

Developing linkages in the extractive sectors: The case of Chad and Congo

Mr. Taro Boel

Project Officer

Commodity Policy Implementation and Outreach Section

Special Unit on Commodities

InterGovernmental Forum on mining, minerals, metals and sustainable
development

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Plan of the presentation

- Why this project?
- What are these two countries doing (initiatives)?
- What are the challenges these two countries faced ?
- What are the project activities?
- What are the preliminary results?
- What are the expected achievements?
- What are the lessons learned?

Context

- In Chad, oil accounts for 60 to 70 per cent of fiscal revenue between 2004 and 2014, around 60 per cent since 2015 due to decline in oil prices. Gold was discovered in 5 different locations and exploited by 122 firms registered in 2016 (Chadian Chamber of commerce)
- In Congo, oil accounts for more than 40 percent of fiscal revenue in 2015. For now, mining (mainly gold and diamonds) is an artisanal activity. Among individuals involved in artisanal mining, 56 per cent of them are Congolese. Poor working conditions and low wages (44 503 FCFA per month around 90 US dollars per month) are prevalent. Large scale mining : 5 permits have been awarded in 2011 one for potassium hydroxide, and 4 for polymetallic ores

Why the project?

- Strengthen the capacity of ECCAS countries to enhance development linkages from the mineral resource sector to the rest of the economy
- Complete implementation of the Development Account project by 2017
- Need donor support to expand project activities in beneficiary countries and other countries in the ECCAS region

Initiatives in Chad to enhance development linkages

- National Development Plan (2017-2021): Mining code and other regulatory frameworks to be redrafted between 2017 and 2018
- Law No, 006/PR/2007[2 May 2007] - include specific local content requirements in areas such as exploration and production and infrastructure contracts, transfer of property, local recruitment and training, and procurement
- Ordinance No. 001/PR/2010 - regulates production sharing agreements - gives a minimum share of projects to the Société des Hydrocarbures du Tchad (SHT), as well as establishes local content requirements for procurement

Initiatives in the Congo to enhance development linkages

- National Development Plan (2012-2016): Macroeconomic framework with clear identification of activities to be undertaken by SMEs
- Hydrocarbon code: Law 28-2016 - provides specific local content requirements;
- Law No. 21- 2016 [26 September 2016] - *specific to iron ore mining in Mayoko* - local content requirements to skills development, local procurement, subcontracting among others - Mining code not fully developed;

Challenges identified to establishing development linkages in beneficiary countries

- Limited access to finance has constrained investment in new technologies and equipment to facilitate competition with international suppliers on quality and cost;
- Misuse of technical and managerial skills to capitalize on opportunities in the extractive sector (including in contract negotiation and the implementation of laws and regulations);
- Weak infrastructure has impacted on productivity and costs;
- Poor information flow on opportunities in the sector;
- Limited involvement of civil society has reduced oversight in execution of contracts.

Project activities

- Needs assessment of beneficiary countries used to define national road maps for implementation of project activities;
- Capacity building on topics including local content and development linkages; value addition; transferable skills to develop other sectors; identifying opportunities; strengthening institutions;
- UNCTAD/ECA workshop to build institutional capacity in negotiating, monitoring and implementing mining and oil contracts;
- Study tour to enable stakeholders acquire knowledge and share experience on regional best practices in developing linkages with the mineral sector;
- Development of an online platform to facilitate flow of information on local content policy and development, and opportunities.

Challenges identified and project activities

Challenges identified



- Limited access to finance
- Misuse of technical and managerial skills
- Weak infrastructure has impacted on productivity and costs
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Project activities



- Study tour to acquire knowledge and share experience on best practices (Ecuador and Angola)
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- Development of an online platform to facilitate flow of information on local content policy and development, and opportunities.
- Training workshop on topics including local content and development linkages

Preliminary results

- Enhanced collaboration between educational institutions and private sector on programmes to upgrade skills of the local workforce;
- Trained public sector officials on methodologies and best practices for formulating strategic plans for local participation in extractive industries;
- Increased knowledge of local entrepreneurs on the potential opportunities in the extractive sector;
- Improved information sharing among stakeholders

Expected achievements at end of project

- Increased capacity of ECCAS/beneficiary countries to negotiate equitable and sustainable resource extraction contracts;
- Strengthened capacity to monitor implementation of contracts and ensure their adherence to regulatory frameworks;
- Improved capacity of policymakers to formulate and implement strategic plans and frameworks to facilitate the participation of local operators/communities in services related to extractive industries;
- Increased cooperation among national, regional and international training institutions to provide vocational training programmes related to the mineral value chain;
- Enhanced capacity of stakeholders to use information on the mineral value chain to carry out gap analyses and for informed decision-making and identification of entry points for local participation.

Key lessons learned from project to date

- Fostering dialogue between stakeholders provided the social stability necessary for the inclusive implementation of development linkages;
- Communicating early and widely enabled early buy-in from stakeholders and allowed for the design of a viable road map to achieve project goals;
- Sharing experiences at the regional level and among developing countries (South/South) leads to the design of appropriate frameworks to country context;
- Lack of coordination between different ministries involved in fostering local content leads to inefficient use of resources;
- Realistic targets should be set on local content in relation to available resources.

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commodities@unctad.org

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