

**CNUCED Projet 1415P: Renforcement des capacités dans les secteurs pétrolier
et minier dans les économies des pays de la CEEAC**

Atelier de formation sur la gouvernance de la chaîne de valeur dans le secteur
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Discours de clôture

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Les opinions exprimées sont celles de l'auteur et ne reflètent pas nécessairement les
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Closing Statement

By Dr. Samuel K. GAYI

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Training Workshop on Governance of the Value Chain in the Extractive Sector: institutional and human capacity development

Distinguished participants;

Ladies and gentlemen:

It is now my great pleasure to close this workshop after four full days of deliberations. Our conversations have not unexpectedly revealed some of the familiar issues on the subject of human and capacity development relating to the governance of the value chain in the extractive sector. The only difference is that these have a distinctive Congolese flavour - if these were not the case we would have failed in the task we set ourselves at the beginning of this workshop earlier in the week.

The deliberations brought out the following issues: youth unemployment, the reality of which is not reflected by statistics; the difficulty of access to funding, in particular for the youth, in setting up businesses; several assistance, but fragmented, programmes across different ministries; a disconnect between programme implementation and programme objectives; non implementation of the main tenets of the Local Content regulation, among others.

Of the several obstacles facing local entrepreneurs in general, and those involved in the oil and mining sector in particular, the recurring ones are a lack of training, and the difficulty of access to funding or credit.

Government is not unaware of these difficulties, and indeed has established a number of programmes in various ministries, or initiated policy initiatives, but these unfortunately lack coherence, and are not filtering down to existing companies, or resulting in the creation of new companies. Thus, the problems persist. This raises the issue of *implementation*: how do we translate policy initiatives into action to have their desired impact?

Despite some improvements in infrastructure, bottlenecks in this area and associated costs have been cited as hurting local entrepreneurs. Technical and vocational training to address the skill shortages is critical. The internet has been cited as a tool that could speed up the take up of training courses, but its high cost means that it is not be used effectively. The efficacy of existing local content policies was questioned, particularly in a context of shallow financial markets, despite Government efforts, in cooperation with the World Bank and other international financial institutions, to address this

issue through the setting up of special programmes and funds, such as le Projet d'appui à la diversification de l'économie (PADE) and le Fonds d'impulsion de garantie et d'accompagnement des entreprises (FIGA). Targeting of beneficiaries under the former has arguably been described as weak. As a result the cost of credit continues to be high, in particular for Small and Medium Enterprises (SMEs).

Fortunately, our deliberations have not only about a litany of problems, but also on how to address these as well.

1. Government should establish a Common Fund (Programme) to serve all Ministries to enhance coordination and synergies, not only among the local content programmes but also between different ministries implementing these - the Ministry of Hydrocarbons, the Ministry of Justice, and the Ministry of Interior.

2. Proper planning and phasing of programmes is important: (a) for example, for local content development, target a specific number of private companies and provide them with the necessary support - training, access to credit, and outsourced contracts from transnational corporations - as outlined in the National Development Plan (Plan National de Development 2012-2016). The potential advantage will be (i) focusing attention on a few companies to maximize the impact of their programmes, before moving to a new batch of private companies in a sequential way; and (ii) applying the lessons learnt in the first phase to improve performance in the next phase.

3. Government and private institutions, such as Chambre de Commerce, Centres de Gestion Agréés (CGA), Agence pour la Promotion des Investissements (API) should encourage networking among private companies in order to leverage the spin-off or multiplier effects.

4. Some participants from NGOs recommend that UNCTAD and its partners in the Republic of Congo explore further the role of Micro-Finance Institutions (MFI) in providing funding to local entrepreneurs. Others recommend that UNCTAD analyze the structure of credit costs to identify the bottlenecks and how to reduce these costs. On this latter one, you may want to refer to UNCTAD's Policy Handbook on Domestic Financial Resource Mobilization in Africa. This book identifies not only how to mobilize domestic financial resources, but also how these could be invested to the benefit of SMEs to spur overall development. Earlier, in the mid-1990s, UNCTAD also evaluated financial sector reforms in the Least Developed Countries (at the time), and proposed policies on how to improve the depth and efficiency of the financial sector to resolve the lack of access to finance by small and medium sized companies. Those policies are relevant in the current situation of the Republic of the Congo.

Ladies and Gentlemen:

Please permit me now to return to the main theme of our weeklong meeting regarding institutional and human capacity development to improve the governance of the Value Chain in the extractive sector. We had excellent presentations from External Experts from Chad (Ms Valerie Commelin) and Nigeria (Dr Babafemi Oyewole), both of whom identified specific, but alternatives ways of attaining the objective of

establishing development linkages between the domestic economy and the extractive sector. Another excellent presentation from our third External Expert, Mr. Samuel Safo Tchofo, was a tool, a software package, PetroSteps, that assists officials to think strategically, and be able to identify services that could be provided at the domestic level at different phases of oil exploitation to support the extractive sector. Petrosteps allows all stakeholders in the oil sector, including governments, to have a holistic view of various activities of the value chain. This contributes to identifying the local companies that are able to provide the required services in the oil exploitation process; from the exploration stage to fuel distribution at the gas station. If skills are lacking, Petrosteps may also serve as a planning tool to identify these skill gaps and specific areas in which nationals could be trained.

Over the years, from my own experience and the many projects implemented by UNCTAD, a few lessons emerge on the issue of establishing development linkages between the extractive sector and the local economy, which I'd like to share with you. The main prerequisites would seem to be the following:

- A long term Vision - from the political leadership; and most importantly the **commitment to implementing** this Vision.
- Macroeconomic stability - low and stable inflation; and Exchange rate stability, among others;
- Well trained civil service/ technocrats;
- Skilled work force (technical, vocational training; and tertiary education for management level skills); trained to international standards; private sector (or companies) collaborating with training institutions to develop training programmes that respond to former's needs;
- Well-developed private sector, that can go it alone or in joint venture-ship with foreigners; and,
- Good infrastructure - roads, water, electricity, etc.;

The main message though is one of getting these prerequisites in place by government or through public-private partnerships (PPPS); and making sure the policy is implemented - the magic word then is "implementation" x 3!

My penultimate point is to sound a note of caution: In a multilateral trading system underscored by rules to ensure predictability, local content provisions and issues relating to technology transfer may have to conform with the necessary provisions in the relevant Agreements of the World Trade Organization (WTO): for example, the Agreements on Trade Related Investment Measures (TRIMs), Trade Related Intellectual Property Rights (TRIPS), and the General Agreement on Trade in Services (GATS). It may also be helpful for the Government to explore how the Trade Facilitation Agreement could be used to the benefit of the private sector.

Finally, I'd like to thank you all very sincerely for being a part of this workshop.

First, the participants: many of you are heads of government departments, private companies, and CSOs. The fact that you've found time to participate in this week long training session attests to the fact of your willingness to assist the Republic of the

Congo to move onto a sustainable path of development that assures training and jobs for all, in particular, the youth.

Second, our presenters/experts and the moderators that have come from far and near - without you we wouldn't have had these enriching sessions.

Third, our other colleagues that have helped with what I call "survival issues" (food, drinks, IT system, OHP, etc.) that have ensured that our systems are well nourished and intact, and we could hear each other.

And last, but not the least, the Government of the Republic of the Congo that has hosted us for the past week.

On behalf of the Secretary General of UNCTAD, Dr Mukhisa Kituyi, I thank you all very much.

I wish you all a safe journey back home. Bon voyage à tous.