

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

**Best Practice for Local Content Development Strategy:
The Nigerian Experience**

By

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

BEST PRACTICE FOR LOCAL CONTENT DEVELOPMENT STRATEGY: THE NIGERIAN EXPERIENCE

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1. Background

The motivation for local content development in Nigeria was borne out of the followings:


- To assume the control of the exploration, exploitation and production activities in the oil and gas sector;
- To generate more value-added for the economy;
- To domiciliate the annual average spending of \$18 billion by the industry in the economy;
- To use the substantial wealth generated by the sector for national development.




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2. The Nigerian Local Content Development Policy

Local content policy in Nigeria started in 1971 through the establishment of the National Oil Company (NOC) to promote the indigenisation policy in the oil and gas sector. NOC became Nigerian National Petroleum Corporation (NNPC) in 1977. A serious attempt was, however, made in 2010 with the promulgation of the Nigerian Oil and Gas Development Law and it defines local content as:

« the quantum of composite value added to or created in Nigeria through utilisation of Nigerian resources and services in the petroleum industry resulting in the development of indigenous capability without compromising quality, health, safety and environmental standards »


The policy is framed within the context of growth of Nigerian entrepreneurship and the domestication of assets to fully realise Nigeria's strategic development goals.



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3. Objectives

The objectives are:


- Expansion of the downstream and upstream activities of the oil and gas sector;
- Diversification of the sources of investment into the sector to ensure local investment in the sector;
- Promotion of indigenous participation in the sector;
- Technology transfer;
- Employment generation for all categories of Nigerians;
- The integration of the oil and gas industry into the mainstream economy through local refineries and petrochemical industries.



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4. ORGANIZATION AND IMPLEMENTATION FRAMEWORK


- **Creates & Integrates Nigerian Content Development Monitoring Board (NCDMB) into planning and contracting process to ensure that Nigerian Content counts.**
- **Empowers Honorable Minister to Make regulations; NCDMB to Issue procedures and Guidelines for implementation.**
- **Mandates utilization of electronic platform to cover upstream, midstream, downstream, independents etc.**
- **Requires increased stakeholder engagements in the National Content Coordination Forum to create linkages to other sectors including professional services.**



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4. Organization and Implementation Contd.

- Promotes Education, Employment, Training, Research and Development.
- Requires multinationals to domicile proportion of assets in Nigeria.
- Promotes Indigenous Ownership of Equipment.
- Mandates local capacity development.- Gap analysis; design and implement interventions.
- Provides dedicated Nigerian Content Development Fund for capacity building (established the Petroleum Technology Development Fund, PTDF).



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4. Organization and Implementation Contd.

- Requires increased participation by indigenes and defines Indigenous company.
- Creates opportunity for integrating oil producing communities into mainstreams industry activity.
- Mandates enlightenment and awareness programs.
- Sets targets for specific work items to be executed in Nigeria.
- Empowers Hon Minister to grant waiver under specific conditions.
- Provides for Monitoring, measurement and tracking compliance.
- Stipulates Penalty for non-compliance.





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5. Achievements


Item	Before Local Content	After Local Content
Average Industry Spend	US\$* Billion	US\$20 Billion (\$4 billion locally)
Contribution to National Revenue	71%	80%
Contribution to Export earnings	90%	97%
Contribution to GDP	12%	25%
Local Value Added	10-15%	40%
Use of Workforce	More Expatriates	More Nigerians




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5. Achievements contd

As at 2013, local content development attracted Foreign Direct Investments (FDI) worth over \$500million into the Nigerian economy.

Example of entrepreneurial development and technology transfer:

The Lagos Deep Offshore Logistics (LADOL) invested over \$100 million in transforming the swampland of Apapa port axis in Lagos into a world-class, one-stop base for deep offshore logistics created more than 1,000 skilled jobs and prevented the outflow of over \$60 million of foreign capital.


LADOL has contributed to making Nigeria the West African hub for rig and vessel repair with more than \$500,000 of new revenues and business. Repairing rigs in Nigeria has helped the country to benefit from technological transfer through local manpower development.



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6. Concluding Remarks

The Nigerian experience shows that effective design, implementation and monitoring of local content development policy can lead to the amelioration of the structural effects of the mineral sector through:

- Increased value added,
- Increased employment generation,
- Enhanced entrepreneurial development,
- Improvements in local investment in the sector,
- Increased contribution of the sector to the Gross Domestic Product, poverty reduction and the overall economic development of the country.





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THANK YOU.

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