THE ROLE OF LOCAL CONTENT POLICIES IN NATURAL RESOURCE-BASED DEVELOPMENT

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INTRODUCTION

The now-waning global commodities boom sparked important new discussions on the role of natural resources in promoting economic development. As Nem Singh and Bourgouin (2013) write, the boom has led many to recast debates about natural resources and development. Oil, diamonds, copper and various other commodities had dominated many of African economies for a long time. In the case of petroleum, a select few African countries had been earning massive revenues from petroleum resources since the 1970s. Nigeria in particular has received hundreds of billions of dollars in the form of rents, royalties and taxes. However, petroleum also provided a major revenue stream for Angola, Gabon, and Equatorial Guinea.

Commodity extraction and commodity revenues have made little positive impact in the lives of most people in these countries. For this reason, there has been growing recognition in the past decade that commodity extraction alone cannot fuel economic development, but that broader policies are needed in order to foster diversification, linkages and spillover effects to the local economy. In order to achieve these objectives, a growing number of countries are implementing local content policies (LCPs).

Local content promotion has integrated itself into the international oil industry in ways that a decade ago would have seemed quite unlikely due to the hegemony of neoliberal economics. Today, the concept has currency well beyond Africa. It is on the agenda for countries from Brazil, Mexico and Chile to Oman, Kazakhstan and Indonesia. Major oil industry conferences such as the Global Local Content Summit[1] and the Global Local Content Council's 'NOCs and Governments Summit'[2] compete to attract delegates from government agencies and multinational corporations willing to pay thousands of dollars per person in registration fees so they can learn about the latest trends.

Local content polices require foreign or domestic investors to source a certain percentage of intermediate goods or inputs from local producers. Often, the legislation or regulations implemented foresee a gradual increase of the percentage of inputs that needs to be sourced locally (Kuntze/Moerenhout 2013). The most important objective of local content requirements is to develop and support local manufacturing and service provision through backward, forward and sideways linkages along the value chain[3]. LCPs work by encouraging and/or requiring exploration and production firms to use local companies for the procurement of goods and services and multinational oil service companies to domicile economic activities in the countries of extraction. Physical and human capital development are also central to LCPs as they stress that it is not trade but the accumulation of physical and human capital that is fundamental for economic growth.

Oil and gas is a typical example of an enclave sector in Africa. Employment opportunities were limited and many jobs required foreign workers with particular skills and experience.[4] The main impacts for people who lived in oil-bearing communities were negative in the form of expropriation of land, pollution and loss of livelihoods. The tendency toward corruption, conflict and low levels of growth produced the now-familiar notion of 'resource curse' (Auty 1993; Karl 1997; Ross 2001, 2012). In the past decade new attempts have been made to adopt local content policies in order to counter the resource curse and increase the utilisation of national human and material resources in the petroleum sector and domicile oil and gas-related economic activity in-country that was previously located abroad.

Despite the small number of jobs available in oil and gas, the large number of goods and services needed for oil exploration and production offer numerous possibilities for employment. The oil and gas industry can only contribute to meaningful development through a combination of both appropriate investment of revenues and the development of productive linkages between the oil and non-oil economies. Taken together, these two approaches offer the possibility of petro-development in Africa (Ovadia 2015).

The global commodities boom, the oil and gas boom in the Gulf of Guinea and across sub-Saharan Africa and

the concerted efforts of Angola and Nigeria as well as Norway, Brazil and others, have helped put local content on the global policy agenda. While investment rises and falls with the fluctuating price, oil and gas is an industry that will most certainly continue to be important to African development. Even offshore oil in Africa is price competitive with shale oil and other forms of extreme energy exploration – in the arctic or Canada's tar sands for example. Additionally, African oil is much higher quality than other forms of oil, making the costs of refining much lower. Oil extraction is a highly capital-intensive activity. Retaining even a small portion of this investment through LCPs can have an enormous impact because LCPs produce developmental outcomes regardless of commodity prices as long as resources continue to be extracted. The continued benefit occurs because the same costs and services are required whatever the price as long as production continues. They are a powerful tool for economic diversification and job creation, which are two of the most important objectives for most African states.

This article therefore argues that while proper investment of the rents, royalties and taxes from resource extraction is often seen as the only facet of development through natural resources, local content policies represent an important second avenue for achieving positive developmental outcomes from petroleum resources. However, as the cases of Angola and Nigeria suggest, these policies must be carefully designed in order to contribute to inclusive local economic development. Recent experiences suggest that especially in newly designed local content policies, there is space for improvements in order to be effective. In addition, local content and other policies designed to increase in-country value have a 'dual nature' (Ovadia 2012): On the one hand they potentially foster economic growth and job creation, on the other hand they might provide the local elite with new mechanisms for accumulating wealth. Therefore, transparency and governance are key for successful LCP.

This article addresses these questions in 6 sections. After this introduction, Section 2 grounds the analysis in the history of oil and development, tracing the movement from national control to local content. Section 3 presents recent LCPs in Angola, Nigeria and Ghana, while Section 4 discusses recent experiences in newer African petroleum states. Section 5 presents debates around transparency, anti-corruption advocacy and questions of governance in the context of local content policies before Section 6 offers concluding remarks.

AFRICAN OIL EXPERIENCES: FROM NATIONAL CONTROL TO LOCAL CONTENT

In discussing local content and natural resource-based development, it is important to note that there is in fact a very long history of failed attempts to promote national control of petroleum resources in Africa. Therefore, a short review of these experiences is needed in order to understand what makes LCPs different.

National control of petroleum resources became a global concern in the 1970s as countries began forming their own national oil companies (NOCs). Nigeria created its NOC in 1971; the same year it joined OPEC. The 1973 oil price shock increased the influence of OPEC, which began advocating for greater national control and socio-economic development through oil revenues. Nigeria then began a program of nationalisation and indigenisation. By the end of the 1970s, the government held 80 % of the ownership of Shell Nigeria and 60 % of the other international oil companies (IOCs) operating in Nigeria as well as equity interest in the subsidiaries of several multinational oil service companies. Policies of 'Nigerianisation' were enacted to encourage the employment of Nigerians in the oil sector. These policies also encouraged indigenous ownership through a variety of quotas and regulations. However, indigenisation was bitterly fought by foreign capital and the Lagos Chamber of Commerce and Industry. The policies ultimately failed to give the Nigerian state effective control over the industry due to widespread circumvention and heavy resistance from international capital. In the end, they were much more about elite capture of oil rents than the creation of local industry (Ovadia 2013a).

Following independence in 1975, Angola nationalised the Portuguese company ANGOL de Lubrificantes e Combustíveis, creating the national oil company Sociedade Nacional de Combustíveis (Sonangol). International companies were permitted to operate in Angola in joint ventures and contractor agreements with Sonangol, but until 1991 they were only legally allowed to have 49 % ownership in any venture. Angola was much more successful in asserting national control over its oil industry through Sonangol due to Sonangol's relative power and efficiency (Soares de Oliveira 2007). Angola passed several laws beginning in the 1980s that set targets for Angolans employed by international companies and instituted a mandatory framework for the training and promotion of Angolan employees. However, these laws and regulations

were largely ignored by the IOCs (Ovadia 2012). The oil industry continued to be an enclave industry, serving until 2002 only to provide hard currency for the purchase of weapons in Angola's civil war.

Early attempts to exert national control reflected the dual objectives of increased sway over a strategic sector and increased developmental benefits. In the end, these objectives were superseded by elite self-interest and the resistance of foreign capital. Although the ruling party in Angola faced a struggle for its very survival and local linkages were certainly out of the question during the civil war, Sonangol arguably had the capacity to insist on more Angolanisation – and certainly more training of Angolans – it had put long-term interests ahead of the short-term need for oil revenues to buy weapons. In Angola and Nigeria, which together still account for 80 % of sub-Saharan Africa's oil production, attempts to boost national control in earlier decades would give way to local content.

With significant interests in the oil sectors of Angola and Nigeria, and a desire to utilise its experience with oil-backed development in its development assistance, Norway took advantage of Nigeria's return to civilian rule in 1999 and the end of Angola's civil war in 2002 to champion local content in these countries. The Norwegian Agency for Development Cooperation (NORAD) sponsored the first study of local content in Nigeria in 2002 (see Heum et al. 2003), while Norway's Ministry of Foreign Affairs signed several cooperation agreements with Angola's Ministry of Petroleum that have supported ongoing Angolanisation efforts (Govender/Skagestad 2009). An approach to oil-backed development took hold in both countries that recognised that oil exploration and production companies would never be significant employers on their own and instead emphasised local participation and local linkages to the oil service sector and beyond.

In Nigeria, an emphasis on getting foreign companies to base their service activities in-country and use as many local suppliers of goods and services as possible alongside a continued push for more Nigerian ownership made the policies much more palatable. While IOCs were initially resistant, over time LCPs have gained widespread acceptance and legitimacy. IOCs have accepted local content – in some cases begrudgingly and in others enthusiastically. Largely, this has been because they do not see it as a threat to their bottom lines (and in fact may be able to produce cost savings from local content initiatives). A much bigger threat would be attempts to change the petroleum taxation regime, as in the case of Nigeria's permanently frustrated Petroleum Industry Bill. However, IOCs continue to press for a more voluntary and less regulatory approach in countries like Nigeria.

Meanwhile in Angola, Sonangol began promoting local content through old and new provisions in its contracts with IOCs and managed to underline the necessity of investing in local content if companies wanted to continue working in Angola. Both countries pushed hard to persuade IOCs to invest in facilities for local manufacturing and service provision and insisted upon these policies so that they could use oil services as an anchor to grow indigenous companies that can also participate in the non-oil economy. This strategy was the first step toward creating a pathway to economic growth and diversification.

RECENT EXPERIENCES IN ANGOLA, NIGERIA AND GHANA

The commodities boom has coincided with an oil boom in the Gulf of Guinea. From Liberia and Sierra Leone, past Nigeria and south to Angola new discoveries and new technologies for deepwater drilling along with a new interest in the region under President George W. Bush led to new exploration and production activities. Angola and Nigeria significantly expanded their deepwater oil and gas operations while the first new producer from the region to bring oil extraction online has been Ghana. In recent years, oil and gas discoveries in sub-Saharan Africa have continued with countries along Africa's east coast – Mozambique, Madagascar, Kenya, Tanzania and Uganda – bidding to join the club of oil-exporting countries. This section will look more closely at LCPs in Angola and Nigeria as well as Ghana, while the next section considers newer players and debates.

Sub-Saharan Africa's two largest oil producers have taken very different approaches to local content. Angola's LCPs came out of a 2001 technical commission overseeing cooperation between the Angolan Chamber of Commerce and Industry, Ministry of Petroleum and Sonangol. Laws that required certain oil activities be carried out by partly or fully Angolan companies were supplemented by the control Sonangol's Directorate of Production (D.PRO) and Directorate of Economy and Concessions (DEC) have over the awarding of contracts and the Negotiations Directorate's overall coordination of local content (Ovadia 2012). Through consistent prioritisation of local content, Angola

was also able to exhort IOCs to support local content promotion (Ovadia 2014). The country has also passed new laws providing tax incentives to local companies and laws and regulations requiring the use of Angolan banks and forcing oil companies to pay taxes and local contractors in Angolan currency.

Absent quantitative data on the impact of LCPs, my own investigations and contacts give me reason to believe the government has met with considerable success in its approach. New businesses are supplying goods and services previously supplied by foreign companies while larger firms are either partnering with Sonangol or working on their own to perform tasks in-country that were previously done abroad. New factories and facilities are setting up in dedicated oil services facilities while the Business Support Centre (CAE), set up to help indigenous firms win contracts, had by 2010 assisted Angolan firms win 309 contracts worth a total of US $ 213,540,807, leading to the creation of 4,236 jobs (Ovadia 2012).

In Nigeria, local content promotion also began with a workshop in 2001 (Ovadia 2013a). After first creating a division within the NOC in 2005 to promote 'Nigerian content', the Nigerian Oil and Gas Industry Content Development Act (NCA) was passed in 2010. The law set targets for Nigerian participation in 280 separate categories on oil services. Many of these activities are also part of the non-oil economy. The list of the various services required for oil exploration and production demonstrates the possibilities for local linkages and opportunities for local employment. The NCA also created an agency, the Nigerian Content Development and Monitoring Board (NCDMB) to monitor and enforce compliance with the NCA. Progress is hard to demonstrate because there is still some difficulty in understanding how to measure local content (Ovadia 2013b).

Facing an enormous task in a very difficult context, the NCDMB has done a relatively good job. Although it is not difficult to find faults with the organisation, some important improvements have been made and the danger of Nigerian companies serving merely as fronts for foreign ones seems to have been largely avoided. The NCDMB claims that the national capture of annual investment in oil and gas has gone from less than 5 % to roughly 40 %, while over 30,000 new jobs have been created with hundreds of thousands more on the way. The main success stories have been in engineering, fabrication and oilfield services as opposed to manufacturing. While they may be overly optimistic, the benefits have been substantial while the amount of investment retained in the Nigerian economy is likely several billion dollars annually. Now facing scrutiny from the World Trade Organisation, Nigeria's approach to local content is likely to be challenged. Additionally, the promotion of local content and setting of priorities seems to be driven more by the IOCs than the government due to a lack of government capacity and initiative (Ovadia 2014). However, in a country that has seen little benefit from over 50 years of oil production, local content seems to be working.

Ghana discovered oil in waters off the Western Region of the country on its 50th anniversary, naming the new oil field the Jubilee field. Ghana moved quickly to put in place a legal regime for its new oil industry. The government of Ghana released policy framework for LCPs in 2010, which laid out goals, objectives and directions. Ghana's new Local Content Law (GLCL) was passed in November 2013.[5] The law is quite similar to Nigeria's law, containing a similar list of oil services and definition of local content. However the Ghanaian law is weaker in that it has fewer provisions to avoid locals acting as fronts for foreign companies and fewer regulations that promote job creation over indigenous ownership. Unlike Nigeria's law, the GLCL does little to stop local companies subcontracting services from foreign companies, does not require local companies in joint ventures to own any of the capital equipment, and does not address the issue of local companies importing goods manufactured abroad. The GLCL also replicates some of the vagueness with Nigeria's NCA when it comes to defining and measuring local content. The weakening of the GLCL suggests that with time, international capital has found new ways of organising and watering down the aspects of LCPs it deems most unfavourable.

Box1: Local Content versus In-Country Value: New Actors and Debates

In recent years, the concept of local content has begun to be replaced by a concept of 'in country value', which is currently promoted in international oil and gas circles. In country value underlines the importance of upgrading in-country activities along the petroleum value chain. This shift of focus, however, is at the expense of an emphasis on mandatory targets and binding regulations. In the promotion of in-country value, Oman has been a pioneer. The country's

program to promote in-country value, shifts the emphasis from local employment and expatriate worker quotas to a more business-friendly approach focused on the oil and gas supply chain. This approach, as will be discussed below, seems to have worked to further water down the binding regulations and mandatory participation of local companies that characterized LCPs in Angola and Nigeria in newer local content strategies in countries like Uganda, Mozambique, Tanzania, Kenya and Liberia.

In-country value may also suggest a movement away from granting any kind of domestic preference to companies that are not price competitive with international companies. While there is widespread agreement that indigenous firms must supply goods and services of the same quality as international companies, some margin (normally 10 % but sometimes more in the case of Angola) is given to indigenous companies in Angola, Nigeria and Ghana. However, such policies are less common in newer local content regulations and are always among the most controversial aspects of LCPs.

On the other hand, focusing on in-country value creation, economically productive activity and many other aspects of recent discussion can lead to very interesting and potentially important discussions about the nature of value and what we consider to be productive economic activity. The term 'in-country value' serves to build broader consensus around LCPs between national governments, foreign capital and national and international civil society (including NGOs, labour unions, business associations, etc.). It also serves to emphasise the idea that enhancing local elite ownership will not provide significant developmental benefits and therefore should not be a primary policy objective. Instead, in-country value for most African countries – especially new oil-producing countries – may mean stressing small and medium sized local enterprises and more in-country activity for larger multinational firms.

NEW LOCAL CONTENT POLICIES IN COUNTRIES THAT RECENTLY DISCOVERED PETROLEUM RESOURCES

Notwithstanding the prominence of in-country value (see Box 1) and new interest in global value chains in international oil and gas circles, the most significant shift in the past 2-3 years for local content in Africa has been the development of new petroleum regimes with local content provisions in countries that have recently discovered petroleum resources. As in Ghana, for those that did not have previously significant oil industries, there has been a scramble to construct a legal framework for petroleum extraction. In brief, this article will now discuss five African countries that have been implementing local content policies since 2013.

Recent oil and gas discoveries have raised enormous expectations in Uganda, Mozambique, Tanzania, Kenya and Liberia. As shown in Table 1, none of these countries has entered into significant production since their oil and gas discoveries (though some do produce minor amounts of oil and/or gas). Despite the recent drop in oil prices, all of these countries are expecting a major new revenue stream to come online within the next few years and are also hoping to increase the developmental benefit of petroleum and avoid the resource curse through the implementation of LCPs. There are commonalities but also major variations in these countries' approaches to local content. All policies contain hiring and training provisions. As well, they all privilege local companies in contracting and local ownership in terms of equity participation in oil exploration and production as well as oil services.

However, differences exist in terms of whether they use quotas and targets and whether or not local companies are protected from international competition on price. Overall, the tone of the new LCPs seems friendlier to international capital while the regulations do not seem as detailed. The definition of a local or indigenous company is not always provided while well-known pitfalls around the problems of 'fronting' (where an international company sets up a subsidiary company with a local partner who does not actually have an active role in the company) and around the measurement of local content are generally not addressed. While this preliminary overview does not provide a comprehensive comparison (three of the local content policies are not even finalised), it does suggest that countries are not getting or accepting good advice when it comes to best practices for LCPs.

Table 1: Recent Oil and Gas Discoveries and LCPs

	Oil & Gas Discovered	Oil & Gas Produced	Local Content Policies
Uganda	2006	–	Petroleum (Exploration, Development and Production) Act No. 3 of 2013 contains basic local content provisions
Mozambique	2010	–	New Petroleum Law and new Petroleum Tax Law of 2014 contain significant local content provisions but a Special Regime, the Rovuma Basin Regime, exempts current operators from the new law
Tanzania	2010	–	First draft of the new local content policy published in Spring 2014. Final law expected by Spring 2015
Kenya	2012	–	The Petroleum (Exploration, Development & Production) Bill 2014 contains the Petroleum, Exploration Development and Production (Local Content) Regulations 2014. As of early 2015, the bill has not been finalised
Liberia	2012	–	Petroleum Exploration & Production Act 2013 contains basic provisions. A new local content act is in preparation as of late 2014

Before the discovery of oil and gas in Uganda, there was no specific legislation or deliberate policy drive to promote local content. With the Petroleum (Exploration, Development and Production) Act of 2013, it is stipulated that 'contractors and subcontractors shall give preference to goods which are produced or available in Uganda and services which are rendered by Ugandan citizens and companies'.[6] However, not only is there no definition of local content in the act, there is also no definition of a local company to clarify if it is a company registered in Uganda or owned by Ugandan citizens. The act also contains provisions about the employment and training of locals, however it does not mention any penalties for non-compliance leading to questions about how well it will be adhered to.

Mozambique made major discoveries of natural gas in 2010. Its new Petroleum Law of August 2014 privileges local companies and joint ventures in the awarding of concessions; requires foreigners to partner with Mozambicans (individuals or companies 51 % owned by Mozambican nationals) to provide goods and services; and gives preference to Mozambican goods and services of comparable quality to foreign goods and services where the cost difference does not exceed 10 %. In this sense, Mozambique's LCPs are stronger than Uganda's and comparable to Angola, Nigeria and Ghana. There are requirements to provide training of Mozambican nationals, while quotas for foreign workers are found in other legislation. Although the law does not address targets or measurement of local content, the most concerning aspect of the law is that current petroleum operations are exempted from the law and subject to their own Special Regime. Therefore the law will only apply to future hydrocarbon projects. Mozambican authorities have also signalled their desire to ensure a positive environment for investment to the oil and gas industry with what one official called a "Total Positive Sum Initiative" for industry, government, entrepreneurs and civil society.[7]

Tanzania, Kenya and Liberia's local content strategies are still not finalised. Tanzania's draft policy seems the least rigorous. It states that foreign oil companies will be 'encouraged' to work with a local partner, seeks to 'encourage multinationals to bring their global oilfield services and equipment to Tanzania' and 'ensures' training and technology transfer to local employees. It also specifies that where the bids 'are otherwise equal', the bid containing the highest level of Tanzanian content shall be selected', but does not explain how this will be measured. The draft policy does require preference be given to the employment of Tanzanians, but they must have 'the requisite expertise or qualifications'. Where foreigners are employed, it requires a succession plan to a Tanzanian national must be submitted with the work permit application. It also requires all operators 'as far as practicable, to use goods and services produced by or provided in Tanzania by Tanzanian owned businesses'. While this language seems vague enough to be almost voluntary, the policy does suggest there may be a margin of price preference prescribed by legislation.[8]

Kenya's legislation may be less voluntary, but the maximum fines of one million Kenya shillings (slightly more than € 10,000) is not likely to be much of a deterrent. Finally, in Liberia, there have been national consultations on local content and statements from officials about a forthcoming law.[9] However, the Liberian Petroleum Exploration & Production Act of 2013 makes only vague reference

to hiring and training of Liberians; a preference for local ownership of participation in oil blocks; the reservation of onshore blocks for Liberian companies; and a preference to Liberian companies for contracts under US $ 3 million if they are cost competitive with international companies. Speaking at an oil and gas industry event, Jacqueline Khoury, a board member of the National Oil Company of Liberia, emphasised the government's business-friendly 'win-win' approach and role in promoting a 'stable legal climate' and 'stable, favourable tax regime'.[10] Taken together, all five of the most recent local content strategies in Africa represent a weakening of LCPs in favour of a more pro-business agenda and avoidance of key issues around definitions and measurement that have been of concern in Angola and Nigeria.

TRANSPARENCY, GOVERNANCE AND LOCAL CONTENT

While discussions about local content in policy circles often happen alongside discussions about governance and transparency, these issues are not often well-linked to each other. This disconnect is unfortunate given the importance of governance and transparency in the successful implementation of LCPs. With regard to governance, LCPs typically require a specialised enforcement agency with a high level of bureaucratic capacity in order to monitor, evaluate and enforce compliance. With regard to transparency, advocates are moving to link transparency to a stable, healthy and predictable environment for foreign investment and for local firms. Given that the indigenisation experiences of the 1970s – particularly in Nigeria – failed largely because the elite attempted to capture oil rent without making productive contributions to the industry, transparent and fair implementation of LCPs is needed to ensure they result in developmental outcomes.

Local content and other policies designed to increase in-country value have a 'dual nature' (Ovadia 2012). They both foster economic growth and serve to provide local elite with new mechanisms for accumulating wealth. As anti-corruption and anti-money laundering laws become stricter in OECD countries and as it becomes more difficult to simply appropriate petroleum rents, the Angolan and Nigerian elite have begun to see local content policies as a new way to appropriate rents (Ovadia 2013c, 2013d). Governments and civil society organisations must promote transparency in order to ensure the benefits of value creation reach ordinary citizens.

LCPs are state-led policies that offer incentives or privileges to local companies (Ovadia 2014). Essentially, the state regulator will be empowered to require IOCs to work with particular local companies. Any such set of policies require a system for the management and distribution of what amount to state subsidies[11] that is perceived to be fair. Furthermore, corruption and rent-seeking in the bidding process and in the distribution of state incentives prevents broader growth along the value chain and in the non-oil economy from occurring because creating jobs and value will not actually be incentivised. Additionally, accurate and up-to-date data about indigenous companies and their capacities is required for regulation to be effective. The government regulator requires such information to know when an operator is in breach of LCPs, while international companies – operators and multinational service providers – must be able to identify competent indigenous companies in order to work with them. International companies must also be able to rely on information about how LCPs will be enforced in order to invest in upgrading local capacity with confidence.

Confidence in the rules is also essential. This holds for cases where the state creates and oversees special funds that offer cheap capital and capacity building to local companies (a component of many local content strategies in Africa) and where waivers must be given to companies because local content targets or employment quotas cannot be met and where LCPs also function to provide legitimacy to extractive industries in communities close to sites of production by returning an added benefit to those communities. LCPs are powerful tools precisely because they can engender support from various groups from local elites to international capital and national labour unions; however, LCPs must still be designed with developmental outcomes in mind otherwise they may benefit neither the elite nor the wider population.

CONCLUSION: BEST PRACTICES IN LOCAL CONTENT DEVELOPMENT

This article has shown the potential value of local content policies and their importance for strategies to bring petro-development to resource-rich developing countries. Regardless of boom and bust cycles, price volatility and other factors, Africa's many new oil and gas producers can benefit from these policies. While LCPs are just one aspect of a more comprehensive framework for natural resource-based development (UNDP 2012), they are hugely im-

portant. For local content to succeed where previous eras of resource nationalism failed, the actors writing, advising, monitoring and enforcing these policies must learn from the mistakes of those eras, the larger experiences of petroleum in Angola and Nigeria and from the documented pitfalls of modern LCPs.

In the past, efforts to promote local participation were poorly implemented and more often than not simply ignored. Rent seekers were able to take advantage of certain aspects of the policies to profit, however the developmental benefits never occurred. With more recent LCPs, there has been a failure for government agencies to lead the process of local content development and to ensure that the IOCs are meeting their local content obligations. A well-defined and transparently administered system for local content promotion still eludes even the well-established petroleum producers such as Angola and Nigeria. Without more developed bureaucratic autonomy and capacity, local linkages will only be pursued to the extent that they coincide with the interests of international capital.

Both new and old local content strategies must be adjusted to address important questions about the definition and measurement of local content while those developing newer LCPs must continue seeking the balance between strong regulation and encouraging investment that secures the best possible outcome. The priorities of both international capital and local elites must also be balanced with the needs of average citizens as well as communities that host petroleum activities. It is the responsibility of host governments and IOCs – though they may be supported by donor agencies and international institutions – to link local content to governance, anti-corruption strategies and substantive transparency by all parties. With the right policies and involvement of all stakeholders, natural resources can be developmental. Development strategies that rely solely on the productive investment of petroleum revenues have failed Africa in every case. Yet, local content offers new potential to make oil and gas work for African development in the 21st century.

1 http://www.localcontentsummit.com/

2 http://www.glccsummit.com/

3 For more on local linkages and global value chains, see Kaplinsky (2011); Morris/Kaplinsky/Kaplan (2012); Burr et al. (2013); Bastida (2014); Gamu/Le Billon/Spiegel (2014).

4 For an excellent overview of this argument, see Ferguson (2005).

5 For more on local content in Ghana, see Ablo (2015) and Arthur/Arthur (2015).

6 Republic of Uganda, Petroleum (Exploration, Development and Production) Act No.3 of 2013, Section 125

7 Presentation by a senior Mozambican official to an oil and gas event held in 2014.

8 United Republic of Tanzania. 'Local Content Policy of Tanzania for Oil and Gas Industry, Draft One. 7 May 2014.

9 Widely reported statement by the Executive Director of the National Investment Commission (NIC) as well as presentation by Jacqueline Khoury to the Global Local Content Summit, 22 September 2014.

10 Presentation by Jacqueline Khoury to the Global Local Content Summit, 22 September 2014.

11 Typically there is a cost to the state in incentivising local content – especially where a margin of price difference is built into domestic preference clauses. The cost accrues to the state because typically in production sharing production costs are recoverable from future oil production – often prior to the paying of petroleum taxes. Alternatively, where the state holds equity in an asset (which is more often the case than not), the state is also paying for the selection of suppliers that charge a higher price.

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