Local Content Policy Frameworks in the Extractive Sector in Africa

Concept Note

I. Introduction and Context

Africa is a top producer of several non-renewable natural resources in the world but unfortunately, most of these extractives are exported without significant value-addition on the continent. They have created an “enclave” sector that is poorly linked to the rest of the economy. It has failed to foster upstream, sidestream and downstream investments that should promote a broad-based economic transformation, create opportunities and industries that add value to the primary commodities. Exploitation is highly capital intensive, employing relatively few people, relying mostly on imported inputs, is often oriented toward export markets, and a conduit for illicit financial outflows. The result is less diversified and commodity-dependent economies. According to the World Bank (2012), poverty rates in resource-rich African countries have generally fallen at a slower pace than those in countries without resources. Many countries in Africa suffer from this Resource Curse paradox widely documented in the literature, where countries with abundant natural resources tend to register lower economic growth than those without these natural resources.

Recently, the African Union, in its Common African Position (CAP) on the post-2015 Development Agenda, reechoed these concerns “… that the benefits of Africa’s resources have been concentrated in a few enclave sectors and limited to narrow segments of society, thus exacerbating poverty, inequality and fragility”

There have been a number of initiatives in Africa to reverse the resource curse to a resource blessing and manage natural resources judiciously to transform the continent; for example, the Mining Chapter of NEPAD, the Lagos Plan of Action, SADC Mineral Sector Program, etc., but none has had any significant impact on any of the countries or sub-regions concerned. However, the adoption by African Heads of State of the African Mining Vision (AMV) in 2009 is seen as an important milestone in this direction. The AMV is an African initiative – a clear demonstration of African Agency. It advocates for a transparent, equitable and optimal exploitation of mineral resources to underpin development, and promotes local processing and value addition of raw materials to build human, financial, and institutional capital that can outlast the exhaustible resources. It calls for an improvement of the value chain and diversification of economies to reduce dependence on natural resources.

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1 TrustAfrica is running a specific project aimed at stemming the tide of illicit financial outflow of from Africa – more information about this project on our website
An equally significant development in some countries of late has been the enactment of local content policies (LCPs) especially in the oil and gas industry. Local content is defined differently in different countries and contexts, but generally refers to the extent to which the exploitation of a natural resource benefits the economy in terms of local enterprise and workforce development, through upstream, downstream, and sidestream linkages. What is new is not the LCPs themselves, but their overarching nature and legislative process involved, which provides a new and exciting platform for non-state actors to engage with the government and the extractive companies. LCP frameworks are slowly becoming the vehicle of choice as countries strive to maximize the benefits of the extractive industry. Nigeria enacted the Oil and Gas Industry Content Development Act in 2010, while the Ghanaian Local Content and Local Participation Bill was passed in 2013; others like Liberia, Uganda and Kenya are in the process of elaborating theirs. As of now (to the best of our knowledge), there has been no formal independent evaluation of the impact of LCP frameworks in the countries that have enacted them.

Given the traction that the LCP framework is gaining in Africa, and the support it is receiving from foreign partners, we expect many resource-rich nations to join the process soon. It is also likely that the LCP concept will soon extend to the mining industry, especially as it broadly aligns with the African Mining Vision. Is the enactment of local content policy frameworks the game-changer for Africa to use its non-renewable natural resources for transformation, or would it be another missed opportunity? It is within this background that TrustAfrica, in its mission to foster broadly shared prosperity, is organizing an international conference to concert with partners and key stakeholders in this rapidly evolving policy area. It’s an opportunity to interrogate the role of other actors beyond the state and the extractive companies in this transformative agenda.

II. Goal and Objectives of Convening
The overall aim of the convening is to examine how LCP arrangements can enhance the transformative impact of the extractive industry and how non-state actors can contribute to this process.

The convening is expected to achieve the following specific objectives:

a. Bring together key stakeholders in the extractive sector in Africa and beyond to deliberate on the role of LCP frameworks in enhancing linkages with the rest of economy to promote inclusive and transformative growth in Africa
b. Promote networking and experience-sharing among stakeholders and begin building a platform for non-state actors to engage with governments and extractive companies
c. Set the stage for an annual event on LCP and the extractive sector in Africa, to be driven by TrustAfrica and its partners
d. Identify mechanisms for improving MSME involvement in extractive industry value chain to broaden its impact

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4 The local content concept is not new and precedes the AMV. It’s an extension of government intervention in the extractive sector to broaden the benefits to the country. The creation of national petroleum companies in many oil producing countries was part of a local content initiative, and contracts with extractive companies have included local content elements. Angola also has a series of texts, degrees and laws that address local content issues, but has not yet consolidated them in a single law as in Nigeria and Ghana of late.
III. Conference Program
The conference program to be distributed at a later date will revolve around the following themes and issues:

- The conceptualization of local content as a framework for enhancing linkages and broadening the impact of the extractive sector on the economy
- The design, implementation monitoring and evaluation of LCP frameworks – actors, challenges, opportunities and lessons. How consultative and participative is the design of LCPs, and what is the monitoring and evaluation plan?
- Issues arising from the implementation of LCP frameworks in some countries, and their impact on local enterprise development; especially MSMEs
- The role of non-state actors, movement building and advocacy in the success of LCP frameworks in the transformation agenda of extractive sector and the development of a community of practice

The conference will comprise plenary sessions with keynote speakers, and panel discussions.

IV. Expected Outcome
- Better understanding of the extractive sector and how to increase its transformative impact on the economy through LCP frameworks
- Mapping of the key areas of involvement by non-state actors in the LCP Process
- A loose network of stakeholders to engage regularly with extractive industry and government on the design and implementation of LCP frameworks – engage on information sharing and activities on the extractive sector in Africa

V. Conference delegates
TrustAfrica will invite key stakeholders in the extractive industry from Africa and beyond to attend this important event; including policy makers, Foundations, CSOs, think tanks, the private sector (especially extractive industry actors and business member associations), international organizations, the media and the academia.