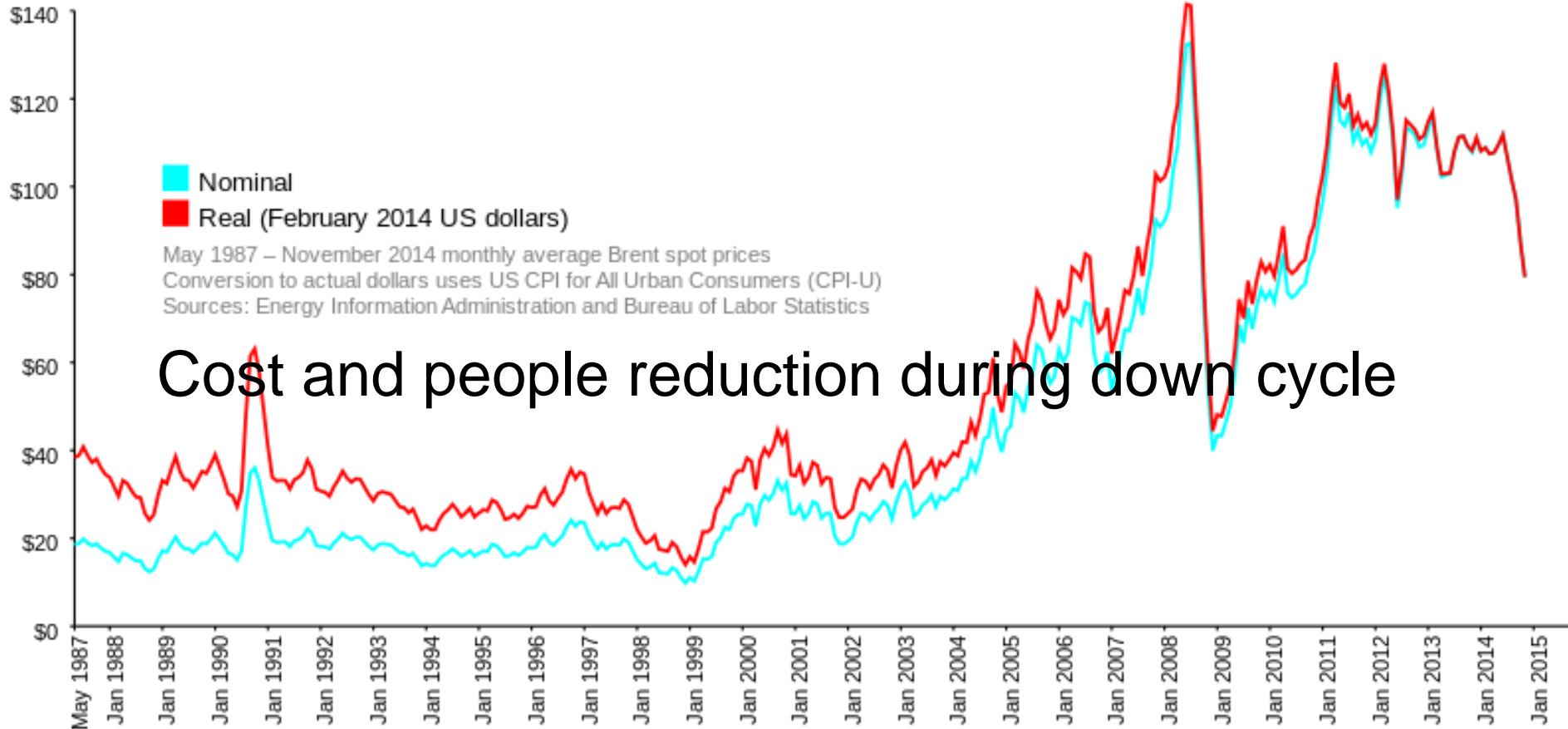


Activity Specificities

- Capital extensive
- High level expertise
- High level of Technology
- High Quality & Safety standards
- High Productivity
- High salaries/compensation
- Cyclic



Historical Oil Price



Cost and people reduction during down cycle



Top recent profitable companies

- Profit > 30\$B two consecutive years
 - ExxonMobil
 - Royal Dutch
 - China Construction Bank
 - Gazprom
 - Apple
 - Industrial & Commercial Bank of China



Largest employers in the world

(2012)		
Employer	Employees	Headquarters
<u>United States Department of Defense</u>	3.2 million	<u>United States</u>
<u>People's Liberation Army</u>	2.3 million	<u>China</u>
<u>Walmart</u>	2.2 million	<u>United States</u>
<u>National Health Service</u>	1.7 million	<u>United Kingdom</u>
<u>China National Petroleum Corporation</u>	1.6 million	<u>China</u>
<u>State Grid Corporation of China</u>	1.5 million	<u>China</u>
<u>Indian Railways</u>	1.4 million	<u>India</u>
<u>Indian Armed Forces</u>	1.3 million	<u>India</u>
<u>Hon Hai Precision Industry (Foxconn)</u>	1.2 million	<u>Taiwan</u>

Source: BBC

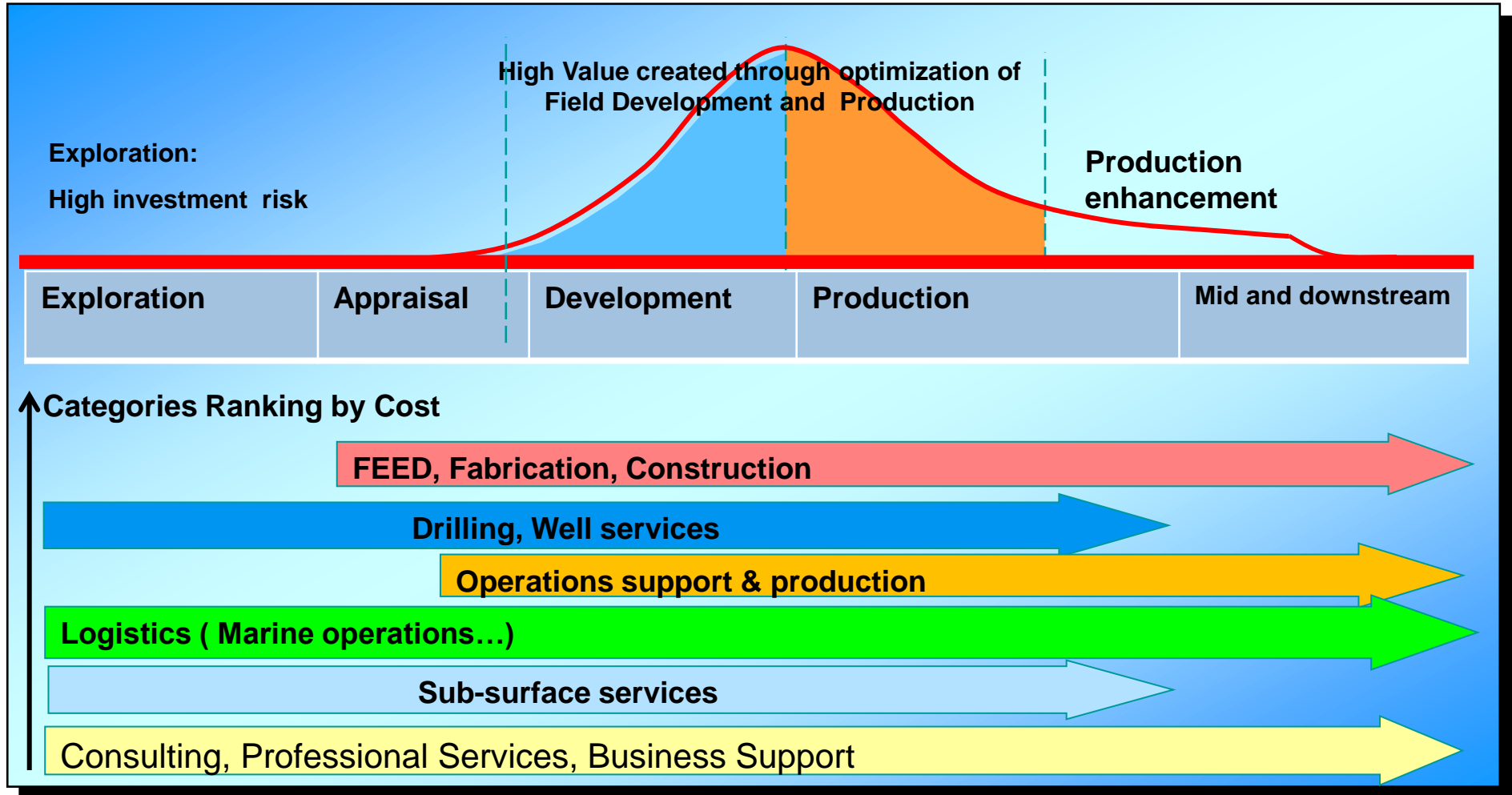


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Upstream Phases and Major Sub Contractor Services Categories



Local content companies sub-sectors: Angola example

- **Exclusivity Regime** : No Know how required (Catering, Cleaning, Transportation,....) .====→ Only “Angolan” Cos can be awarded such Contracts. Foreign Cos can however be partially sub-Contracted.
- **Semi-Competition Regime**: Higher level of Know-How & reasonable level of investment → such contracts can be awarded only if they executed through **association** with Angolan Cos or as sub-contractors of the latter.
- **Competition Regime** : Specialized Know-How & high level of investment (All activities not listed in the 2 previous regimes ==→ Could be awarded to foreign Cos .



Local Content Companies Sub-Sectors: Nigeria Example

ACTIVITY	% Local content	Spend or manhour
FEED and ENGINEERING SERVICES		
FABRICATION AND CONSTRUCTION		
MATERIAL AND PROCUREMENT		
WELL AND DRILLING SERVICES TECHNOLOGY		
RESEARCH AND DEVELOPMENT SERVICES		
SEISMIC, EXPLORATION, SUBSURFACE PETROLEUM ENGINEERING		
TRANSPORTATION/SUPPLY/DISPOSAL		
HEALTH SAFETY AND ENVIRONMENT		
INFORMATION SYSTEMS, TELECOM		
MARINE OPERATIONS AND LOGISTICS		
FINANCE AND INSURANCE		
INSTALLATION, HOOKING AND COMMISSIONING		
INSPECTION TESTING AND CERTIFICATION		
PROJECT MANAGEMENT , CONSULTING SERVICES		
SURVEYING AND POSITIONNING SERVICES		
MODIFICATION AND MAINTENANCE		
SHIPPING		



Setting Local Content Objectives

S	Specific	Take into account sub-sectors, categories, and Sustainability
M	Measurable	Manhour, % spend
A	Achievable	Take into account the development phase, the available support, the control measures
R	Realistic	Take into account country local capacity, Regional content
T	Time bound	Take into account time to develop People and SME and phases duration

**Requires good understanding of Mineral Industry,
good assessment of Local Suppliers & Local Workforce**



Implementation Controls

- Countries examples:
 - Brazil: ANP
 - Certification system, % spend checked quarterly
 - Nigeria: NCDMB
 - Local content verifications of achievements
- In many countries controls are by:
 - Labor ministry, Petroleum ministry
- High Local content requirements will require a complex control system



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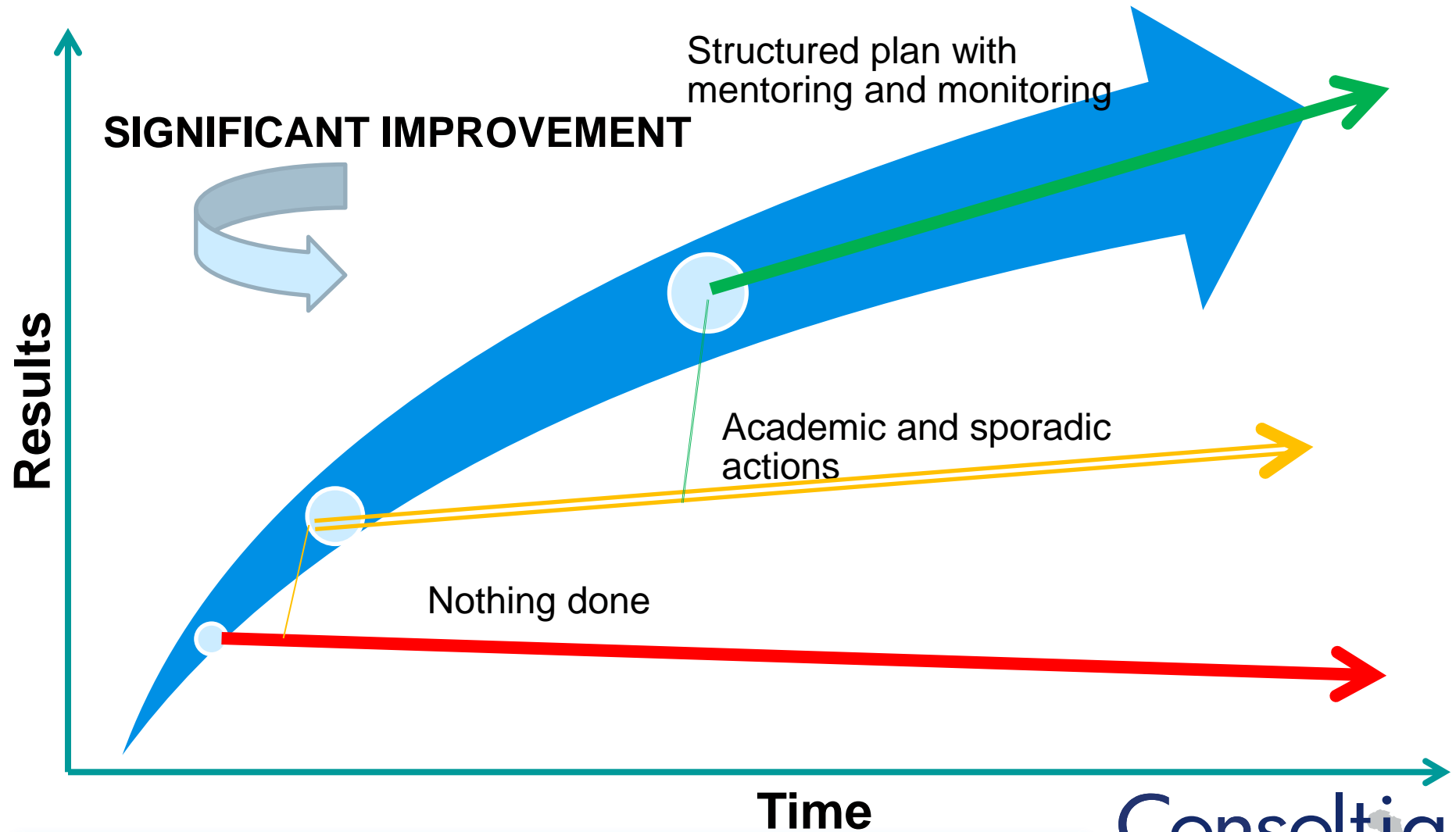


HR and SME's development

- People as main asset
- SME are key for employment
- Believe in training and development
- Career and growth opportunity
- High standard of performance
- Long term vision
- Should reduce overall cost

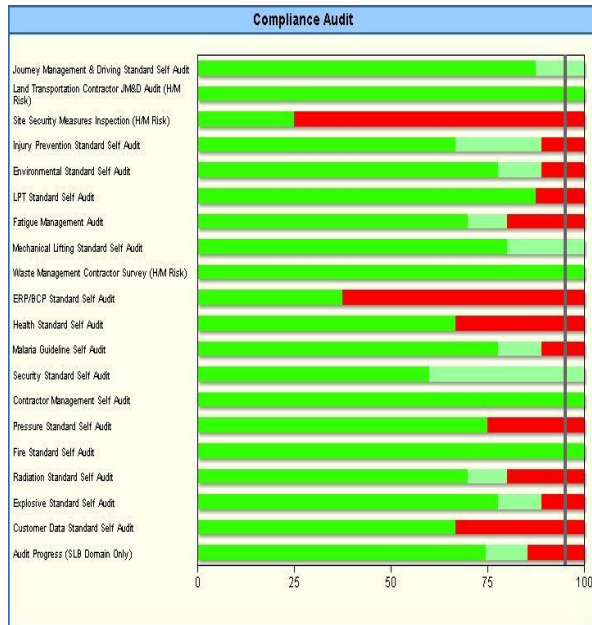
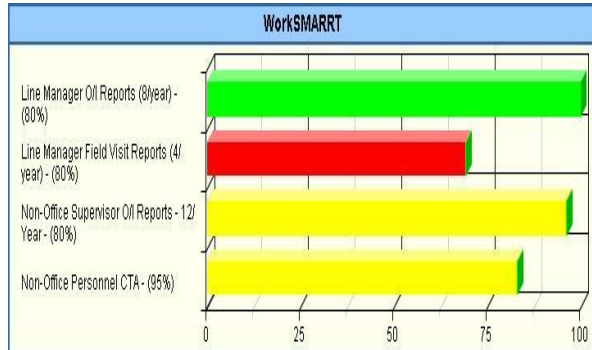


Accelerating capacity building

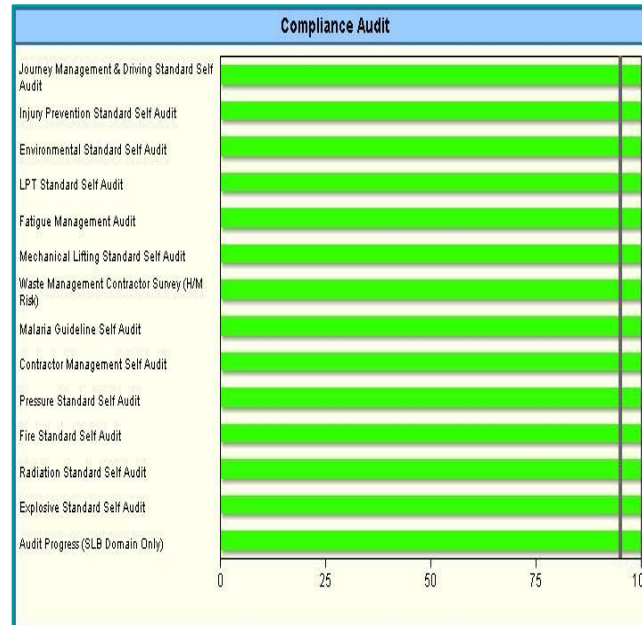
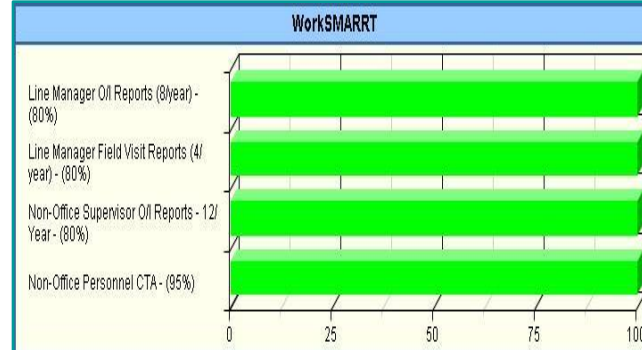


Local QHSE Performance Profile Example: EG 2011

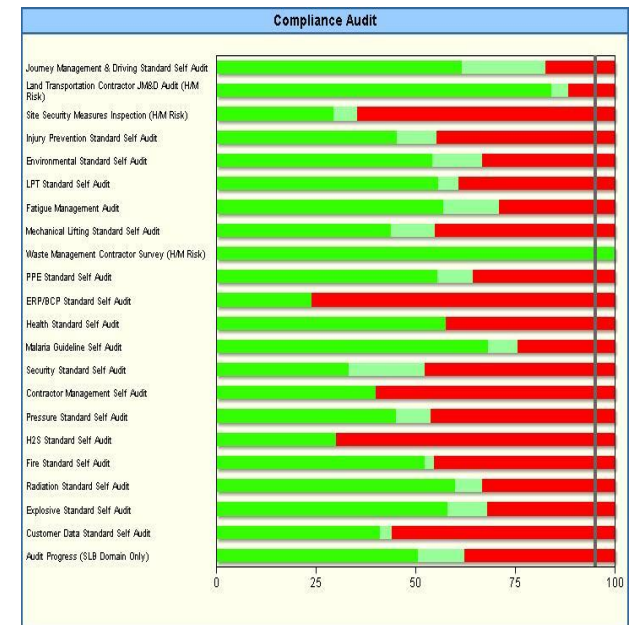
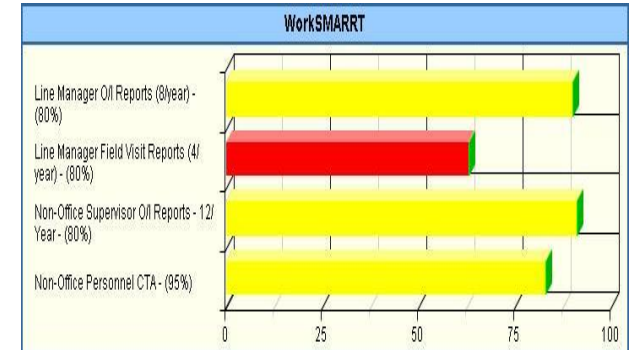
Region



EG



Europe Africa



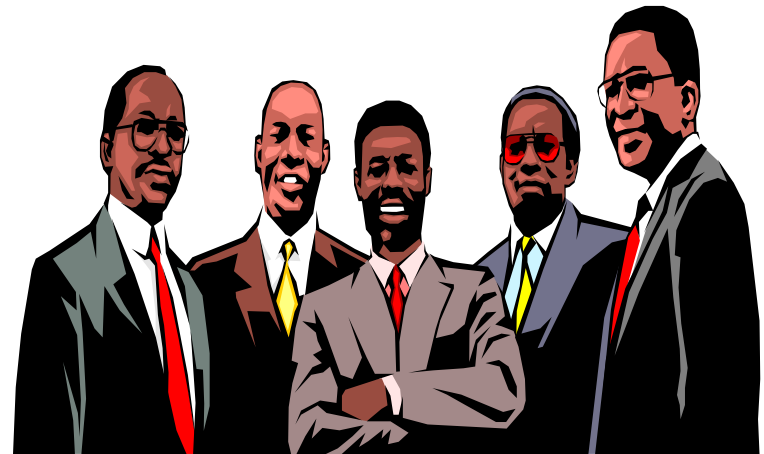
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Benefits of Regional Expertise

- Local Culture
- Individual Identification
- Neighborhood effect
- Cost reduction
- Regional Economy
- The Sustainability



Regional Content increases Local Content

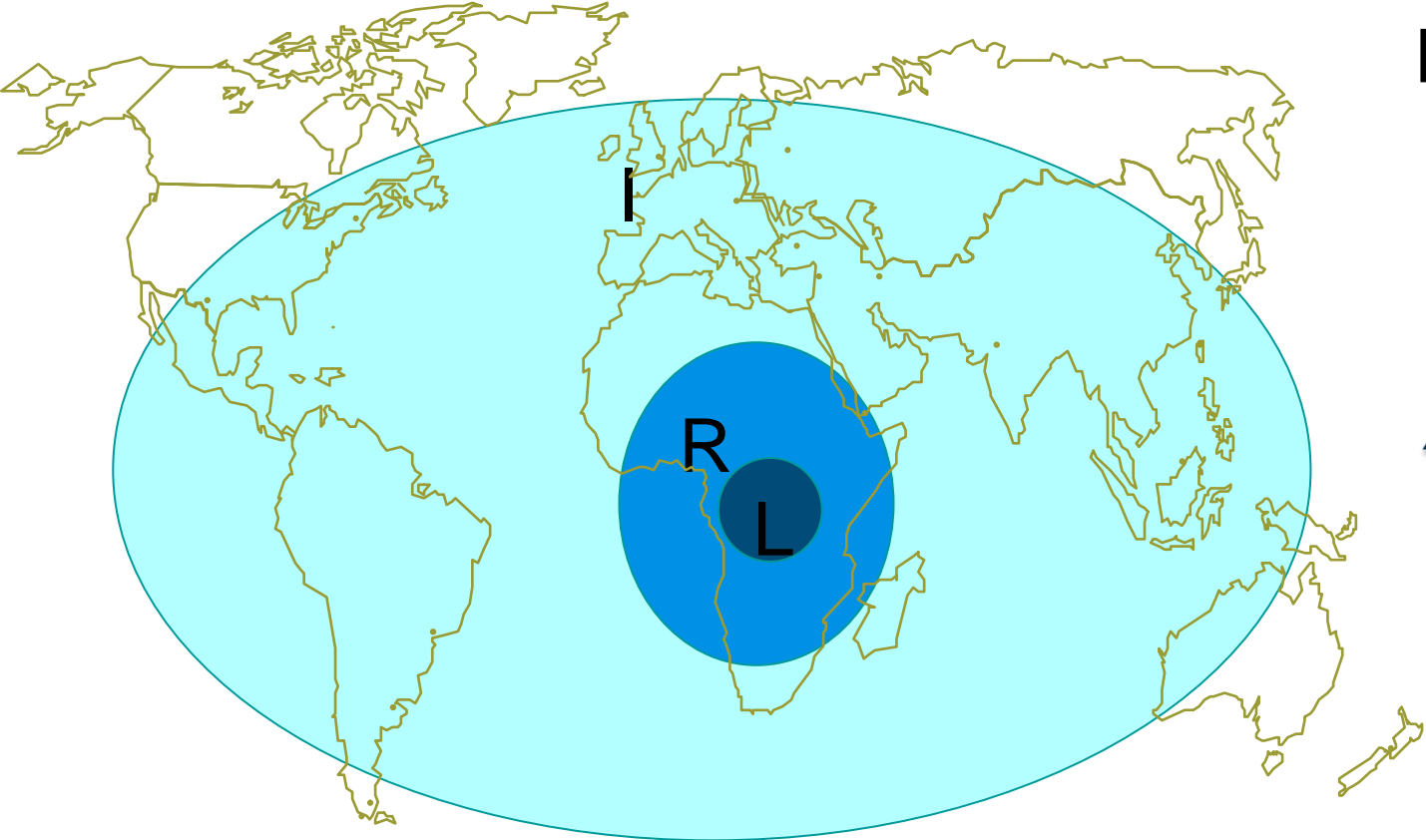


Statistics from Sub-Sahara Africa, Service Provider Company

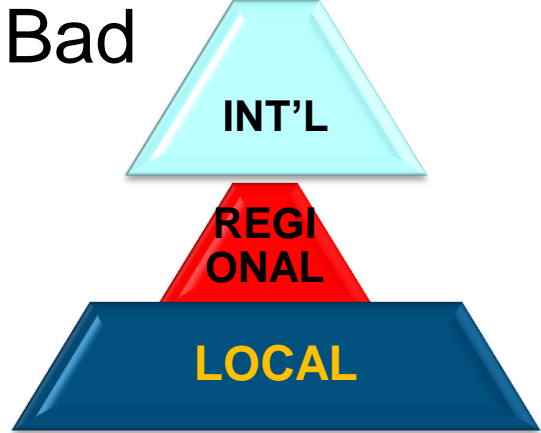
Professional Categories	Nb of Positions	SSA Nationals	%
Operators	559	562	101%
Specialist & Engineers	1269	1308	103%
Senior Specialists, Engineers, Geoscientists	940	941	100%
Managers	409	336	82%
Senior Managers	70	45	64%
Total	3248	3189	98%



Local-Regional-International Circles



LRI 3 CIRCLES



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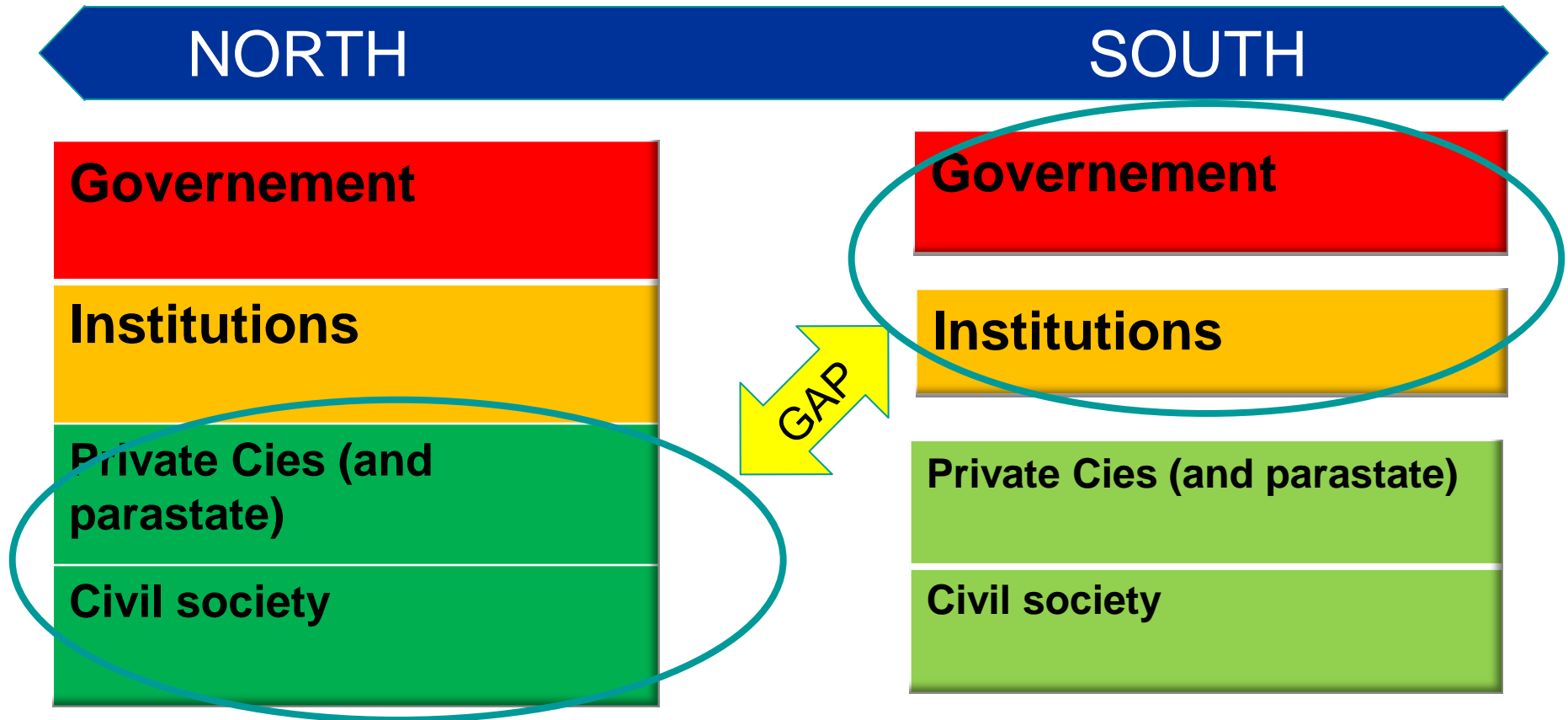
Preeminent aspects of local contents in selected countries

- **Economic growth**
- **Local capacity**
- **Employment (all positions)**
- **Locals Empowerment**
- **Social development**

	Brazil	Norway	Nigeria	Angola	Tchad?
Economic growth	X	X	X		
Local capacity	X	X	X		?
Employment (all positions)			X	X	?
Locals Empowerment			X	X	
Social development		X			?



Common risks: Technology interaction Model



Technology is in the green zone



Common Risks and Problems

- Too high goals
- Over Empowerment
- Too quick promotions
- Poor quality
- Salaries conflicts
- Time line
- Overfocus on Oil
- Reservoir/Resource Management



Conclusion

- 1- Local capacity building makes common and business sense**
- 2- Local content well addressed is mutually profitable**
- 3-The Regional Content is a good way to improve local capacity**
- 4-Capacity building can be accelerated by a structured plan**



Thank you for your attention



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- Consoltia is a leading provider of consulting services to the Oil & Gas, Energy, and Mining sectors with focus in Africa.
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