



AFRICAN NATURAL RESOURCES CENTRE (ANRC)

Effective Local Content Policies for optimizing development outcomes in the African extractive sector

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02 May 2018, Local Content Seminar, Houston, Texas

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Africa Rising Narrative



”By providing greater support to SMES and supporting industrialisation in Africa to move countries up the global value chains ladders, we will be able to create much needed jobs that will keep young Africans on the continent”.

Akinwumi Adesina, President of the African Development Bank Group

High 5



Lending operations

Economic Governance
& Knowledge

African Natural
Resources Centre

Renewables

Extractives



Vision
2063

AFRICA MINING VISION

Good governance

improved economic impact
citizens

Preservation inter-generational
benefits

Desired outcomes

STRATEGIC DIRECTION



Vision

Regional Member States with capacity to improve development outcomes from natural resources.

Desired outcome

Good governance, improved economic impact on citizens and preservation inter-generational benefits.

Scope

Renewables Non-renewables

- | | |
|--------------|-------------|
| • Water, | • Minerals, |
| • Land, | • Oil, |
| • Fisheries, | • Gas. |
| • Forestry. | |

Interventions

Capacity building

- Policy advice,
- Advocacy,
- Knowledge building,
- Technical assistance.

STRATEGIC DIRECTION

Integrated Resources Development

- **Resources planning**
(Resource corridors)
- **Resources conservation**
(Illicit trade, desertification)

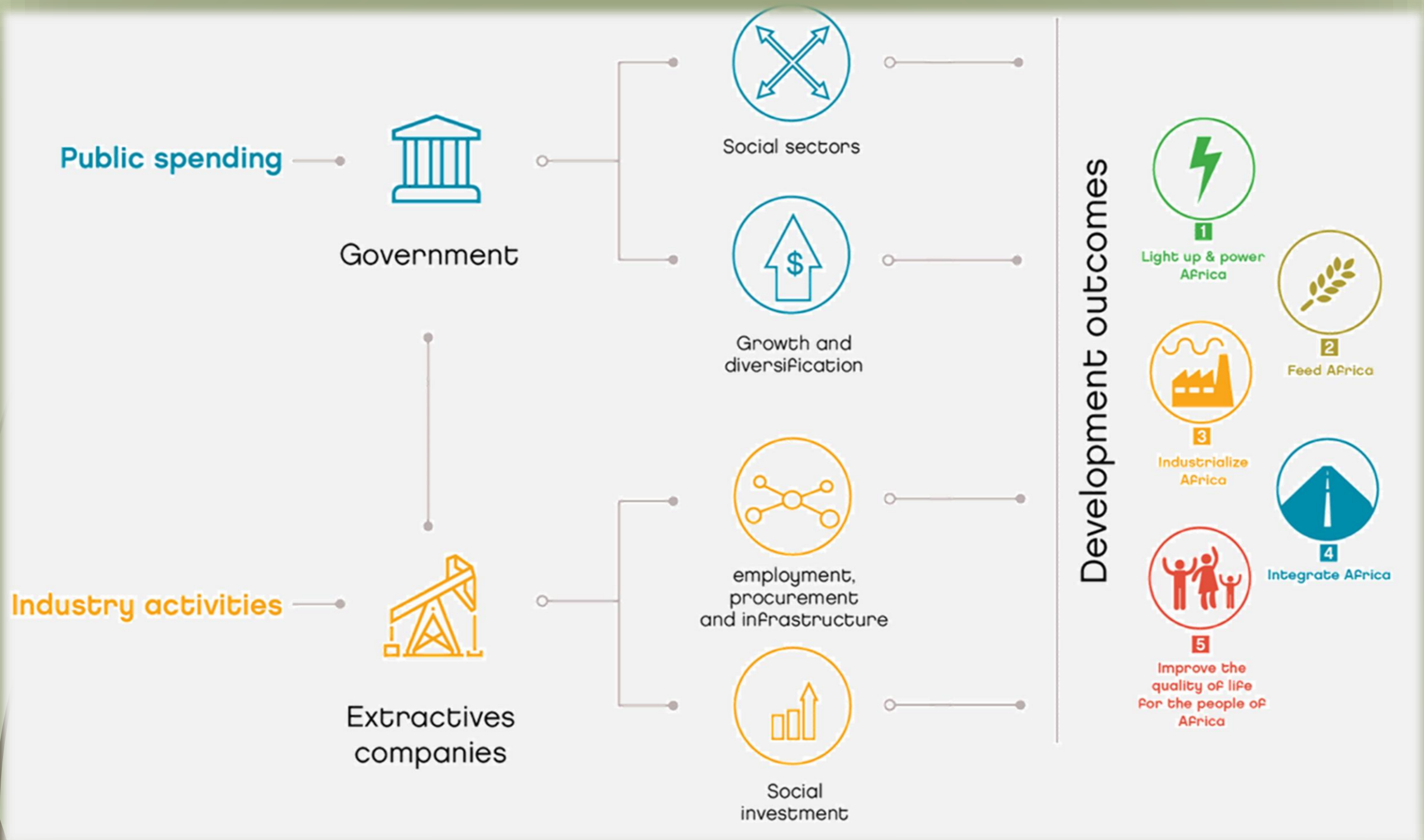
**Green
economy**

Good Governance of Natural Resources

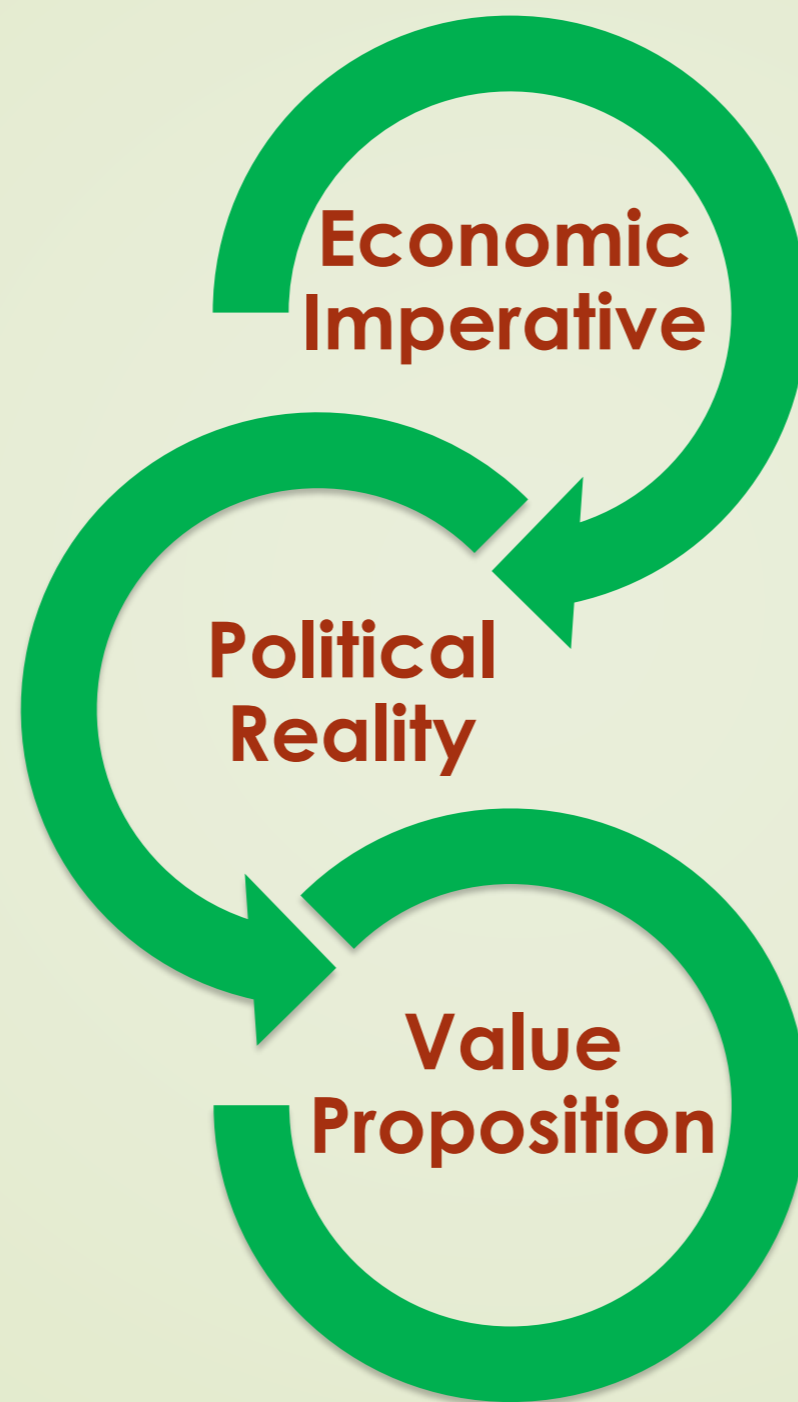
- **Transparency & public participation**
- **Negotiations**
- **Local content**

**Economic and social
value enhancement**

FROM NATURAL RESOURCES TO DEVELOPMENT



CHANNELS FOR IMPACT ON HUMAN





TAXONOMY OF LOCAL CONTENT

Companies may therefore be considered as local if (a) they are locally based and locally owned; (b) locally based but foreign owned; or (c) locally owned but foreign based. The following criteria are frequently used in various definitions of LCR.

- **Ownership**, notably requiring foreign firms to enter into joint ventures with local firms or to open equity to local partners to obtain licenses.
- **Local procurement and preferences** given to sourcing from local companies, as an opportunity to localize supply chains where varying technologies and inputs are needed and used.
- **Local employment** at different stages of the value chain and of different levels of competencies.
- **Technology or perform research and development (R&D)** in the country so that companies can perform competitively by using latest state-of-the-art technology, or for local companies to benefit from technology transfer.



TAXONOMY OF LOCAL CONTENT

Local Content Requirements are :

- ✓ Articulated in policy frameworks or codified in related regulatory instruments.
- ✓ Found in legislations, contracts, license agreements, conditions for tender qualifications, etc.
- ✓ Two types of approaches:

Impose quantitative requirements on companies in terms of volumes or value for example:

- Number of staff to be employed
- Number of contracts to be awarded to local suppliers
- Percentage of spending on local procurement, etc.

Tend to be binding on companies, pending penalties

Based on qualitative requirements for example:

- Transfer of technology
- Training of staff

**May contain loosely defined targets
Non-binding**



ANRC's DEFINITION OF L/C

Contextual Definition

A **framework** aimed at **optimizing the economic value** derived from the development of natural resources through **domestic linkages** while giving regard to:

- Country's vision for the sector,
- Country's development goal,
- Trade competitiveness,
- Economics of the natural resource projects,
- Project commercial viability,
- Managing Expectations.



Practical Definition

A combination of considerations of the scope **locality** and nature of **content** being pursued.

OVERVIEW ANRC L/C WORK



The Center's advisory work on L/C interventions is demand driven

Focus on new and emerging petroleum producing countries where

- The L/C legislation is at early development phases
- There is an opportunity to add value and make change

Different channels, financing options:

- through the bank's operational departments
- Center administrative budget
- In partnership with CSOs, think-tanks and the private sector (new trend..)

Analytics



Stakeholders consultations



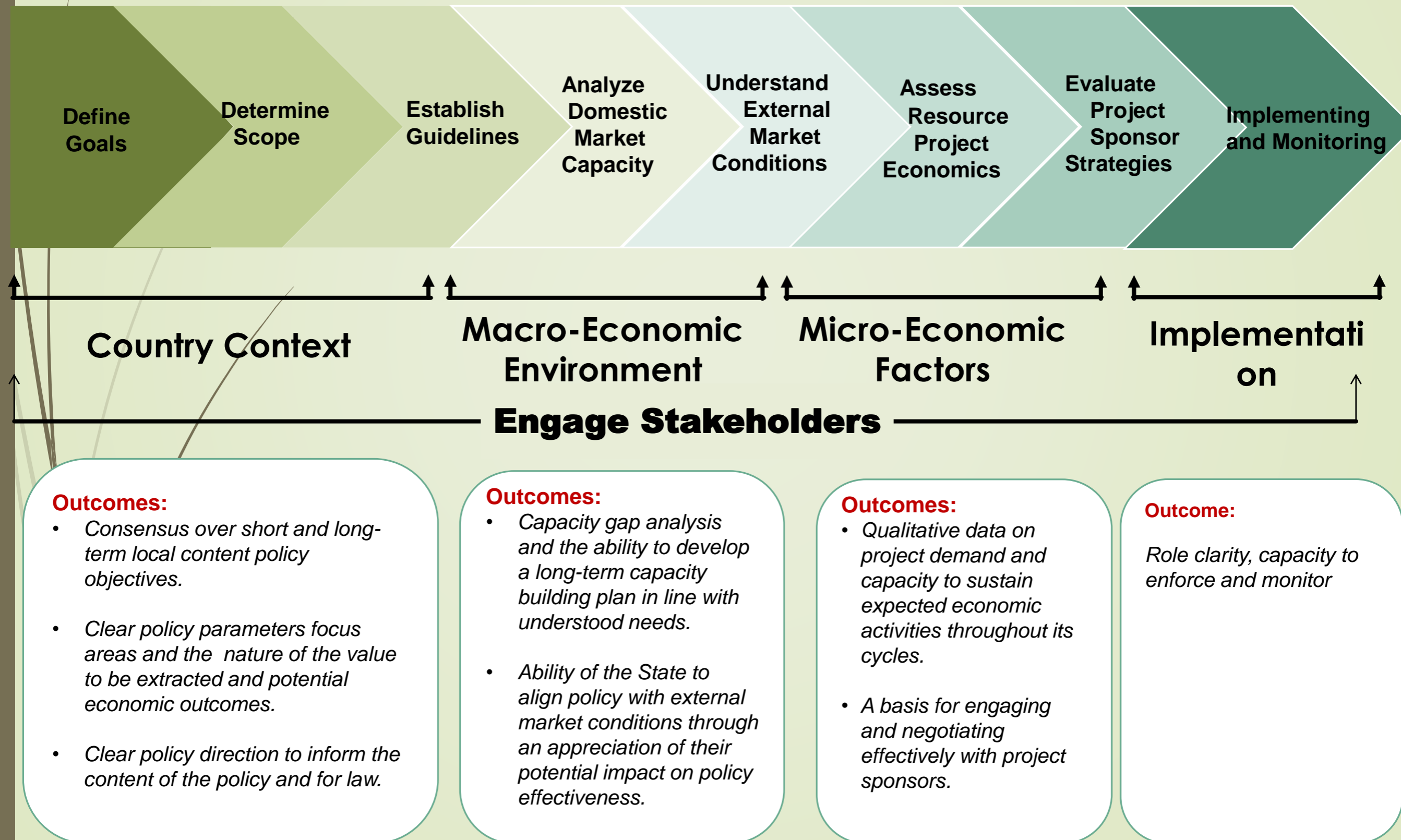
Validation Seminar



Dissemination and advocacy



Step-by step guide for local content policy formulation and implementation





OVERVIEW ANRC L/C WORK

A. Development of a framework for L/C policy for the mining sector in Zambia

Scope:

- Review of Zambia's long term development goals to evaluate their impact on local content development
- A review of previous local content initiatives covering many of the studies that have been previously undertaken, their scope and recommendations
- Proposal of a framework to address weaknesses that hinder local content development.

B. Design of Local Content Strategy for ENH (National Gas utility, Mozambique)

Scope:

- Domestic and International Market Survey
- Mapping of goods and services demand/supply for Natural Gas Value Chain (including LNG value chain)
- The petroleum policy mandates that 25% of the gas production be allocated to local markets.
- The study is expected to inform ENH Local Participation Strategy and the National local content law



OVERVIEW ANRC L/C WORK

C. Local Content Situational Analysis in Tanzania in the Mining and Gas Sectors (2016)

Scope:

- Gather information available both publicly and privately about legislation, policies, and key stakeholders and their role:
- Examine previous public and private work on skills gaps and supply chains.
- Make key recommendations based on the gaps identified

Findings:

- The reports identifies 6 key issues:
 - gaps in the legal framework for regulation,
 - Issues with a supplier database,
 - SME and enterprise development centres
 - addressing the lack of capital for Tanzanian entrepreneurs,
 - support and prioritization for larger industries, and
 - soft vs hard local content regulations.

D. Institutional Support Project – Domestic Resource Mobilisation

- Road map for the development and implementation of a local content policy (2017)
- Study of the supply chains in the mining and gas sector
- Monitoring system to track progress by local SMES in the extractives sector

DISCUSSION

