

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

**STRENGTHENING DEVELOPMENT LINKAGES FROM THE MINERAL RESOURCE SECTOR  
IN ECCAS COUNTRIES**

Regional Workshop  
Brazzaville, Republic of the Congo  
28 to 30 September 2016

***Regional Value Chains in the Mineral Resources Sector: Opportunities & Challenges***

by

Babafemi Oyewole, Energy Synergy Partners

The opinions expressed in this document are those of the author and do not necessarily reflect the views of UNCTAD.

# Regional Value Chains in the Mineral Resources Sector: Opportunities & Challenges



Samuel Safo Tchofo, Vice-President Executif,  
CONSOLTIA

by

***Babafemi Oyewole***  
***Energy Synergy Partners***



**ENERGY SYNERGY PARTNERS**  
OIL, GAS AND ENERGY EXPERTS

 Lot 263 Ayélawadjè Akpakpa

 06 BP 1688 Cotonou

 Bénin: +229 97 90 17 58  
Nigéria: +234 803 413 2553

 [contact@esynergypartners.com](mailto:contact@esynergypartners.com)  
[ceo@esynergypartners.com](mailto:ceo@esynergypartners.com)  
[boyewole@esynergypartners.com](mailto:boyewole@esynergypartners.com)

 [www.esynergypartners.com](http://www.esynergypartners.com)



**ENERGY SYNERGY PARTNERS**  
OIL, GAS AND ENERGY EXPERTS

 Lot 263 Ayélawadjè Akpakpa

 06 BP 1688 Cotonou

 Bénin: +229 97 90 17 58  
Nigéria: +234 803 413 2553

 [contact@esynergypartners.com](mailto:contact@esynergypartners.com)  
[ceo@esynergypartners.com](mailto:ceo@esynergypartners.com)  
[boyewole@esynergypartners.com](mailto:boyewole@esynergypartners.com)

 [www.esynergypartners.com](http://www.esynergypartners.com)

## Presentation Outline

1. Introduction
2. Definitional Issues
3. Opportunities for Regional Value Chain in the Mineral Resources Sector
4. Challenges of Regional Value Chain in the Mineral Resources Sector
5. Concluding Remarks

# 1. Introduction

- According to the African Development Bank (AfDB), Africa is endowed with rich reserves of mineral resources. Though varying estimates have been given for Africa's mineral resources, it is undoubtedly clear that the continent holds significant amounts of iron ore, copper, bauxite, manganese, nickel, platinum, gold, diamond, cobalt, oil and gas, amongst several others.
- Despite the presence of these mineral resources, the continent's value addition is still very negligible as most of them are exported in their raw forms. The vast and diverse mineral resources endowment of Africa is still largely untapped.
- A crucial challenge to the economic and social development of the continent is to unlock, broaden and deepen the impact of mineral resources on the population through the development of the value chains



**ENERGY SYNERGY PARTNERS**  
OIL, GAS AND ENERGY EXPERTS

 Lot 263 Ayélawadjè Akpakpa

 06 BP 1688 Cotonou

 Bénin: +229 97 90 17 58  
 Nigéria: +234 803 413 2553

 [contact@esynergypartners.com](mailto:contact@esynergypartners.com)  
 [ceo@esynergypartners.com](mailto:ceo@esynergypartners.com)  
 [boyewole@esynergypartners.com](mailto:boyewole@esynergypartners.com)

 [www.esynergypartners.com](http://www.esynergypartners.com)

## 2. Definitional Issues

The Extractive Industry value chain (EIVC) approach developed by the World Bank (2009) encompasses the following five elements:

1. Awarding contracts and licenses
2. Monitoring operations
3. enforcing environmental protection and social mitigation requirements
4. collecting taxes and distributing revenue in a sound manner
5. implementing sustainable development policies and projects



**ESP**

**ENERGY SYNERGY PARTNERS**

OIL, GAS AND ENERGY EXPERTS



Lot 263 Ayélawadjè Akpakpa



06 BP 1688 Cotonou



Bénin: +229 97 90 17 58  
Nigéria: +234 803 413 2553

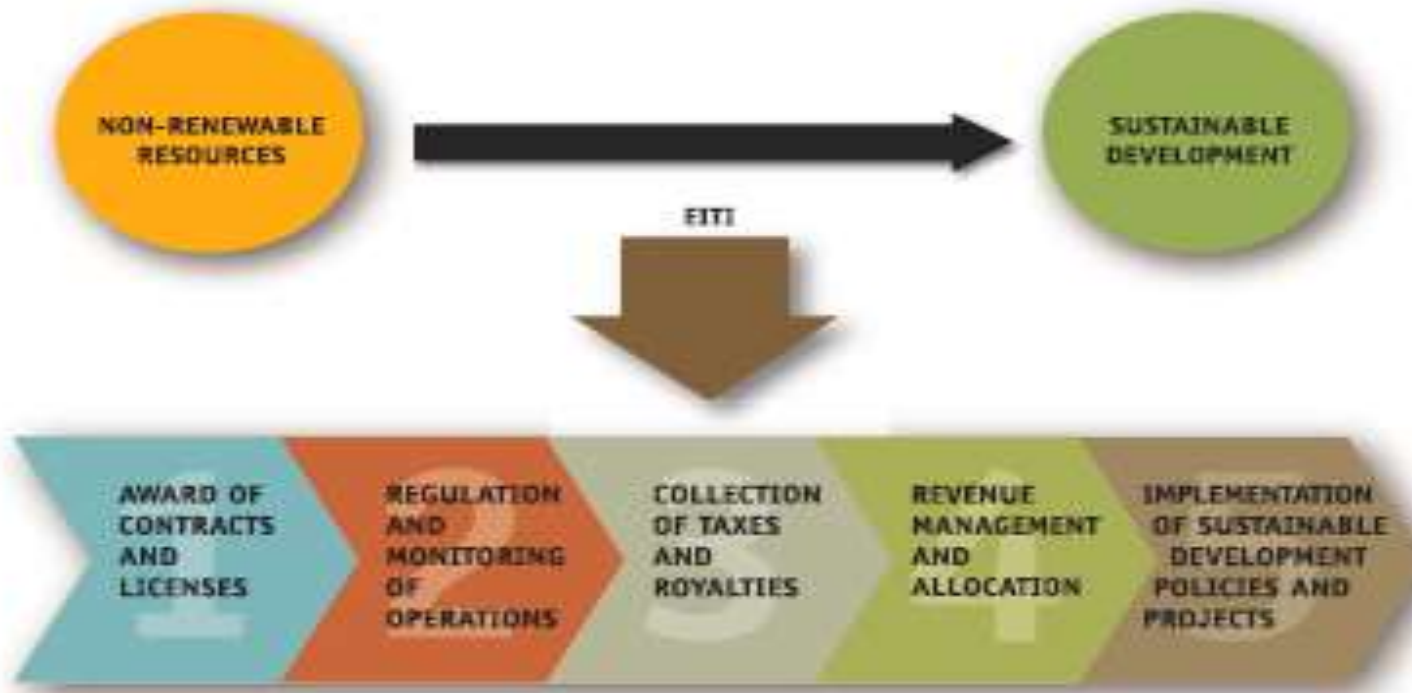


contact@esynergypartners.com  
ceo@esynergypartners.com  
boyewole@esynergypartners.com



www.esynergypartners.com

# Figure 1: Mineral Resources Sector Value Chain



- 📍 Lot 263 Ayélawadjè Akpakpa
- 📠 06 BP 1688 Cotonou
- 📞 Bénin: +229 97 90 17 58  
Nigeria: +234 803 413 2553
- ✉ contact@esynergypartners.com  
ceo@esynergypartners.com  
boyewole@esynergypartners.com
- 🌐 www.esynergypartners.com

Source: World Bank, 2009.

# Mineral Resources Sector Value Chain (contd.)

## Contracts & Licenses

- Legal, contractual and institutional framework
- Clear and transparent award procedures

## Regulation & Monitoring

- Institutional responsibilities clearly defined
- Continuous capacity building for monitoring and ensuring regulatory compliance

## Taxes et Royalties

- Adequate administration and audit capacity
- Internationally accepted accounting and reporting standards and procedures
- Regular public reporting

## Revenue Management


- Macro fiscal framework adapted to volatile and finite resources
- Transparent saving mechanisms

## Policy Implementation

- Investments to reflect the priorities expressed in the country's national development strategy
- Special attention to sustainable development of producing regions.



**ENERGY SYNERGY PARTNERS**  
OIL, GAS AND ENERGY EXPERTS

 Lot 263 Ayélawadjè Akpakpa

 06 BP 1688 Cotonou

 Bénin: +229 97 90 17 58  
 Nigéria: +234 803 413 2553

 [contact@esynergypartners.com](mailto:contact@esynergypartners.com)  
 [ceo@esynergypartners.com](mailto:ceo@esynergypartners.com)  
 [boyewole@esynergypartners.com](mailto:boyewole@esynergypartners.com)

 [www.esynergypartners.com](http://www.esynergypartners.com)

# Mineral Resources Sector Value Chain (contd.)

Each component of the five links of the Value Chain encompass the sub-topics that calls for good practices that will enable to mineral resources sector achieve the goal of sustainable development of the producing countries

## Link 1: Award of Contracts and Licenses

- Security of titles, including land
- Local content policies
- Environmental impact assessment
- Competitive bidding and transparency of award

## Link 2: Regulation and Monitoring Operations

- A strong regulatory framework and corresponding capacity
- Regulations regarding exploration, exploitation, safety, health and environmental practices (including the capacity for regular compliance monitoring and enforcement.
- The development of national cadastre and a national data bank is key to improving transparency, certainty of rights, the knowledge of the resource base, and the quality and reliability of government revenue estimates.
- The technical capacity of the government agencies entrusted with the regulation and monitoring of compliance is critical for the effective, efficient and sustainable implementation of government policies.



**ENERGY SYNERGY PARTNERS**  
OIL, GAS AND ENERGY EXPERTS

 Lot 263 Ayélawadjè Akpakpa

 06 BP 1688 Cotonou

 Bénin: +229 97 90 17 58  
 Nigéria: +234 803 413 2553

 [contact@esynergypartners.com](mailto:contact@esynergypartners.com)  
 [ceo@esynergypartners.com](mailto:ceo@esynergypartners.com)  
 [boyewole@esynergypartners.com](mailto:boyewole@esynergypartners.com)

 [www.esynergypartners.com](http://www.esynergypartners.com)



# Mineral Resources Sector Value Chain (contd.)

## Link 3: Collection of Taxes and Royalties

- Payment transparency and promoting more informed dialogue
- Payments made solely to a treasury account at the Central Bank
- Transparency, audits, and public disclosure of relevant information
- The choice of fiscal regime should take into consideration the administrative and audit capacity of the relevant government institutions.

## Link 4: Revenue Management and Allocation

- Poverty reduction strategy based on revenues from mineral resources sector.
- Revenue and benefits sharing with local governments
- Inclusive policies for revenue sharing
- The operation of mineral resources funds should have transparent procedures and adequate governance structure. Direct spending authority should be avoided and savings should be invested prudently. Regular audits and performance assessments are essential
- Effective revenue management systems should be supported by complementary public finance reforms and institutional capacity building, including at the sub-national level.



**ESP**

**ENERGY SYNERGY PARTNERS**  
OIL, GAS AND ENERGY EXPERTS

📍 Lot 263 Ayélawadjè Akpakpa

📠 06 BP 1688 Cotonou

📞 Bénin: +229 97 90 17 58  
Nigeria: +234 803 413 2553

✉ contact@esynergypartners.com  
ceo@esynergypartners.com  
boyewole@esynergypartners.com

🌐 www.esynergypartners.com

# Mineral Resources Sector Value Chain (contd.)


## Link 5: Implementing sustainable development policies and projects

- Poverty reduction strategy based on effective use of mineral resources sector revenues
- Stability funds and saving funds for future generations
- Infrastructure and human capital development determined by political consensus
- Sustainable projects and capacity building with special consideration for environmental and social impact
- Diversification of economy away from the dependence on mineral resources sector.



**ENERGY SYNERGY PARTNERS**

OIL, GAS AND ENERGY EXPERTS

 Lot 263 Ayélawadjè Akpakpa

 06 BP 1688 Cotonou

 Bénin: +229 97 90 17 58  
Nigéria: +234 803 413 2553

 [contact@esynergypartners.com](mailto:contact@esynergypartners.com)  
[ceo@esynergypartners.com](mailto:ceo@esynergypartners.com)  
[boyewole@esynergypartners.com](mailto:boyewole@esynergypartners.com)

 [www.esynergypartners.com](http://www.esynergypartners.com)



### 3. Opportunities for Regional Value Chain in the Mineral Resources Sector



**ENERGY SYNERGY PARTNERS**  
OIL, GAS AND ENERGY EXPERTS

 Lot 263 Ayélawadjè Akpakpa

 06 BP 1688 Cotonou


 Bénin: +229 97 90 17 58  
Nigéria: +234 803 413 2553

 [contact@esynergypartners.com](mailto:contact@esynergypartners.com)  
[ceo@esynergypartners.com](mailto:ceo@esynergypartners.com)  
[boyewole@esynergypartners.com](mailto:boyewole@esynergypartners.com)

 [www.esynergypartners.com](http://www.esynergypartners.com)



**ENERGY SYNERGY PARTNERS**  
OIL, GAS AND ENERGY EXPERTS

 Lot 263 Ayélawadjè Akpakpa

 06 BP 1688 Cotonou

 Bénin: +229 97 90 17 58  
Nigéria: +234 803 413 2553

 [contact@esynergypartners.com](mailto:contact@esynergypartners.com)  
[ceo@esynergypartners.com](mailto:ceo@esynergypartners.com)  
[boyewole@esynergypartners.com](mailto:boyewole@esynergypartners.com)

 [www.esynergypartners.com](http://www.esynergypartners.com)

## Table 1: Share of Global Value-Added by Region

Region	1995	2011
Europe	57.5	50.9
East Asia	14.4	16.2
North America	13.1	11.8
Southeast Asia	6.0	6.8
Latin America	3.2	4.2
Middle East	2.0	3.0
Africa	1.4	2.2
Russia and Central Asia	0.9	2.0
South Asia	0.7	1.7
Oceania	0.9	1.3

Source: AfDB et al., 2014.



Lot 263 Ayélawadjè Akpakpa

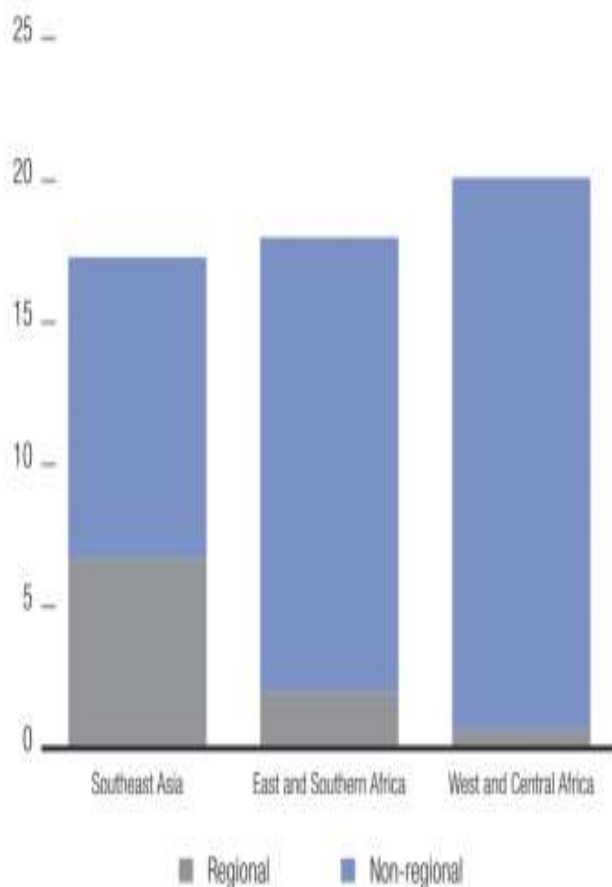
06 BP 1688 Cotonou

Bénin: +229 97 90 17 58  
Nigéria: +234 803 413 2553

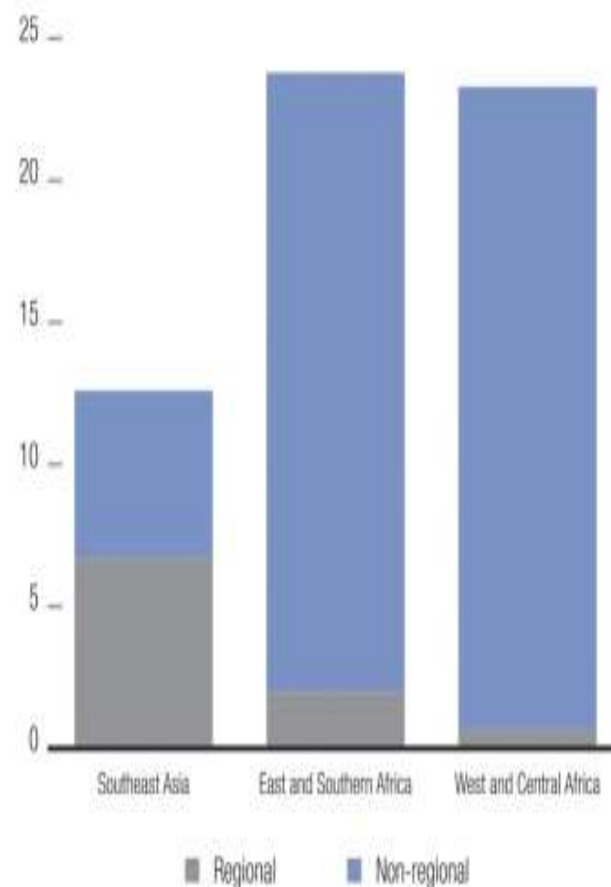
contact@esynergypartners.com  
ceo@esynergypartners.com  
boyewole@esynergypartners.com

www.esynergypartners.com

### Figure 3: Share of Intra-Regional Participation in Global Value Chains (% of Gross Exports).



Source: OECD, 2015a.



Source: OECD, 2015a.



Lot 263 Ayélawadjè Akpakpa

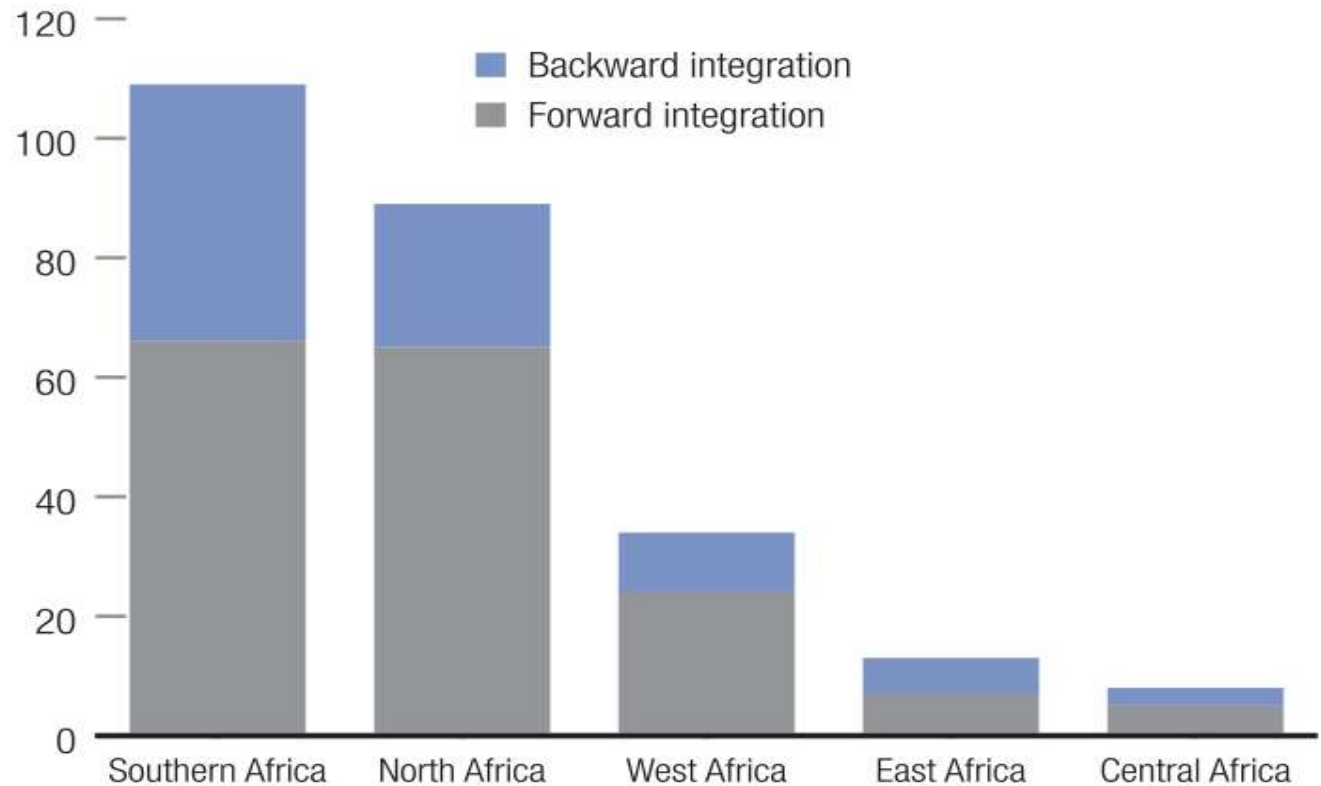
06 BP 1688 Cotonou

Bénin: +229 97 90 17 58  
Nigéria: +234 803 413 2553

contact@esynergypartners.com  
ceo@esynergypartners.com  
boyewole@esynergypartners.com

www.esynergypartners.com

## Figure 4: Africa's integration into Global Value Chains, 2011 (US\$ Billion)



Source: AfDB et al., 2014.

### 3. Opportunities for Developing Regional Value Chain In the Mineral Resources Sector (contd.)

The opportunities for regional cooperation for the development of the mineral resources sector for increased value chain integration in Africa and globally include:

#### 1. Information for the governance of the Sector

- Developing regional networks to monitor the mineral resources sector
- Conduct studies to update geological, economic and technological data on the sector – a regional databank for the mineral resources sector.
- Support regional partnership for transparency in the sector

#### 2. Develop training capacities

- Strengthen regional cooperation in higher and vocational education
- Develop technical courses for the needs of the mineral resources sector
- Establish regional institutions for capacity building in the mineral resources sector

#### 3. Support sustainable development of the sector

- Dialogue between stakeholders in environmental protection and mineral extraction
- Support for local companies and corporate social responsibility (CSR)
- Organize and professionalize small-scale operations in the mineral resources sector.
- Development of regional markets and projects to increase regional value chain in the sector

#### 4. Harmonization of legal, fiscal and institutional policy framework

- Develop regional fiscal policies for the mineral resources sector
- Harmonize mineral resources contracts to facilitate investment in the sector
- Develop regional dispute resolution mechanisms in the mineral resources sector.



 Lot 263 Ayélawadjè Akpakpa

 06 BP 1688 Cotonou

 Bénin: +229 97 90 17 58  
 Nigéria: +234 803 413 2553

 [contact@esynergypartners.com](mailto:contact@esynergypartners.com)  
[ceo@esynergypartners.com](mailto:ceo@esynergypartners.com)  
[boyewole@esynergypartners.com](mailto:boyewole@esynergypartners.com)

 [www.esynergypartners.com](http://www.esynergypartners.com)


### 3.1 The Role of Regional Economic Communities in Promoting Regional Value Chain in the Mineral Resources Sector

Regional Economic Communities such as CEMAC can play important role in promoting regional value chains in the mineral resources sector for the following reasons:

1. The formation of regional economic areas involves a common external tariff, tax convergence, free circulation of goods, capital and persons, common standards that apply to mining and other mineral resources
2. Mineral products exported by landlocked countries use regional infrastructures.
3. Few countries possess the training capacities for all the skills required at the various levels of specialization. This gap can be filled by cooperation among regional capacity building institutions such as Universities, technical institutes, etc.
4. The energy security of major industrial sites may depend on regional connections and common hydroelectric plants that feeds regional power pools.
5. Cross-border trade in high-value products, whether informal or otherwise, requires close cooperation between enforcement forces.

Therefore, there is the need for regional sectoral policy to enhance the value chain for mineral resources through establishing a sect of regional directives, creating technical, economic and social monitoring unit for the sector and developing a regional capacity building programme based on networking between national institutions and specialization for some of them.



 Lot 263 Ayélawadjè Akpakpa

 06 BP 1688 Cotonou

 Bénin: +229 97 90 17 58  
Nigéria: +234 803 413 2553

 [contact@esynergypartners.com](mailto:contact@esynergypartners.com)  
[ceo@esynergypartners.com](mailto:ceo@esynergypartners.com)  
[boyewole@esynergypartners.com](mailto:boyewole@esynergypartners.com)

 [www.esynergypartners.com](http://www.esynergypartners.com)





**ENERGY SYNERGY PARTNERS**  
OIL, GAS AND ENERGY EXPERTS

 Lot 263 Ayélawadjè Akpakpa

 06 BP 1688 Cotonou

 Bénin: +229 97 90 17 58  
Nigéria: +234 803 413 2553

 [contact@esynergypartners.com](mailto:contact@esynergypartners.com)  
[ceo@esynergypartners.com](mailto:ceo@esynergypartners.com)  
[boyewole@esynergypartners.com](mailto:boyewole@esynergypartners.com)

 [www.esynergypartners.com](http://www.esynergypartners.com)

## 4. Challenges of Regional Value Chain in the Mineral Resources Sector



Lot 263 Ayélawadjè Akpakpa

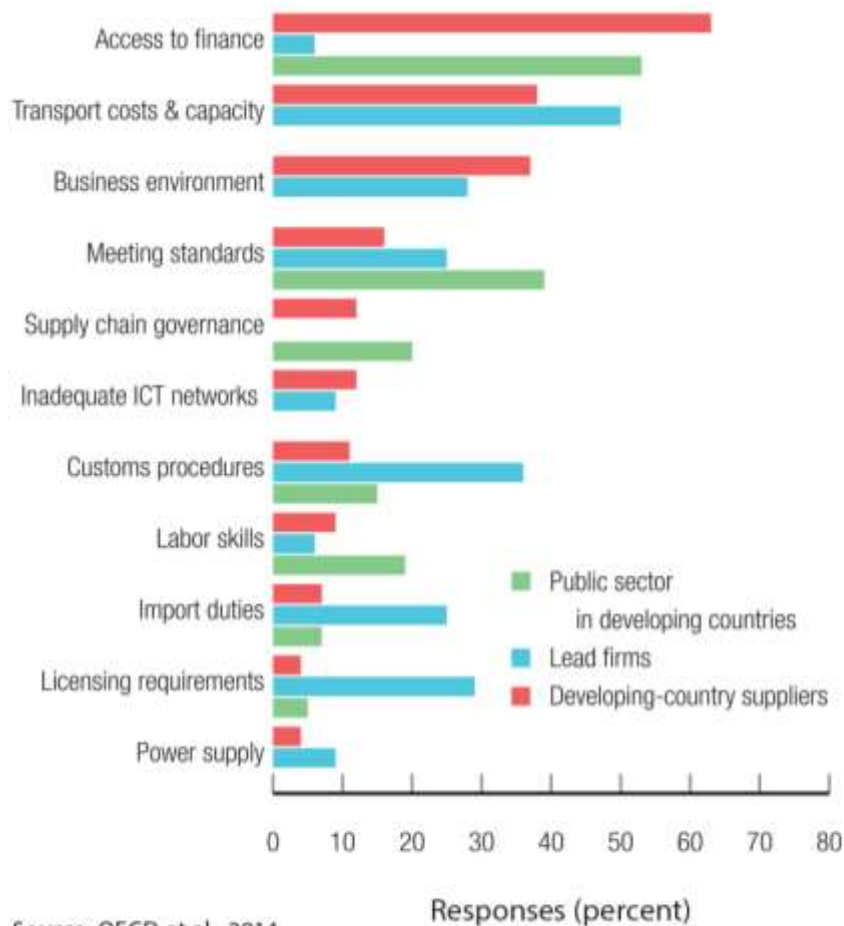
06 BP 1688 Cotonou

Bénin: +229 97 90 17 58  
Nigéria: +234 803 413 2553

contact@esynergypartners.com  
ceo@esynergypartners.com  
boyewole@esynergypartners.com

www.esynergypartners.com

## Figure 5: Barriers to entering value chains: Private and Public Sector Views



Source: OECD et al., 2014.

## 4. Challenges of Creating Regional Value Chains in the Mineral Resources Sector (contd.)

- Governments have the responsibility of providing a conducive investment climate characterised by adequate legal and regulatory policies to mitigate risks:
  - Stability of legal and fiscal environment
  - Adequate regulatory frameworks that enhance investment
  - Avoid bureaucracy in policy implementation
- Absence of regional investment policies in the mineral resources sector to facilitate investment by local and foreign investors;
- Lack of regional institutions, projects and infrastructures that will promote regional trade and investment the mineral resources sector ;
- Low regional capacity development in human, technical and financial resources needed for investment and development of the mineral resources sector in Africa.
- Lack of harmonised regional development policy for the mineral resources sector by regional economic communities that provides a clear framework for coordinating and monitoring the activities of the sector.



 Lot 263 Ayélawadjè Akpakpa

 06 BP 1688 Cotonou

 Bénin: +229 97 90 17 58  
 Nigéria: +234 803 413 2553

 [contact@esynergypartners.com](mailto:contact@esynergypartners.com)  
 [ceo@esynergypartners.com](mailto:ceo@esynergypartners.com)  
 [boyewole@esynergypartners.com](mailto:boyewole@esynergypartners.com)

 [www.esynergypartners.com](http://www.esynergypartners.com)

## 5. Conclusion

For Africa to increase its integration into the global value chain, there is the need for more regional cooperation through higher intra-regional trade. The region's participation in global value chain remains low due to the low value addition in the mineral resources sector in the producing countries where the sector accounts for a substantial percentage of revenues and foreign exchange.


In spite of the past commodity booms in recent times, Africa's mineral resources sector remains unsustainable because low value addition in the country remains low, if tax revenue rises less quickly than commodity prices, and if this revenue is not efficiently allocated, then higher prices do not produce sustainable development.

The low level of value addition to mineral resources in Africa presents opportunities for regional cooperation in the areas of promoting information and data, training and capacity building, harmonization of legal, fiscal and institutional frameworks that will facilitate the implementation of sustainable development policies for enhancing the sector's value chains.

The regional economic communities have an important role to play in providing regional directives, creating a special unit to monitor the sector and developing capacity building programmes through institutional networking and cooperation.

Finally, bringing national and regional efforts together for the development of the mineral resources sector would undoubtedly, enhance the attractiveness of Africa, sustain its economic prospects and its successful integration into the global value chain.



 Lot 263 Ayélawadjè Akpakpa

 06 BP 1688 Cotonou

 Bénin: +229 97 90 17 58  
Nigéria: +234 803 413 2553

 contact@esynergypartners.com  
ceo@esynergypartners.com  
boyewole@esynergypartners.com

 www.esynergypartners.com

# COMMUNITY CONSULTATION

## EXPECTATIONS FOR OIL DEVELOPMENT: 6 MONTH PLAN

OH! SO SOME OF THESE MIGHT  
NOT HAPPEN RIGHT AWAY...

ELECTRICITY! NEW ROADS!  
UNIVERSITY! JOBS FOR  
HOSPITALS! EVERYBODY!  
INTERNET! SATELLITE  
TV!



The background features a dark, atmospheric scene of an oil rig at night. A large, stylized globe is partially visible on the left, with green and yellow curved stripes overlaid on it. The text is centered in the upper half of the image.

THANK YOU.

ESP

ENERGY SYNERGY PARTNERS

OIL, GAS AND ENERGY EXPERTS

Two vertical bars are located on the right side of the slide: a bright yellow bar on the left and a light green bar on the right.