

**“LOCAL CONTENT AS A DRIVER FOR TECHNOLOGICAL DEVELOPMENT”  
A SPEECH BY DR. GOODLUCK JONATHAN, FORMER PRESIDENT OF  
NIGERIA, AT THE LOCAL CONTENT CONFERENCE, HOUSTON 2018.  
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## **PROTOCOL**

### **1. INTRODUCTION**

It is my pleasure to speak at this year's **Local Content Conference**, in Houston, United States. I chose to be here today because of the importance I attach to the concept of local content which, in my view, is a deliberate and pragmatic policy to improve and develop local technological capacities of indigenous companies.

Let me acknowledge the efforts **Marak Alliance** has been making towards boosting economic growth and development in Africa. The fact that the organisation has also been promoting U.S.-African cultural and economic relations, through programmes like this one, is worthy of commendation.

Though I will focus generally on the gains of the local content policy which was signed into law during my administration, I have elected to guide myself, by entitling my presentation; “**Local Content as a Driver for Technological Development**”. I believe that the benefits of the different perspectives being discussed at this forum will not only be of immense interest to key industry players back home, but will undoubtedly improve the oil and gas sector.

## **2. THE RESOURCE DILEMMA IN AFRICA**

Talking about home, Africa is known to be blessed with mineral resources; solid, liquid and gas. It is also blessed with arable land for agriculture and forest produce. But it still remains the poorest continent in the world because we have not been able to add substantial value to these resources. The continent's natural resources, forest and farm produce are exported raw and, by so doing, we export jobs and wealth to other countries.

In Nigeria, the oil rich Niger Delta region is characterized by activities around the petroleum industry which remains the mainstay of the Nigerian economy. According to the National Bureau of Statistics, the industry constituted 8.69% of the nation's gross domestic product (GDP) in 2017, while crude oil export still brought in about 90% of foreign exchange earnings.

Nigeria, before the local content law, had remained to a large extent, a source of mainly primary commodities, hardly adding value to the natural produce and mineral resources the nation exported. The sector lacked indigenous players to exploit the industry's massive value chain between exploration and the end products. Back then, about 90 percent of the equipment and personnel found in the industry were procured from outside the country.

The high technological and huge capital nature of the industry meant that the big oil players and their expatriate staff carried out most of the key functions.

There is no doubt that production and fabrication of equipment in the oil and gas industry deliver sizable sustainable jobs. And until a few years ago, only the multinationals had the capacity to invest huge sums of money in the industry. However, back then, two questions were pertinent. 1) What percentage of this investment went into the local economy? 2) Could we say that the oil industry had created the number of jobs commensurate with the income it was generating, particularly in the areas where these multinational companies were domiciled?

All these pointed to the fact that a deliberate policy and paradigm shift was needed for rapid industrialization in the oil and gas sector in Nigeria and in Africa.

### **3. MY EXPERIENCE IN CHINA**

My decision to sign the Nigerian local content bill into law without hesitation was informed by my experience in China in the year 2000. As Deputy-Governor of Bayelsa State then, I led a trade delegation to China. Being from the Niger Delta, we took interest in visiting some of the oil producing cities. One of such cities we visited was Daqing, which is regarded as the oil capital of China.

I recall that our host took us through a detailed history of the oil industry in China. One thing that struck my mind was that oil was discovered in China in 1958, two years after it was discovered in commercial quantity in Oloibiri, in the Niger Delta in 1956, by the same Western companies.

However, the difference was that four decades later, most of the in-country equipment, facilities and activities in the oil industry were produced in China while in Nigeria, the key needs of the industry were imported.

When I returned to Nigeria, I represented my Governor in a meeting on Niger Delta issues and the oil industry with the then President, Chief Olusegun Obasanjo. In that meeting, I briefed the President on my experience in China and the need to enact a law that would compel the oil companies to produce some of their required equipment in the country.

The President agreed in principle that it was a good idea, but noted that we should first develop our iron and steel industry. The thinking was that except that was done, the issue of local fabrication of equipment would have major challenges.

However, despite the valid points that he raised, I still envisioned a time in Nigeria when the multinational oil companies would align with policy changes that would promote indigenous companies and grow the local economy.

#### **4. THE BIRTH OF THE NIGERIAN OIL & GAS INDUSTRY CONTENT DEVELOPMENT ACT 2010**

I was the Vice President of Nigeria until 2010 when the late President Umaru Musa Yar'Adua took ill in the third year of our administration and I became the Acting President.

Within the first two months as Acting President, I was briefed by the then Minister of Petroleum Resources that a private member bill on local content in the oil and gas industry was in the offing in the National Assembly. The bill was pioneered by Senator Lee Maeba, a member of the National Assembly who incidentally is from the oil-rich Niger Delta region.

I instantly developed interest in this bill, guided by my experience in China and my personal convictions. Thus, on 29<sup>th</sup> March 2010, as Acting President, I signed the Nigerian Oil and Gas Industry Content Development (NOGICD) Act 2010 into law under two months as Acting President. I knew that the gains in local industrialization, human capacity development and enhanced technology that the Act and its implementation would bring to the country in the short and long term, would be revolutionary.

## **5. KEY TARGET AREAS OF THE NIGERIAN OIL & GAS INDUSTRY CONTENT DEVELOPMENT (NOGICD) ACT 2010.**

The Act defines Nigerian content as “the quantum of composite value added to or created in the Nigerian economy by a systematic development of capacity through deliberate utilization of Nigerian human and material resources in the Nigerian oil and gas industry.”

This covers all activities connected with the exploration, development, exploitation, transportation and sales of Nigerian oil and gas resources with regard to the development of indigenous capability without compromising quality, health, safety and environmental standards, for the overall benefit of the economy.

The policy also aims at the promotion of a framework for which local competencies in the oil and gas sector would be developed through the deliberate and active involvement of Nigerians, using local resources.

I am aware that the Nigerian local content Act 2010 is a document that is easily accessible, but I will briefly mention some of its key provisions and policy objectives.

First, it is meant to tackle the problem of insufficient value addition to the Nigerian economy, arising from the near lack of local capacity and capability in the oil and gas industry.

The Act provides in Section three that Nigerian indigenous service companies shall be given first consideration in the award of oil blocks and oil field licences.

Also, indigenous service companies which can demonstrate ownership of equipment, Nigerian personnel and capacity to execute work on land and swamp will receive exclusive consideration for work in those areas.

Section two of the Act clearly provides for a minimum level of Nigerian content in any project executed within the oil and gas industry, irrespective of whether the project is onshore, offshore or deep offshore.

Another interesting aspect of the Act is that section 16 also gives 100% Nigerian-owned companies, a ten percent price advantage over the bids of other companies. By implication, the bid of such an indigenous company would not fail or be disqualified solely on the basis that it is not the lowest bidder, if the value of its bid does not exceed that of the lowest bidder by more than 10 percent.

Section 25 of the Act provides for the establishment of project offices by project promoters and operators in catchment areas where projects are to be carried out. These offices are to be established before the commencement of the projects. This provision also has the capacity to compel contractors to utilize local skills.

The Act requires operators to support technology transfer through the establishment of joint ventures, strategic alliances/partnerships between international and local companies as well as the execution of licensing agreements.

A key area of the Act is Section 69 which provides for the establishment of a Nigeria Content Development and Monitoring Board (NCDMB) with the responsibility of implementing the provisions of the Act, make procedural guidelines and monitor compliance by operators within the oil industry.

Finally, Section 104 of the Act established the Nigerian Content Development Fund. This is a resource pooled from one percent of every contract awarded in the upstream sector of the industry and managed by the Board. The aim is to increase Nigerian content by addressing the challenges and improving access to funding for key industry players.

## **6. THE IMPACT OF NOGCID ACT 2010 SO FAR**

Despite some limitations, the gains from the implementation of the local content Act have been very visible in local capacity building for upstream and downstream operations. For instance, before the law the industry projected a value addition profile or percentage spending retained in Nigeria of less than 5%. Even then, this came in the form of taxes, royalties and rents. That figure has now been ramped up to about 32% through engineering design, fabrication, manufacturing and procurement, in addition to taxes, royalties and rents.



There has also been appreciable progress in skills acquisition in the industry, in line with the manpower development objectives of the Act. The pre-local content Act picture of limited skill sets which brought about the influx and dominance of expatriates in the industry, has been positively altered. Through training and strict adherence to streamlined regulation, there are more qualified Nigerians working in the industry now than ever before.

Thousands of Nigerians have been trained in technical areas such as geosciences, oil spill management, underwater welding, pipe mill operation, engineering design and fabrication.

Another positive development in this area is that Nigerians have developed the capacity to carry out most onshore upstream activities, just as many Nigerian companies involved in drilling activities are competing favourably with industry leaders. More than 38% of registered marine vessels currently belong to Nigerians, up from a time when indigenous operators could only boast of less than 10% ownership of the operating vessels.

There has also been a boost in the promotion of indigenous participation and the fostering of technological transfer as reflected in appreciable local growth in such technical areas as line-pipe mills, pipe coating, paint and cables manufacturing, as well as improved fabrication capacity. Only recently, one of Nigeria's indigenous oil servicing firms established a \$100 million fabrication plant in the Niger Delta region.

With this plant the local company intends to serve the fabrication and industrial needs of Nigeria and Africa, especially in the petroleum and power sectors.

Despite the roles research and development (R & D) play in industrial development, little or no attention was hitherto paid to this critical area in the oil and gas industry. The story changed after the R&D guideline and strategy, involving the participation of industry players, academia and government was developed, in the wake of the Act.

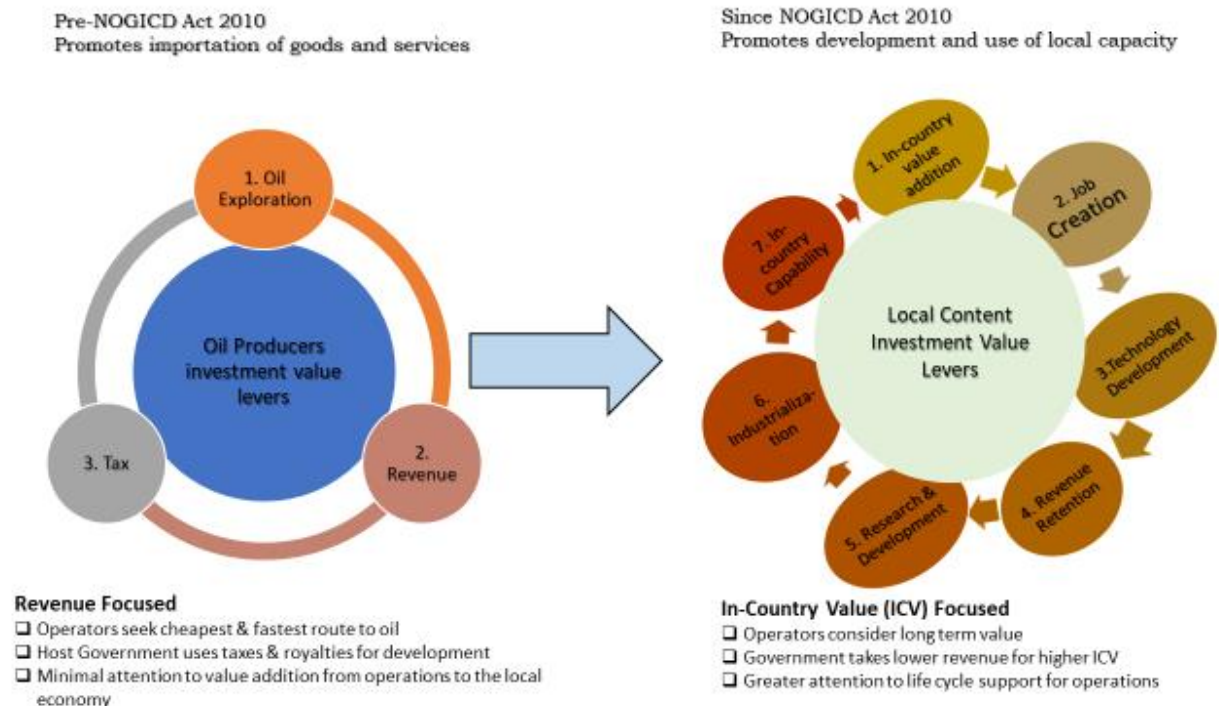
Local operators are now benefitting from the prevailing order where over 90% of contracts are awarded to Nigerian companies or foreign companies that are in partnerships with Nigerian firms. Before the local content law came on stream, less than 20% of contracts in the industry were conceded to indigenous companies.

Also, some international oil companies have been reviewing their interests in oil blocks and marginal fields by selling off some of their assets to Nigerian firms. It is instructive to note that the Act has ensured that no obvious gap was left in the industry because benefitting Nigerian firms have not only lived up to the task, but have greatly improved output. The outcome is that there are now more technically competent indigenous oil and gas companies with Nigerians constituting the majority of their workforce.

Although, the implementation of the local content policy recorded some successes as has been pointed out, there are still some limitations in the area of steel manufacturing for fabrication, as well as the local capacity in manufacturing for upstream and downstream operations.

Consequently, the industry can still do with further strengthening of the capacities of Nigerian operators as well as the inclusion of more indigenes of producing communities in the economic activities of the sector.

In the end, I can say that the local content legislation has greatly boosted Nigeria's technical know-how and its overall advancement. The policy has remarkably positioned Nigerian entrepreneurs as key players in the industry while their capacities and ability to raise capital and go into big partnerships with foreign technical partners have been greatly enhanced.



*Adapted from NG Content Future Concepts 2017*

## 7. THE WAY FORWARD FOR AFRICA

The impact of the local content Act is clearly evident in the significant progress recorded in local capacity utilization in the Nigerian oil and gas industry. The implementation of the Law has greatly boosted the push for industrialization in the country. I believe that Nigeria is utilising the increased application of the local content Act in its oil and gas

industry to stimulate investments that will positively transform other sectors of its economy, and create more jobs for the unemployed.

I am aware that the mileage already covered and successes recorded in the implementation of the Act in less than a decade have attracted local and international commendations. It has also excited the interest of some African countries that are already soliciting for the Nigerian content policy as a guide.

The local content policy is perhaps the missing link in Africa's search for viable processes and procedures that would strengthen the continent's economy across strategic value chains.

I strongly recommend the local content policy for all oil and gas producing African nations because of its in-country positive impact on the development of local technology, employment generation and capacity to promote value addition, industrialisation and overall expansion of the economy.

In this regard, African leaders must focus on private sector-driven solutions that would enhance in-country value additions. They must invest in the value chain and sectoral linkages of the oil & gas and other industries to increase technological development, production and manufacturing.

And while they are doing that, African leaders must pay special attention to manpower development through quality education, training and research in areas of need to give local content through quality Industrialization, a great push.

For Africa to truly develop in a sustainable manner, leaders must make conscious efforts to ensure that the education curricula of various countries are radically redesigned to produce skills relevant to the economic needs of the 21<sup>st</sup> century.

## **8. CONCLUSION**

By its nature, the local content policy was designed to stimulate local production and industrialization by leveraging linkages in the petroleum industry and other sectors of the economy to boost employment and production.

In closing, I will say that the local content Act has galvanised and transformed the entire oil and gas industry in Nigeria into a very vibrant sector with enhanced capacities in technological development, interventions and innovations. I believe that the local skills, capacities and creativity developed for the oil industry can easily be adapted in other sectors of the economy such as ICT, agriculture, transportation, power, health and overall manufacturing.

We have got to the point where we can safely say that the oil and gas sector in Nigeria decisively forms the pivot for the acceleration of the country's industrial growth. I believe that with consistency and unwavering commitment in the implementation of the law, the industry will continue to grow and more values can be achieved in the economy.

Lastly, Africa needs to build competences and cultivate knowledgeable manpower that would revolutionize the continent's technological advancement. Both the public and private sector should invest more in qualitative education, especially in the areas of science and technology, as a means of deepening growth and economic development.

That way, we can control the processes of exploration and exploitation of resources across the entire value chain of the petroleum industry and other sectors of the economy.

Thank you.