



SPOTLIGHT ON KNOWLEDGE: OIL AND GAS: LOCAL CONTENT

Current trends in local content policies in Latin America and Africa for policy making in the oil and gas sector

- ▶ **Cyril I. O. 2010. The petroleum industry: A paradox or (sp)oilier of development?, *Journal of Contemporary African Studies*, 28(4) 443-457.**

The paper discusses Nigeria's oil and gas sector and how it has shaped the country's political economy. The mismanagement of the oil and gas sector in Nigeria has contributed to failure to benefit from the sector. Also important is the fact that the oil and gas economy has influenced the nature of governance in Nigeria. The paper recommends reforms in the oil and gas sector for the country to be able to benefit from the sector.

- ▶ **David M. A., Browne, A. J. 2011. The politics of oil in Eastern Africa, *Journal of Eastern African Studies*, 5(2) 369-410.**

The paper discusses the development of oil and gas sector in Eastern Africa (Uganda, Kenya, Tanzania, Somalia, Somaliland, Punt land and Ethiopia), which were considered risky areas to invest in, but have become lucrative due to the changing political economy of the world. The dwindling resources and the increased high prices have made the region attractive to investors in the oil and gas sector. However insecurity in the area could hinder development and benefits from the oil and gas sector. The paper predicts that increased discoveries in the region will not only change the economies of the region but also will have an impact on the geo-politics of the region including the relationship between the different countries.

- ▶ **Dietsche, E. 2014. Diversifying mineral economies: conceptualizing the debate on building linkages. *Mineral Economics*, 27(2-3) 89-102.**

This journal article presents three key questions that have conducted the debate on minerals and development during the last 35 years. These questions are "how to attract the foreign investment", "how to



avoid the resource curse” and “how to build linkages”. The document emphasizes the role and responsibility of the industry in the answering of these three interrogations, focusing on the conceptualization on the debate of the third question.

- ▶ **Esteves, A. M., Barclay, M.A. 2011. [Enhancing the benefits of local content: integrating social and economic impact assessment into procurement strategies](#). *Impact Assessment and Project Appraisal*, 29(3), 205–215.**

This paper focuses on the strategies and actions adopted by small and medium enterprises in the oil and gas sectors in order to enhance their participation in the supply chains of multi-national corporations. The paper states that beyond the possible benefits of local procurement, there is literature on the social and economic consequences (positive and negative) that derive from an increase on local procurement. The authors propose the use of social and economic impact assessment (SEIA) as a strategy to enhance the long-term socio-economic benefits of mining, oil and gas projects for communities and regions.

- ▶ **Esteves, A. M., Coyne, B., Moreno, A. 2013. [Enhancing the subnational benefits of the oil, gas and mining sectors](#). Revenue Watch Institute, New York.**

This paper was developed by the international nonprofit organization Natural Resource Governance Institute (former Revenue Watch Institute). The report contains a guide for the design and implementation of local content initiatives in the oil, gas and mining sector prioritizing the cooperation between the government, the companies and the civil society organizations. In addition the document describes some cases of local content where there is evidence of cooperation between the stakeholders. The paper concludes that building consensus and multi-stakeholder dialogue are key factors for local content initiatives.

- ▶ **Obeng-Odoom, F. 2014. [Measuring What? “Success” and “Failure” in Ghana’s Oil Industry](#), *Society & Natural Resources: An International Journal*, 27(6), 656-670.**

This paper looks at Ghana’s oil and gas sector and how issues of success and or failure in the sector can be measured. It looks at institutions that are mandated to implement different policies in the oil and gas sector and how these institutions can make (or fail to) a difference in the management of the oil and gas sector. The paper discusses the huddles that Ghanaian institutions have to overcome to deliver success in the oil and gas sector. Furthermore, the paper discusses issues of job creation in the oil and gas sector.



It highlights the fact that focus on the oil and gas sector has a potential to kill other sectors which creates unemployment in the other sectors.

▶ **Fundación Jubileo 2014. *Impacto Económico Local de las Industrias Extractivas Caso: Bolivia.* Fundación Jubileo, La Paz.**

This is an unpublished report produced by Fundación Jubileo, a civil society organization from Bolivia. In this document, Fundación Jubileo describes the situation of local content in Bolivia, through the analysis of the legal framework and the companies' practices. As result the investigation concludes that in Bolivia there is not a specific legislation for local content in extractive industries. The report also includes two local case studies from a mining and oil company.

▶ **Grupo FARO 2014. *Impacto económico local de las industrias extractivas – Ecuador.* Grupo Faro, Quito.**

This is an unpublished report produced by Grupo FARO, a Think Tank based in Ecuador. The document briefly describes the situation of local content practices in Ecuador. Furthermore, the report includes two case studies of oil companies located at the Amazon region. In this sense, citizens that live in the areas influenced by the projects were interviewed. To complement the local analysis, there is a compilation of the legal framework of the oil and mining sector in Ecuador.

▶ **Hanlin, C. 2011. [The drive to increase local procurement in the Mining Sector in Africa : Myth or reality?](#) MMCP Discussion Paper No. 4. Making the Most of Commodities Programme (MMCP)**

This paper emphasizes the importance of the life cycle of a mine (design, construction and operation) in the implementation of local procurement. The document develops a summary of the factors that directly impact the procurement process, in each phase. In addition, the paper has a case study section with three examples of local procurement practices in international mining companies.

▶ **Heum, P. 2008. [Local Content Development - experiences from oil and gas activities in Norway.](#) SNF Working Paper No. 02/08. Institute for Research in Economics and Business Administration. Bergen.**

The document is a working paper developed with the support of NORAD and it is based on the experiences drawn from a conference and workshop regarding the mechanisms through which Ghana can ensure that recently found natural resources benefit the whole Ghanaian society. The document presents an overview



of Norway's oil and gas sector accompanied by the institutional structure and policy measures that have ensured Norway's success managing its natural resources. The general lessons sections is specially useful since it provides with a general overview of this case study. Guidelines related to the application to local content policies are also available in this document.

- ▶ **Heum, P., Kasande, R., Ekern, O., Nyombi, A. 2011. [Policy and Regulatory Framework to Enhance Local Content](#). Working Paper No. 02/11. Institute for Research in Economics and Business Administration. Bergen.**

This working paper focuses on the elements within the design of a policy to enhance national participation in the local oil and gas industry. In the same way the document discusses the essentials factors, based on international evidence, to transform the resources from extractive industries in a real benefit for the country. One of the important conclusions of this working paper is that even a successful policy of local content is not sufficient to generate sustainable wealth and prosperity in any country.

- ▶ **Heum, P., Quale, C., Karlsen, J. E., Kraha, M., Osahon, G. 2012. [Enhancement of Local Content in the Upstream Oil and Gas Industry in Nigeria: A comprehensive and viable policy approach](#). SNF Working Paper No. 25/03. Institute for Research in Economics and Business Administration. Bergen.**

The paper presents theoretical insights related to the enhancement of industrial development and experiences from private sector development in connection with the upstream oil and gas industry in Norway. The purpose of the study is to asses and identify mechanisms of increasing the capabilities of Nigerian supply and services companies based on petroleum activities. The authors highlight the importance of developing businesses that can compete (nationally and internationally) for contracts and can also have "positive spin-offs" in non-petroleum based industries.

- ▶ **IPIECA. 2011. [Local content strategy: A guidance document for the oil and gas industry](#) The global oil and gas industry association for environmental and social issue, London.**

This document is a guideline for the implementation of local content strategy on oil and gas projects elaborated by IPIECA, the global oil and gas industry association for environmental and social issues. The report focuses on four key factors to successfully achieve local content objectives. The report can be used during the research since it presents a different approach focused on a private perspective.



- ▶ **Ihua, U. 2010. [Local Content Policy and SMEs Sector Promotion: The Nigerian Oil Industry Experience](#). *International Journal of Business & Management*, 5 (5) 3–13.**

The paper examines the characteristics and implications of Nigeria's local content policy based on case studies of indigenous small and medium enterprises. The authors claim that LCPs have not yet achieved increased participation of local companies and transference of technology as they should. The main results show that contracts awarded to existing local companies increased with the existence of LCPs, however it does not necessarily mean increased participation of new companies. While this paper focuses specifically on the case of Nigeria, important aspects and tendencies for resource-rich countries can be identified.

- ▶ **Jegedea O.O., Ilorib M.O., Sonibarec, J. A., Oluwaleb. B. A., Siyanbola, W.O. 2013. [Knowledge Sharing and Innovation as it affects the Local Content in the Oil and Gas Industry in Nigeria](#). *African Journal of Science, Technology, Innovation and Development*, 2013 5(1) 31–38.**

The paper focuses on why local content approaches in the oil and gas in Nigeria have failed to develop indigenous companies. The paper adopts a definition of local content that focuses on the quantum composite value added or created in the economy through the utilization of local human and material resources for the provision of goods and services to the petroleum industry. It highlights the challenges faced by Nigeria in developing a local economy through participation in the oil and gas sector. The study found lack of skills, limited technology and lack of capacity as some of the major hindrances to involvement of indigenous companies in the oil and gas sector to exploit the local content opportunities.

- ▶ **Jesse S.O. 2012. [The dual nature of local content in Angola's oil and gas industry: development vs. elite accumulation](#). *Journal of Contemporary African Studies*, 30 (3) 395–417.**

The paper discusses Angola's approach to local content in the oil and gas sector. Angola's local content policy has led to the development of two separate and distinct outcomes, one where there is a strong middle class comprised of a small proportion of society that has benefited from the oil and gas sector and another where the majority of the people are poor and lack basic services. Local content in Angola has failed to result into national development but rather has resulted into elite accumulation of wealth and social economic imbalances in the country. The study recommends that successful local content strategies should focus on limiting the likely imbalances created by local content strategies and ensure equitable distribution of resources.



- ▶ **Kazzazi, A., Nouri, B. 2012. [A conceptual model for local content development in petroleum industry.](#) *Management Science Letters*, 2(6), 2165–2174.**

This paper explores the definition and the implications of “local content” in the extractive sector. The authors define local content as the value-added generated at the local level (country level). The authors propose a conceptual model for local content development in the petroleum industry by identifying factors that could shape the success of local content policies. Mentioned factors include local policies (public policies, industrial policies), local infrastructure, local environment and local capabilities. The study proposes that the performance and inter-relationship between these factors contribute to the promotion of the local petroleum sector.

- ▶ **Levett, M., Chandler, A. E. 2012. [Maximizing Development of Local Content across Industry Sectors in Emerging Markets.](#) Center for Strategic and International Studies, Washington D.C.**

This document analyzes three cases of local content practices in three different economy sectors. The sectors analyzed include Angola (extractive project), South Africa (tourism) and Ecuador (agriculture). The report focuses on the benefits of applying local content practices for private companies.

- ▶ **Martínez, M. 2014. *Impacto Económico Local de las Industrias Extractivas en Colombia.* Bogotá.**

This report was developed by a Colombian civil society organization named Foro Nacional por Colombia. It describes the situation of local content in Colombia including a compilation of its legal framework. The report also includes case studies about local content practices of private and public companies.

- ▶ **Nelson, M., Zazzaro, V. 2013. *“O Petróleo É Nosso!” (The Oil Is Ours): An Investigation of Brazil’s Petrobrás.* Wesleyan University. Honors Theses - All. Paper 1130. Wesleyan University, Connecticut.**

This document represents a doctoral thesis that explores the role and evolution of the Brazilian National Oil Company (NOC) Petrobrás and compares the Brazilian petroleum sector with countries such as Norway and Venezuela in order to understand the factors that allow the developing of successful NOCs. Additionally, the document describes a detailed explanation of the actual performance of Petrobrás, including the promotion of local content.



- ▶ Nordas, K. H., Vatne, E., Heum, P. 2003. [The upstream petroleum industry and local industrial development: A comparative study](#). SNF Working Paper No. 08/03. Institute for Research in Economics and Business Administration, Bergen.

This report analyses the lessons of the five oil-exporting countries Brazil, Indonesia, Malaysia, Mexico and Norway focused on the generation of industrial development in Nigeria. The main recommendations of the study focus on the role of the National Oil Company (NOC), the relation of the NOC with oil majors and the industrial policy including local content.

- ▶ Tordo, S. 2011. [National oil companies and value creation](#). World Bank Working Paper 218. World Bank, Washington D.C.

Tordo explores the role of National Oil Companies (NOCs) related to value creation. The author states that NOCs control approximately 90% of the world's oil reserves and 75% of production. In this sense, the existence of NOCs cannot be separated from a country's economic performance. The author explores the factors that influence the establishment of a NOC, mainly focusing on social value creation as a way to create benefits or reduce costs for society in ways that go beyond the maximization of the financial return on investment derived from the exploitation of the resource.

- ▶ Tordo, S., Anouti, Y. 2013. *Local Content in the Oil and Gas Sector: Case Studies*. World Bank, Washington, D.C.

In this book, the authors explore the application of local content policies in various contexts. The document provides with valuable insights regarding structural content and background for 5 countries: Angola, Brazil, Indonesia, Kazakhstan and Malaysia. Each case study presents an overview of the country's economic situation, taxation regime, population, business environment and characteristics of the petroleum sector. Additionally, it presents the local content policies applied in each case and evaluates their effectiveness. These case studies were used as a basis for the book also authored by Tordo (*Local Content Policies in the Oil and Gas Sector*, 2013).

- ▶ Tordo, S., Tracy, B. S., Arfaa, N. 2011. *National Oil Companies and Value Creation: Case Studies (Vol. II)*. World Bank, Washington D.C.

This report developed by the World Bank is the second of three volumes that analyzes the current situation of National Oil Companies from different countries focusing on the generation of value added. The countries



included in this analysis are: Colombia, Kazakhstan, India, Venezuela, Mexico, Brazil, China Malaysia, South Africa, Thailand, Algeria and Norway. The document represents a key input to the research since it focuses on the local content topic with an approach on NOCs and hence could bring recommendations to NOCs from Latin America and Africa.

▶ **Tordo, S., Warner, M., Manzano, O., Anouti, Y. 2013. [Local Content Policies in the Oil and Gas Sector](#). World Bank, Washington D.C.**

This book edited by the World Bank shows an overall view on the theory and practice of local content. The document offers a valuable view on the possible implications and applications of local content based on the experience of 33 countries. The authors use a definition of local content based on the existence of forward and backward links and discuss the relevance of the application of local content practices alongside the value chain. It is particularly interesting the analysis of different types of local content policies in Chapter 3, which provides with a valuable starpoint to evaluate local content options.

▶ **Wilson, T. Fofaria, A. 2014. [Africanisation: Local content and the evolving investment reality](#). Africappractice and Pinsent Masons**

This paper discusses the movement for local content in resource extraction in Africa "Africanisation". It highlights the purpose of most local content policies and laws in Africa i.e. creation of employment, technology transfer, education and service provision, however many policies have failed to achieve the desired goals. The paper discusses the challenges of balancing local content and investment where many countries look at one and ignore the other. There is often a difference between local content requirements and local investment realities that may hinder achievements of the local content policy objectives. The paper recommends inter-sectorial linkages as a better option to addressing issues of local content and avoiding sector dependence. existence of forward and backward links and discuss the relevance of the application of local content practices alongside the value chain. It is particularly interesting the analysis of different types of local content policies in Chapter 3, which provides with a valuable starpoint to evaluate local content options.



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