

4TH AFRICA OIL GOVERNANCE SUMMIT

2018

13TH -14TH NOVEMBER

LABADI BEACH HOTEL CONFERENCE HALL



THEME:
"Harnessing the Potential of
Local Content for Economic
Growth and Inclusive
Development"

2018 REPORT

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EXECUTIVE SUMMARY

While many resource dependent African countries can boast of large deposits of minerals as well as oil and gas, their economies are characterized with challenges including low growth, low GDP, high inflation, high budget deficits, low per capita income, corruption and conflicts among others. It is no longer news to say that resource rich nations have failed to translate these natural resources into much desired socio-economic development for the people. While myriad of factors can be blamed for this state of resource extraction, poor resource governance stands out without measure. This is also due to inadequate space to engage, share lessons and best practices among resource rich countries. The Africa Oil Governance Summit therefore is an attempt to provide this missing link by creating a platform

where players in the industry will converge and deliberate on the best way to ensuring that extraction of resource translates into socio-economic growth and development.

The Africa Oil Governance Summit is an annual event that brings together stakeholders in Africa's petroleum industry to deliberate on emerging governance issues in the sector. Instituted in 2015, the summit provides a unique platform where stakeholders in Africa's petroleum industry share best practices on maximizing the benefits of resource extraction through efficient governance approaches. The Africa Center for Energy Policy (ACEP) realized the need for the African continent to consolidate gains and right wrongs made from the management of petroleum resources and initiate dialogue aimed at translating the

The Center recognizes that the vehicle to this is to strengthen governance frame work that reduces incentives for corruption, builds capacity and invests revenues efficiently. The maiden Summit in 2015 broadly discussed governance issues in Africa’s oil resources. It touched on contract transparency, local content issues, institutional development and revenue accountability. In 2016, the summit focused on survival strategies for Africa’s oil producers amidst low oil prices, and the 2017 summit focused on the developmental implications of open contracting in upstream oil and gas, and revenue management and utilization.

The 2018 summit focused on increasing the impacts of local content policies in resource dependent African economies.

Local content policies have become priority for policy makers in resource endowed countries who largely depend on their extractive sectors to support sustainable economic growth and development.

The implication of local content polices are diverse: it could mean job creation, value addition and industrial development, and local economic growth through forward, sideward and backward linkages of the extractive sector to the rest of a nation’s economy. All these emanate from the enormous potential of the extractive sector in generating revenue and other indirect benefit to the economy.¹

The Summit was structured into keynote speeches, presentation of technical papers and Panel discussions,

¹ See <http://documents.worldbank.org/curated/en/549241468326687019/pdf/789940REVISED000Box377371B00PUBLIC0.pdf>

in which Panelists and moderators were selected from different countries and backgrounds to reflect a balanced representation from government, industry, Civil Society, academia and the international community. These panel sessions covered the following topics:

1. Beyond legislation, what should be the role of government?
2. The place of local content in Africa's industrialization and regional integration drive (the free trade agreement)
3. Financing local content
4. The role of CSOs in driving local content
5. Local content versus investment attraction-international investors perspectives
6. Opportunities for women empowerment in the petroleum industry (taking advantage of local content potentials)

The Summit attracted over 275 participants with 83 women and 20 Persons With Disability (PWDs) from Ghana, Nigeria, Angola, Sierra Leone, Tanzania, Kenya, Zambia, Mali, USA, UK, Burkina Faso, Botswana and Sudan. These participants were mainly drawn from varying sectors including:

- i. Government Ministries, Departments and Agencies
- ii. Industry Regulators
- iii. Accountability Institutions
- iv. Heads of Missions of some African Embassies in Ghana
- v. International Oil Companies
- vi. Mining Companies
- vii. Civil Society Organizations
- viii. Traditional Authorities
- ix. Development Partners
- x. International NGOs
- xi. National Oil/Gas Companies

Participation of Persons with Disability (PWDs)

The summit for the first time provided opportunity for Persons With Disability (PWDs) to participate as part of ACEP's efforts at ensuring inclusiveness in resource governance. A total of twenty (20) PWDs with six (8) of them being women and included members of the

Ghana Blind Union and the Deaf Association of Ghana. Significantly, provision was also made for sign language translators to translate the proceedings to ensure that those who had hearing impairments also benefitted from the summit and appreciated the issues discussed.

Communique

The summit produced a communiqué which constituted participants' demands for actions by stakeholders and duty bearers including governments and policy makers

across the continent of Africa and forms a strong basis for program development and advocacy to influence government policy in maximizing returns on extractive resources particularly through local content provisions. It will also serve as the benchmark for measuring post-Summit progress and achievements.

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ACRONYMS AND ABBREVIATIONS

ACEP	Africa Centre for Energy Policy
AOGS	Africa Oil Governance Summit
BO	Beneficial Ownership
CSO	Civil Society Organization
E&P	Exploration and Production
FPSO	Floating Production Storage and Offloading
GAX	Ghana Alternative Market
GBU	Ghana Blind Union
GHEITI	Ghana Extractive Industry's Transparency Initiative
GNPC	Ghana National Petroleum Company
GRA	Ghana Revenue Authority
IGF	Internally Generated Fund
IOC	International Oil Company
NGO	Non-Governmental Organization
NOC	National Oil Company
NRGI	Natural Resource Governance Institute
PC	Petroleum Commission
PIAC	Public Interest Accountability Committee
PWD	Persons With Disability
SADA	Savannah Agricultural Development Authority
SADC	Southern Africa Development Cooperation
STEM	Science Technology and Mathematic Education

1.0

INTRODUCTION

The two-day summit was held on the 13th and 14th of November 2018 at the Labadi Beach Hotel, in Accra Ghana under the theme: “Harnessing the Potential of Local Content for Economic Growth and Inclusive Development” and chaired by Dr. Juliette Twumasi-Anokye- a renowned local content expert and consultant in Ghana. She underscored the importance of the theme of the Summit saying that Local content holds so much potential yet to be tapped by African Countries. This could only be possible if African countries build strong Institutions and appropriate laws and make them work as President Obama once said. She entreated participants to examine the emerging approaches to local content especially those pushing for nationalist policies compared

with the liberal approaches and urged them to share their experiences and learn lessons from the discussions.



Dr. Juliette Twumasi-Anokye- chairperson at the summit delivering opening remarks

1.1 Welcome Address

The welcome address was delivered by the Executive Director of the Africa Centre for Energy Policy (ACEP) Benjamin Boakye. Giving the background to the summit, he stated that it is an annual gathering of stakeholders across the continent of Africa including Civil Society, Business Community, Academia and Governments to discuss emerging issues, challenges and share best practices on optimizing the benefits of Africa's oil and gas resources. He stated that the 2017 summit was focused on open contracting and how African countries can recognize it as key for improving transparency, accountability and equitable management of benefits from extractive resources in general. He reminded participants of key commitments that were made by some countries that participated in last year's Summit including Ghana and Nigeria with the promise to open up their contracting processes.



*Benjamin Boakye
(Executive Director of ACEP delivering the welcome address)*

He highlighted some key achievements resulting from the 2017 summit commitments as monitored by ACEP. Ghana pledged to implement open competitive bidding in the award of petroleum contracts and true to its commitment the first licensing round was announced paving way for open and competitive bidding to commence. However, Nigeria is still in the processing of fulfilling its commitment.

Another achievement which emerged from the post 2017 summit tracking was the fulfilment of the commitment to include Beneficial Ownership (BO) requirement in petroleum regulations. To show appreciation and serve as encouragement to the government for improving contract governance, ACEP presented an award to Ghana's Minister for Energy and Petroleum.-Honorable John Peter Amewu.

See picture below:



Ghana's Minister of Energy and Petroleum being presented with an award for making beneficial ownership requirement in Ghana's petroleum regulations

This year's summit is focused on harnessing the potential of local content for economic growth and inclusive development and indicated that the right approach and effective mode of implementation is not a settled debate yet. Some people believe that local content will be a disincentive for investment and others argue that achieving local content is a shared responsibility between Government, Business, Academia and Civil Society.

Mr. Boakye expressed warm welcome to all participants especially those who travelled from other countries to participate in the summit and hoped that the summit will provide the needed convergence on the most effective approach of implementing local content and sustaining investment concurrently.

Finally, he took opportunity to acknowledge the opportunity given to PWDs to also participate in the summit and called for reflection on how to create opportunities for women and PWDs in the oil and gas industry within the context of local content conversations. He emphasized ACEP's commitment to ensuring that PWDs get access to information on the sector and take part in decisions that affect them. To this end, ACEP has taken the initiative by transcribing the 2015 GHEITI report on oil and gas into braille for use by the visually impaired. He acknowledged the sponsors of the summit key among them include Oxfam,

FORD Foundation, NRGi, Open University and Dundee University who offered immeasurable support to ensure the summit was organized.

1.2 Participation of Persons With Disability (PWDs)

One unique feature of the 2018 summit was its inclusiveness by ensuring the participation of Persons With Disability (PWDs) in the summit. He stated that the country cannot develop as a whole if an important segment of its population is ignored and discriminated against. He used the occasion to call on stakeholders to reflect on increasing access to all persons including the PWDs and women at all levels.



A section of the PWDs participants with their guides

Another unique feature of this year's summit was the introduction of sign language translation to serve the need of the deaf and those with hearing impairment so that all segments of the participants were duly served.



A sign language translator at the summit translating proceedings to the deaf at the summit

1.3 Keynote Address - By Honourable Minister for Energy and Petroleum - John Peter Amewu

The Honourable Minister for Energy and Petroleum in Ghana, John Peter Amewu who was the guest of honour delivered the key note address. He began by acknowledging ACEP's efforts to include PWDs in oil and gas governance processes and also

commended ACEP for acknowledging government's efforts in launching the open bidding and licensing round.

He stated that oil find in 2007 brought a lot of hope and anxiety to Ghanaians because they believed their fortunes will be turned around for the better. The question today is whether these hopes have been fulfilled? Ghana has made progress on ensuring local content and local participation.

At the commencement of LI2204 implementation, there were less than 100 local firms registered and operating in the industry. As at September 2018, this number had risen in excess of 600 firms. The Sankofa Gye Nyame fields alone has awarded over 320 contracts valued at 1.8 billion. The Minister also stated some implementation challenges including:

1. As IOCs are moving into challenging waters, they require highly advanced skills and technology and this hinders local content promotion.
2. Local firms are also faced with numerous challenges including lack of finance, human and capital development and technology resulting in over concentration of local firms in low hanging fruit areas leaving only few in the high value capital and technological intensive services.
3. Inability of local firms to meet international standards coupled with inadequate certification. This arises as a result of high costs of certification, small

and poorly structured nature of local firms thus failing to meet competency requirements.

4. Information asymmetry on tendering processes. Local firms receive notifications on tendering as against early notifications for international service providers.

5. Small and poorly structured local firms with limited capacity to carry out contracts. This is caused by limited investments in facilities, infrastructure and personnel, no specialization in the area of operation, fragmented nature of small companies resulting in low or little economies of scale.

6. Insufficient financial opportunities for local companies due to the fact that Ghanaian financial institutions are not ready to support because they perceive the oil and gas industry as highly risky.

He concluded his address by encouraging participants to ensure that the deliberations do not become another talk show but will be put into actions.

2.0 INTRODUCTION

After the opening ceremony, the summit was ushered into panel discussions segment. The first panel session was on the topic- Beyond legislation, what should be the role of government. However, before the panel session commenced, there was a presentation of research paper which was conducted in collaboration with the Open University.

2.1 Presentation of Research Paper-Comparing Ghana's Local Content Environment to Sudan's

The first panel discussion was preceded by a paper presentation by Professor Giles Mohan and Dr. Richmond Atta-Ankomah which compared the local content promotion environment in Ghana to Sudan and highlighted key similarities and differences.

2.1.1 Similarities between Ghana's Local Content Promotion and That of Sudan

Among the key similarities and differences found by the study include those highlighted below and there could not have been a better forum to share this information than the summit.

1. Ghana's local content regime has strict but ambitious targets while there are no specific targets in the case of Sudan. Rather, the requirements are embedded in the various exploration, production and service agreements.
2. In Ghana, there is an arm's length relationship between the Government, Regulators and the National Oil Company (NOC) while in Sudan there is an inter-locking relationship between the NOC and the lead operator.

4. The NOC in Ghana (GNPC) is not so much integrated into administrative procedures of the ministry while in Sudan the NOC is part of the ministry of petroleum and is also the regulator of the industry.

5. Ghana has mainly International Oil Companies (IOCs) as lead operators as compared to Sudan where the NOCs from Asia are lead operators.

6. Ghana's activities are offshore, which require high capacity with implications for local content promotion whereas Sudan's activities are onshore with little requirements for high capacity.



Dr. Giles Mohan presenting a paper at the summit

The presentation mentioned the need to learn from successful countries such as Australia and Norway who are seen as examples of possibilities of how industrial linkages can be built from the commodities sector.



Dr. Richmond Atta Ankomah co presenting a paper at the summit

On equity participation, it was said that the situation in Sudan is largely in the hands of Sudapet and its subsidiaries. Local firms' participation is dwarfed by the operations of Sudapet.

On the other hand Local firms in Ghana to a large extent have opportunity for equity participation aside the NOC. Equity participation is mainly in the hands of NOCs and the target of 5% equity participation and 10% in joint venture is seen to be over-ambitious.

Access to finance is limited especially for local firms which poses a big challenge to the growth of local companies. This may be largely due to stringent requirements and the issue of collateral demanded by financial institutions before advancing loans to local companies. The financial sector in developing countries is most often riddled with corruption and serious bottlenecks.

One major issue that was raised was the fact the local companies in Ghana are fronting for foreign companies, thereby defeating the purpose of the local content laws and regulations. The situation weakens the potentials of local companies and deprives the state of its fair benefits.

Again, local content is only focused in terms of employment, equity participation, capital development, and supply of goods and services whereas there are non-oil areas which can be considered to accelerate diversification.

Another challenges affecting local content is that Local companies are generally assessed to possess low capacity making them unable to compete fairly with their foreign counterparts.

Other challenges stated included: Overambitious targets, Ownership syndrome/culture of business where businesses want to go solo instead of building partnerships to create economies of scale.

2.2 1st Panel Session

Topic: Beyond legislation, what should be the role of government?

Facilitator: Dr. Julliette Twumasi-Anokye (Principal Consultant, Anojul, Afriyie & Co.)

Panelists:

1. Dr. Mohammed Amin Adam (Deputy Minister for Energy, Ghana)
2. Dr. Abdulrahman Osman (former Minister of Petroleum and Gas of the Republic of Sudan, and Currently a Consultant)
3. Neema Lugangira (Head of Policy, SAGCOT, Tanzania)



Panelists for the first panel session (From Right to Left- Dr. Julliette Twumasi-Anokye, Dr. Mohammed Amin Adam, Dr. Abdulrahman Osman and Ms. Neema Lugangira)

This paper set the pace for the panel discussion that was moderated by Dr. Juliette Twumasi-Anokye. She presented some guiding questions to direct the discussions and observed that the local content issues cut across Africa and called for the need to strategize beyond legislation.

Dr. Amin commenced the discussion by placing emphasis on the relevance of the topic as governments attempt to address some of the challenges in the extractive sector. He stated that there is no global standard package of local content policies. Therefore, concentration should be on the kind of investments that arrive and the difference that varying actors make to how local content is or not facilitated. Research should not only concentrate on the direct benefits of local content but also look at the wider ramifications of the investment.

It was said that local content is of business sense rather than moral obligation to the Chinese. Oil for infrastructure deals should consider how these contribute to inclusive development. A participant mentioned that targeting of 5% equity participation and 10% in joint venture is over-ambitious.

Examples were cited from a University of Ghana study whose findings showed that

the level of local companies have low capacity but local companies debunk saying that notion is just popularized to deny them the opportunity. Also, cultural business attitudes; Political atmospheres are very crucial to the regulatory frameworks.

Ms. Neema stated that it is critical to link oil and gas to other sectors, not just energy. Local content has to be related to all areas of the economy such as the environmental, agriculture, transportation, etc. In Tanzania for example, different legislations relate to different sectors but they do not correlate with each other as the value chain runs across diverse agencies. Thus, harmonization of all these legislations is quite necessary.

Emphasis was put on the need to get competent and qualified people to supervise local content operations. Government should train its own personnel.

Sudan requires that for any position to be filled, local expertise is sought, in the absence of which expatriates are considered. Local content stipulations are enshrined in the contracts.

Sudapet is part of the contractor not the supervisory element of the corporation; regulator is the Ministry of Energy. Transportation system in the industry is 100% Sudanese. The government should run its own training programs using its own resources.

Dr. Abdul Rahman cited countries such as Trinidad and Tobago, Malaysia, etc. achieved greater local content without strict and comprehensive legal frameworks and legislations. Legislations are good only when they are duly backed by efficient enforcement mechanisms and systems that are insulated from political interference.

Without training, capacity and capital, this cannot be achieved, regardless of legislation.

Local Content Legislation is primarily to:

1. Eliminate political interference, discretion - legislation is needed for officers to define the scope of decision making on local content issues;
2. To define parameters for operations in the industry - to provide a framework for effectively increasing local participation
3. To insulate local enterprises from foreign influences; local companies are not protected. Foreign companies become dominant via local companies through Fronting. It comes in many forms and this can be determined by

It is important to do due diligence to check track records, tax payments, capacities, etc. However, current local content legislation makes no such provisions. It would, therefore, take a proactive and efficient independent regulator to do what the legislation is unable to.

2.2.1 Contributions from the Participants

The participants were provided with opportunity to contribute to the discussions and ask questions for clarification. Among the dominant issues raised during the discussion segment were:



A legislator - Hon. Adam Mutawakilu-Member of Parliament for Damango

Hon. Adam Mutawakilu noted that legislations are set without provision of the necessary infrastructure, skills set and capacities to meet them.

Legislations can be an enabler or a restriction to local content. International Oil Companies consistently indicate an inability to find solid local partners who meet their requirements, consequently affecting IOCs efforts to meet the demands of the regulation and eventually an inability to operate. Indigenous companies have to lift themselves up to meet the necessities.

The implications of an inability to do the above-mentioned are two-fold; a lack of local participation and by extension, a gradual extinction or fading of the industry.

In Ghana, government has resolved on the Warehousing policy. State-owned companies are encouraged to engage in local participation in the country's oil and gas sector until a time when it can be passed onto the Stock Exchange.

The local content law - LI 22/04 directly excludes GNPC from the definition of an indigenous company.

Ghanaian local participation is thus not only for the private sector but includes the public sector as well. Ghanaian companies not necessarily in the oil and gas industry but those that have the wherewithal, financial capacity as well as the interest to venture are highly encouraged to do so.

On key thing that was also highlighted was the fact that it is impossible for any country to achieve the desired local content if its sole focus is on equity participation. Value can be derived if focus is on value addition and capacity development deliberately undertaken by government to provide requisite infrastructure. In this vein, government of Ghana wants to revive the Tema dry dock and shipyard through competitive bidding for a company to own and operate and eventually lead to the building of an FPSO. Ghana was advised to enter into partnership with Nigeria to leverage their strength to do that.

Contracts should not be too large that small local companies cannot meet the requirements, political authority, interference in regulations and legislations should be limited.

Clash of Local Contents – IOCs that come into any country also pursue local content for their countries, for instance China. Therefore, there is the need to redefine the scope and broaden the value of local content beyond Ghana. We should be talking of Ghanaian content, instead. IOCs should view local content not just as a requirement for license for operations but rather as a strategic component to develop their resources.

The Cabinet Secretary, Ministry of Petroleum and Mining of Kenya, Hon. John Munyes also contributed to the discussions. He stated that Kenya is new to the extractives sector and now in a process of getting legislation for local content.

There are divergent views on how the local content should look like; while some Kenyans want it to be local (at the rural level), others want it national before regional.

He also spoke on the African Mining Vision, it is his view that perhaps countries have not taken seriously the role of mining to their economies. The same could be said of sub regional protocols that allow free movement of people and goods across the region. He maintains it should be possible to source expertise in the region instead of going for Europeans. SADC should be able to source expertise from ECOWAS, East Africa and vice versa. This can only be possible if Africa grows its own capacity. He also suggested a similar summit based on sub regional groups to help drive the conversation on local content promotion.

2.3 2nd Panel Session

Topic: The Place of Local Content in Africa's Industrialization and Regional Integration Drive (The Free Trade Agreement)

Facilitator: Dr. Kojo Busia (Coordinator, African Minerals Development Centre, UNECA)

Panelists:

1. Mr. Emmanuel Kuyole (Executive Director, Centre for Extractives Development, Africa)
2. Mr. Salum Mnuna (The National Coordinator, EACOP Project, Tanzania And Uganda)
3. Dr. Oliver Maponga (Consultant to SADC, AND UNECA Southern Africa Office, Zambia)
4. Dr. Raymond Ihenacho (Mekembuk Consultant, Nigeria and Consultant to ECOWAS)



Panelists sharing country specific experiences (From Left to Right- Dr. Kojo Busia, Mr. Emmanuel Kuyole, Dr. Raymond Ihenacho, Mr. Salum Mnuna and Dr. Oliver Maponga)

The moderator of the panel, Dr. Busia gave synopsis of the topic to set the pace for the discussion. He stated that Local Content is the solid foundation on which African industrialization rests. It should be viewed as a part of the industrialization strategy or initiative and so cannot succeed without capacity. IOCs in Nigeria are necessarily mandated to train locals. Forming and training of cooperatives is thus imperative. Capacity building is long-term, continuous, thus demands long term planning.

Moreover, stakeholders in the communities where the minerals are being extracted should be carried along. Local content framework should be regional in character. Dr. Raymond Ihenacho believes capacity is very important to local content development. There must be deliberate efforts by government to build local capacity to take advantage of local content. There must also be political commitment to ensuring effective implementation of local content policies.

Some projects of mineral exploitation have been halted in East Africa because countries could not agree on whether they should have a national level infrastructure or regional infrastructure. A classic case is Guinea where the Simandu project (has the largest and perhaps the best deposit of iron ore) was stalled because Guinea and Sierra Leone could not agree whether there should be infrastructure coming from Simandu to Freetown which would have helped both countries because Sierra Leone also has iron ore. These are the challenges faced when there is no legal framework for regional integration to optimize infrastructure which is a key enabler for harnessing the potential for local content.

Dr. Mnuna stressed that in such infrastructure negotiations, every country is negotiating within their laws and this restricts being innovative in achieving shared goals. He calls for a harmonized framework that can cater for the needs of all parties.

Again, he stresses that this framework should not involve too much details that rob implementers of the ability to innovate around issues. He maintains that African countries should also create value before adding value in their industrialization drive. He also stressed on the need to build capacity to be ready for investments.

Emmanuel Kuyole mentioned the problem of policy incoherence and coordination among government agencies in-country as the biggest stumbling block to achieving a coherent national local content framework. A lot of countries do not have any coordinated long term industrial and development vision that local content policies feed into. So there are times when local content policies run counterproductive to other industrial strategies because they are operating in a vacuum. There is also no national commitments to internalizing regional frameworks into their policies.

Again, to build strategies that will yield the outcomes we yearn for takes time. However, our politicians do not have time and patience to allow these strategies to develop. They are thinking in terms of their electoral cycles hence their attention is focused on procurement because they can get quick revenues.

Moreover, even where the policies exist, there is little monitoring of their outcomes. There is the tendency for local content policies to encourage local supply (importation) than local manufacturing or have no effect on manufacturing at all especially where infrastructure is undeveloped. He therefore called on identification of areas of national competitive advantage which can be built upon to become regionally competitive. He maintains that the regulators too are not helping. There are companies willing not to comply but the regulator looks on without caution because the companies will be surcharged and this contributes to the regulator's IGF.

2.3.1 Contributions from the Participants

Local content in regional context:

Legal framework for regional integration is nonexistence. For instance, in Tanzania, the extractives communities are some of the poorest. Foreign Direct Investments are usually from foreign companies who are facing challenges that they need to resolve so they come here to invest. Sometimes, negotiators do not have much room to operate away from the laws. The challenge is that laws created are short-term and therefore do not cater for future considerations.

Moreover, laws should also not be too concentrated with minute details such that contingency considerations become problematic or a situation is created where the workforce does not think. These legislations should be formulated in such ways that allow for ample turns when necessary. Meanwhile, the weak (nationals) should be protected until they can compete fairly. Value should first be created before additions made.

Policy coherence and correlation are said to be the biggest challenge regarding local content at the national level. Local content should support a coordinated national industrialization policy and not be a stand-off or stand-alone policy. Countries talk about these policies but do not mean it as they do not have the patience to let policies mature and come to fruition, their thoughts are only the electoral fortunes and these policies are actually not being monitored to assess their outcomes and impacts.

Local content study shows that Ghana for instance is gradually moving away from local manufacturing to importation and mainly from china. Equipment and materials that hitherto were locally manufactured before the promulgation of these local content legislations are now being imported. Few Ghanaian companies are taking advantage of the local content regulations-For instance, Springfield is known to be doing well in taking advantage of the local content opportunities.

To achieve local content, the government would have to play a deliberate policy role to support local enterprises so they can grow and compete nationally and at the regional levels.

Another question that must be answered is whether local content should be a necessary requirement in all extractive resources agreements and markets? Governments need to target specific sectors to enforce the local content laws in a way that benefit the local companies.

Adversely affecting the continent is also the fact that huge amounts of money are taken out to purchase items and services key among which is technology. African countries need to come together to address these challenges. Often, we see countries in the continent practicing policies that show self-inflicted hate and selfishness and this will only breakdown regional solidarity efforts between countries and nationals and will increasingly weaken the continent's

capacity against international competition. Government would have to play deliberate strategic policy roles to achieve the ideals and intent of local content.

A participant averred that Local content should be approached regionally and sub-regionally. For instance, SADA has concentrated on three focal areas with regard to regional integrating: the issue of backward linkages in the equipment supply sub-sector worth \$4billion; domesticating the regional market as well as the copper value chain.

Regionalism has been over a decade old debate in West Africa. The problem fundamentally has to do with Tribalism: several country visions of petrochemical hubs, building FPSOs, etc. Country individualism is killing regionalism.

With regards to challenges to regional integration, there is need to identify specific

projects that can be done on a regional basis while learning to synergies efforts as a continent. Technical education should also be deliberately tailored to the industry needs of skills training and acquisition in an attitude of continuity.

Local content has been redefined in the SADA region and is narrowed down from the regional level to the national levels, so are the benefits and disadvantages alike.

2.4 Report Launch – Petroleum Cost Auditing

There was a report launch by Oxfam America titled “Petroleum Cost Auditing- Examining the Crude Details”. The report which focused on Ghana, Kenya and Peru concerns the effective use of countries’ audit rights regarding petroleum cost auditing which is found to be a particular challenge in Africa and has significant risks to tax revenue losses.

The report noted that the best of fiscal policies can yield no result if governments are unable to collect taxes and this presents the perfect opportunity for IOCs to exploit the weak tax administration system.

The study also identified a number of significant challenges including inadequate transparency in audit activities and the reports of audits.

The research was guided by two central questions:



Daniel Mule with Alexandra Redhead Presenting the findings from the Petroleum Cost Audit Report

1. Are governments making effective use of their audit rights concerning petroleum projects?
2. What challenges impede the effective use of audit rights of governments and how might they overcome them?

Cost audits are important because oil projects are expensive with costs taking around 40% of revenue from production (for every \$1 investment, 40 cents is spent on cost) hence if costs are not audited, it presents opportunity to the IOCs to exaggerate the costs which could have significant implications for government revenue. There is however substantive evidence that countries could use their petroleum audit rights effectively. Again, the sector presents opportunities for tax avoidance usually in the form of transfer pricing.

Moreover, there are significant revenues at stake when cost audits are effectively conducted. Ghana operates tax audits but also has the semblance of the mix. This means the country takes taxes and also a share of the oil profit after the company claims its costs. In Congo for example, \$127 million eligible costs were published.



Deputy Minister of Energy-Mohammed Amin Adam (PhD) receiving a copy of the petroleum cost auditing report

2.4.1 Challenges of Cost Auditing

The study identified 6 recurring challenges of cost audits. These include:

1. Legal framework -the laws that determine the treatment or the eligibility of costs are inadequate, and changes might be difficult to apply.

2. Information around benchmarking cost is often difficult to obtain so governments struggle to properly audit costs.

3. Capacity - auditors are constrained by their understanding of the oil and gas sector. It is difficult for government agencies to keep up with the ever-changing oil and gas sector because of lack relevant sector expertise.

4. Often audits are too late or too slow as governments often wait to audit costs only when production has started. This is not helpful in maximizing returns on the extractive resources.

5. Cost audit rights are often fragmented -several government agencies are involved in different aspect of audit. This creates information asymmetry which can negatively affect the effectiveness of auditing.

6. Finally, a very key challenge in cost auditing is transparency and accountability of audits process and outcome.

On one hand, the companies are not forthcoming with the right information for audit purposes while on the other hand, government auditors usually either do not share the audit findings or publish it late by which time the losses would have occasioned and making it difficult for remedial action.

2.4.2 Recommendations on cost auditing

The report made a number of recommendations including those indicated below:

1. There is the need for proper coordination of activities and functions of governmental agencies. Governments should be able to identify which agency is going to be responsible for cost auditing and to strengthen coordination between multi agencies involved in cost auditing.

2. Time frame -it's crucial that audit time limits and record tracking are long enough. Therefore Governments should conducts audits as soon as possible.

3. Accountability -governments should publish audit records and making sure civil society are engaged in demanding transparency and accountability.

2.5 3rd Panel session

Topic of Report: Petroleum Cost Auditing

Facilitator: Dr. Ishmael Ackah (Petroleum Economist, and Head of Local Content Unit, Energy Commission, Ghana)

Speakers:

1. Mr. Benjamin Boakye (Executive Director of ACEP)
2. Mr. Samuel Quaake Sackey (Head of Petroleum Unit, Ghana Revenue Authority)
3. Mr. Kwesi Obeng (Oxfam International, West Africa)



Panelists for the third panel session (From left to right - Dr. Ishmael Ackah, Mr. Benjamin Boakye Mr. Samuel Quaake Sackey and Mr. Kwesi Obeng)

The facilitator mentioned 6 main issues that should guide the panel in looking at petroleum cost accounting. These include the Laws, Information, Timeframe, Coordination, Capacity and Accountability.

Speaking on the scope of petroleum cost auditing and the challenges, Mr. Sackey mentioned that for every petroleum agreement in Ghana, there is an accounting guide attached to it to give a standard on how IOCs are supposed to account to government. The accounting guide determines the treatment of cost in the accounting procedure and gives the scope of petroleum cost auditing. The GRA only ensures compliance to the accounting guidelines.

With regards to the things Ghana seem to be doing right, Mr. Kwesi Obeng commended Ghana's effort to resolve the timeframe challenges of petroleum cost auditing by making sure there is pre-auditing and also

making it possible to backtrack and review costs from day one. He urged other oil producing African countries to imbed cost accounting and auditing in their laws and contract agreements to ensure what the countries claim to be the cost is accurate.

Benjamin Boakye in his comments advised that the institutions mandated to do the audits as stipulated in the agreements should not delay in doing so. He also called for strengthening the capacity of the statutory institutions mandated to do the audit and do it right because it is not enough to have it in the petroleum agreements when it is not executed effectively.

Examining the issues concerning the capacity of audit institutions, he stated that the authorities complain they do not have the resources required to recruit the necessary skills and expertise. Mr. Boakye added that the revenue authorities do not need to keep the expertise to do the job but can hire them as and when they need them.

He also recommended whistle blower mechanisms to ensure that there is a low incentive to cheat in the industry.

Mr. Sackey revealed that the GRA uses an institutional collaboration approach to conduct cost auditing because they do not have the full internal capacities, and this has been very effective. He also mentioned that donors (GIZ, GOGIG and World Bank), the ministry of finance have been supporting them to build capacities to do auditing. The GRA however does not have an exclusive budget for capacity building.

Speaking on transparency and accountability of audits, Mr. Obeng noted that the space for CSOs to participate and engage in some of these things across the region is shrinking. He mentioned the reluctance of the Ghanaian parliament to pass the Right to Information bill as an example of African government's disinterest in creating spaces for citizens and other actors to actively participate and engage to ensure

transparency and accountability.

Mr. Boakye also spoke on what can be done practically to coordinate efforts to audit costs stating that it is strictly business. Therefore the revenue authorities should not be afraid of doing their work. He also recommends incentivizing the revenue authorities and giving them extra budgetary allocation to develop their capacity.

2.5.1 Contributions from the Participants

Participants' contributions centered on the challenges faced by the state institutions mandated to carry out auditing such as the Ghana Audit Service. A representative from the Audit service stated that the audit service face serious logistical challenges that make it difficult to conduct regular auditing of the petroleum companies. He also stated that the Audit Service under the current Auditor General is seriously building the capacity of the service to be able to discharge its mandate as satisfactorily as possible.

Other issues raised by participants involved difficulty in accessing information from the petroleum companies. Some of the companies are not forthcoming with requisite information that will facilitate the work of the Audit service even though the laws obliges them to cooperate with the government to carry out the regular auditing assignment.

The role of the Public Interest and Accountability Committee (PIAC) in demanding the data from the oil companies was raised. The PRMA mandates the PIAC to report semi-annually and annually on the performance of the oil companies. The Audit Service could collaborate with PIAC to share information and expertise in undertaking the audit role.

2.6 Paper Presentation

There was a paper presentation on the topic: *“Financing local content”* by Mr. Kwaku Boateng (Head of Local Content-Petroleum Commission of Ghana).



Mr. Kwaku Boateng, presenting a paper on financing local content in Ghana.

The presentation sought to address the unending debate on whose responsibility it is to finance local content and suggested ways by which local content financing could be improved.

He notes first and foremost that lack of funding is one of the major factors that limits the development of local content in Ghana. The long duration of E&P projects, capital intensive nature of the industry among others make banks regard the industry too risky to invest in.

There are three (3) areas that require funding in Ghana's oil sector: namely supply services; human development; as well as enterprise development. To achieve Ghana's local content objectives, a number of programs are required. These include; business incubation programs; skills development programs; technical and vocational capacity building; as well as business linkage programs. These programs by their nature are not commercial activities accordingly will require state funding from the government.

He then went ahead to speak on the funding sources for local content. Some of the traditional sources of financing include;

bank loans and mezzanine finance; owners' equity and public bonds. There are several challenges with these traditional sources of finance such as strict requirements in the case of bank loans, unfavorable bank terms, low debt capacity and the emerging capital market space in Ghana.

However, there are some alternative finance arrangements that are frequently seen in the industry: royalty contracts; streaming contracts; shared contracts; cost sharing; asset backed financing, and deferred payments. Some of these arrangements have existed in extractive industries for several decades; and some have emerged only recently.

In Ghana, there's also the Ghana Alternative Market (GAM) which is a parallel market operated by the Ghana Stock Exchange. It focuses on businesses with potential for growth. The GAM accommodates companies at various stages of their

development, including start-ups and existing enterprises, both small and medium. It can serve as a viable source of funding for the Oil & Gas Industry because of its greater flexibility. However, the amounts of capital raised from GAM by companies tends to be relatively small.

Mr. Kweku Boateng also mentioned the Local Content Fund which aims at providing financial resources for Ghanaian companies to finance their operations and build their capacity. The loans are supposed to be given either on concessionary interest rates or on grant basis.

He concluded by reiterating Ghana's commitment to creating an enabling environment for maximising local content while attracting investment into the oil sector. He pledged the Petroleum Commissions commitment to ensure that the proposed Local Content Fund will be

efficiently and transparently managed to ensure the development of local content in the country.

The presentation brought the first day of the summit to an end.

3.0 DAY 2 PROCEEDINGS

3.0 INTRODUCTION

The second day of the Africa Oil Governance summit began with a key note address by the Chief Executive Officer of Ghana Gas Company, Dr. Ben Asante.

3.1 Keynote Address by Dr. Ben Asante (The CEO, Ghana National Gas Company Limited)

The key note address focused on Local Content and Investment attraction especially from the investor's perspectives. In other words, the speech addressed the positive and negative impacts of local content provisions on investment decisions by foreign investors. Dr. Asante stated that African countries are now very serious about making sure their oil resources improve their welfare.

At the forefront of this is the push for local content. Dr. Asante noticed that local content was being slightly abused through fronting thereby making the real impact of resource exploitation not felt as expected.



Dr. Ben Asante (CEO, Ghana National Gas Company Limited) delivering the key note speech

He stated that it is important that the host country defines local content in a manner that corresponds with its policy goals and objectives while attracting investment at the same time. He defined local content as ‘value created by development through capacity building and promoting local business to participate in resource development and monetization’. He called for a transparent, clear and unambiguous definition of local content across all the relevant government agencies.

He noted that sometimes, we overburden ourselves with overregulation and this places burdens on foreign companies, especially when domestic capacity is limited. Again, with the decline in African GDPs and commodity prices, there is the need to diversify the structure of their economies. To do this, they need to attract foreign investment. Capital however has high mobility and investors get to decide where they send their money.

The World Bank report on doing business ranks sub-Saharan Africa low. Clearly, many of the region’s impediments to doing business are sometimes created or exacerbated by clear or unclear bureaucracies. Some barriers to investment and industrial development in Africa include:

- I. Uncertain regulatory frameworks
- II. Poor physical infrastructure
- III. Corruption and unethical behavior
- IV. Lack of skilled labor force
- V. Taxation and fiscal requirements
- VI. Local content requirements

Local content requirements is something investors look out for in deciding to invest. If designed too rigidly, local content can drive away investors and substantially raise the cost of business. On the other hand if it is too loose or in some cases, nonexistent then local content regulation or lack thereof can hinder the countries physical and structural transformation as governments will fail to maximize the country’s resources.

Dr. Asante therefore advised African countries to strike the right balance between designing incentives to attract foreign capital versus developing local content and strengthening local revenue mobilization.

He also shared on how to develop an effective local content policy while attracting and sustaining investment. Governments first of all need to compare domestic capacity to the procurement needs and expectations of investors. Understanding this allows clear targeting for developing long term capacity and ensure consistencies of quality. They also need to align policy, legal and institutional frameworks with the desired outcomes. Governments need to maintain attractiveness to foreign investors whatever the local content policy paradigm.

He went further to share local content policy options that can be pursued. These include prescriptive policies and incentives based policies.

I. Prescriptive policies: These are designed with explicit percentage targets. It assumes the ability of state agencies to monitor and ensure compliance with these requirements. This route can be challenging and sometimes negatively impact the sector if the goal is set too high. E.g. Angola, Ghana

II. Incentive based policies: No targets are set but government puts in place incentives to encourage investors to pursue local content. It assumes incentives will be enough to motivate investors to pursue local content while the country enjoys the benefits of increased local participation. E.g. Australia.

Overall, governments also need to analyze their local market to really ascertain the abilities of private and public institutions to respond to the challenges and opportunities that the policy creates and facilitate interventions to bridge capacity gaps. Governments also need to periodically monitor and evaluate local content implementation.

They also have to pass laws to ensure local content policies are documented and enforced through a bi-partisan process. There is the need for bi-partisan regulation to ensure that all governments agree on objectives to avoid instances where every new government comes to change the regulations based on its interests.

He concluded by saying that when local content is properly implemented, it can be a great tool for developing the domestic economy of African countries as well as promoting local workforce development. Conversely, if not properly implemented, local content regulation can drive away investment. There is therefore the need for greater collaboration between governments and the investors. Governments must strengthen institutions for regulations to be designed for the ultimate goal of sustainable and inclusive growth.

3.1.1 Participants Discussions

Participants discussed the need for integration of both industry and institutions in the sector, so both can be at par to exploit opportunities that arise. Sometimes, requirements advertised for positions way exceeds the expertise available in the country. Participants therefore suggested that the IOCs attach locals even if they do not have the required qualification or expertise in order for them to learn on the job.

Some participants argued that local content is not a panacea to all of the country's problems. If it is to succeed, it should be accompanied by proper trade and industry planning. Local content should be taken as an opportunity to industrialize and not just be concentrated on procurement as the extractives are finite non-replenishing resources. There should be structural transformation within the economy breaking away from short-termism.

Ghana has achieved a minimum of 75% localization in local content. In the core technical areas, a minimum of 60% localization has been achieved. One needs 7-10 years before one can reach autonomy and become an engineer. Technical universities for instance hardly practicalize the course contents for students. Hence, even the capacity development in itself is lacking. There should be a systematic approach incorporating a knowledge hub, technical zones devoted to applied research and supply of skills to industry. Chile, for instance, has public-private industry partnerships where technological innovations are undertaken.

There is the need for a harmonized, clear and unambiguous, and transparent definition of the term through all relevant government agencies. This is often lacking. There seem to be uncertain regulatory framework and an unclear definition of the regulatory environment.

World Bank's 2016 Ease of Doing Business Report, ranking sub-Saharan Africa very low, indicated that instead of facilitating trade, bureaucracies which are usually cumbersome, are rather hindrances to businesses.

3.2 4th Panel Session

Topic: Local content vs. investment attraction - international investors' perspectives.

Facilitator: Mr. Evans Mensah

Panelists:

1. Professor Adriano Nuvunga (Founder and Director, ADS, Mozambique)
2. Ms. Jennifer Bruce-Konuah (Supplier Development & Delivery Manager, Tullow Ghana Plc)
3. Rev. Eric Agyei-Gyan (Local Content, Government Policies and New Initiatives at Eni Ghana)



A panel session on Local content vs. investment attraction - international investors' perspectives (From Left to Right- Mr. Evans Mensah, Professor Adriano Nuvunga, Ms. Jennifer Bruce-Konuah and Rev. Eric Agyei-Gyan)

The facilitator of the session Evans Mensah raised a number of teasers to try to illicit their individual experiences to bear on the discussion in order to enrich the discourse.

Professor Adriano underscored the need for good governance and quality leadership to maximize the benefits of resource exploitation. . In his view, most countries do not seem to have a clear direction on

whether to use extractives to promote diversified development or just maximizing the exploitation of extractives. He also raised the questions of how successful alternation of power between governments in countries like Ghana influence local content promotion.

He also mentioned the issue of vision around extractives exploitation i.e. whether leadership consider these thing in the long term or short term.

It is not difficult to find local leaders trumpeting the excuses IOCs give for not pursuing local content. This leaves no incentive for IOCs to pursue local content if they are not forced. Even where they are forced, they tend not to cooperate.

Ms. Bruce-Konuah believes that local content should not be a hindrance to investment attraction irrespective of the definition due to the following reasons:

I. IOCs know they cannot operate in isolation in their host countries. They operate within communities and thus have to consider them in their operations.

II. Expectations of stakeholders including the government, local companies, national workforce, civil society groups etc. for local content.

III. Investors also have their expectations of the government and all

She added that IOCs need to be deliberate about local content and needs to factor them into their business models.

It is important that IOCs not only factor local content into their business models but also in their plans for developments. She called on all stakeholders to develop a partnership approach to ensure value for shareholders and the host nations.

Rev Agyei Gyan believes that IOCs are now moving towards having local content as part of their strategy instead of just fulfilling a legal requirement. He maintains that the key issue is developing the enabling environment especially with relation to regulation. For ENI, local content is part of their strategy and they have made huge investments in that regard. According to him, IOCs are really committed to delivering value in terms of local content.

Ms. Bruce-Konuah and Rev Agyei Gyan stated that IOCs expect more from the government such as creating a more enabling environment by training and developing more Ghanaians, developing a national strategy for local content where

IOCs can align their operations to. The current law has problems with the definition and interpretation of local content requirements based on the regime in power and this hinders the work of IOCs.

Prof Adriano insists that the global governance of extractives is tilted in favor of the global south where these IOCs come from. Thus IOCs enjoy privileges on the content because the laws are globally defined and only domesticated to some extent. Therefore, local content should be a strategy by governments to ensure that the national economy takes the lead in resource production instead of allowing IOCs to integrate it into their strategies.

Ms. Bruce-Konuah stated that IOCs hands are tied with regards to technology gaps because they work with international oil and gas standards. She maintains that the government also has a responsibility when it comes to delivering local content and development the sector.

Rev Agyei Gyan advises skills training and development should be focused on skills applicable to all sector, not only oil and gas due to the resource production cycle.

3.2.1 Contributions from Participants

A participant tried to relate this panel discussion with the earlier one by establishing the linkages by raising a number of questions. What is the cost of local content and who monitors it? Planning is also not effectively done?

Ghana as a country has a vision 2030 but do their policies reflect that vision? So local content is being discussed in a silo. Local content is a function of planning and strategy and less of legislation. Realization of local content involves the state's capacity to plan, strategies and implement. Preparedness should be in two-folds; educational preparedness which speaks to the quality of the labour. The quality of labour in Uganda in 2030 is projected to be that of Ghana in 2010, according to the

World Bank. While Ghana’s secondary education was at 60% in 2010 and projected to be 80% in 2030, Uganda projects 48% in 2030.

Africa’s preparedness should reflect in the ease of doing business. The 2018 Ease of Doing Business report indicated that Rwanda, with an improvement from 41 to 29 in East Africa, Kenya from 80 to 61, Uganda decreased from 122 to 127, so did Burundi. Thus, countries have different levels of preparedness.

3.3 5th Panel Session

Topic: The role of CSOs in driving local content

Facilitator: Charles Wanguhu (Civil Society Platform on Oil and Gas, Kenya)

Panelists:

1. Ikal Angelei (Director, Friends of Lake Turkana)
2. Kaisa Toroskainen (Africa Program Officer, NRGi-Ghana)
3. Godber Tumushabe (Associate Director, Great Lakes District for Strategic Studies, Uganda)



Panel discussion on the role of CSOs in driving local content (From Left to Right-Mr. Charles Wanguhu, Godber Tumushabe, Ikal Angelei and Kaisa Toroskainen)

The panelists agreed unanimously that CSOs have key roles to play in facilitating implementation of local content laws and regulations. The facilitator particularly apart from stating the importance of CSOs in driving local content enforcement in the extractives sector bemoaned dormancy of CSOs in pushing enough for local content implementation in Africa emphasizing the need for Civil society to research into how fiscal incentives and local content are in line in the various parts of the continent.

Kaisa Toroskainen shared an example from Cameroon where a group of CSOs monitored local content implementation in a mining project and found that even though construction capabilities were available in the Cameroonian construction sector, none of those companies was used in the construction of the mining camp. This group was then able to make recommendations on how those categories could be better taken

into account in the mining local content laws. This demonstrates how the monitoring activities of CSOs can have such a great impact on optimizing local content. To be able to effectively monitor local content implementation, CSOs need access to certain important information such as business plans, procurement plans etc. from the IOCs and the big service companies.

There is also relatively little information on contracting and sub-contracting for CSOs to scrutinize the extent of local content promotion largely due to the insistence they are private agreements. There is however the need for transparency in the whole tendering process for civil society to be able to monitor how local content is implemented. She shared the Mexican example of 'social witnesses' appointed by Pennex (NOC) to supervise the whole tender process to be able to monitor impartiality and due process. In Nigeria, the Content and Management board now publishes the list of pre-qualified suppliers which allows interest

groups to monitor the extent of local content implementation in Nigeria.

Ikal mentions the case of extreme increase of brokerage in local content implementation as the local communities in the extraction areas do not have the capacity and experience to take advantage of local content. This happens in the case of rural local content (“local-local-local” content). The revenues from the brokerage do not trickle down to the rural community but to some elite firms from the national local. She highlights the need for CSOs to monitor the policies of firms to know if there is real or actual implementation of local content or there is just a perception of it. They also have to push for government to invest in promoting local content.

Godber made the point that local content is mainly a function of planning and strategy than legislation i.e. the capacity of the state to plan and strategize and implement them.

He mentions two areas of planning for local content preparedness; investment in education and capacity building (quality of workforce) and the ease of doing business. He mentions that local content legislations create accountability and monitoring responsibilities for CSOs. In countries with no such legislation, CSOs have to push government to legislate for govern local content activities. CSOs also have a responsibility of mobilizing citizens to take advantage of local content opportunities that have been created. Again, CSOs can also help in managing the politics of implementation of local content.

CSOs are however challenged by the nature of the funding they have. They are usually underfunded, undermanned and very short term in nature. However, their roles are very strategic and long term.

He called for more conversation on political leadership and governance regimes that manage resource exploitation.

Local content and everything about the oil and gas sector depends on the political leadership and governance hence the need to future summits to also focus on getting that right.

Ikal also called on CSOs to shift power to the people by breaking down the technical concepts and local content language to the people who are not involved in the enclave oil sector. This is because it is the citizens who vote and have the power to hold government accountable. CSOs have to organize and empower citizens to demand local content by tampering the power relations that exists in the sector to the extent that it is citizens who demand what local content they want.

CSOs have also been advised to build trust of locals and IOCs to serve as intermediaries to facilitate local development through sharing of opportunities, procurements etc. They have also been advised to advocate for the proper inclusion of PWDs in local content and not the tokenism that has characterized most inclusion policies.

Civil society should look at the specifics of the contracting process, particularly the tendering process from procurement plans to notices and who got the contract. Lack of information on the process is beginning to change as contract information is being published for instance in Nigeria. Transparency and competitive bidding is necessary, in Mexico social witnesses sit on the bidding committees so they have access to all necessary information for civil society to monitor the process.

In Kenya, there are three levels of local content; national, the county level and the village level. Brokerage firms come in and ask of items from the host communities where poverty is so high that there's almost little chance these items can be provided. Moreover, benefits do not trickle down to the villages. Foreign companies' policies do not reflect local content as local staff in these companies are not allowed to access services outside of the operating camps. Local content is being confused with civil society in Kenya.

Lastly, what is the cost of local content and who monitors it? Planning is also not effectively done. The country has a vision 2030 but their policies do not reflect that vision. So local content is being discussed in a silo.

3.3.1 Contribution from Participants

Experts urged that the terminologies associated with local content be broken down to the local people so they easily understand and relate to the governance issues and be better placed to hold leaders to account.

It was suggested that local content should look at concepts such as ‘emiratisation’, ‘qatarisation’ and ‘omanisation’ which are deliberate efforts by these countries to train and build capacities of citizens from the secondary school levels and the technical institutions so they can be equipped early and moved to the field.

CSOs can play mediatory roles between oil

and gas companies, government and the citizens and their primary duties include monitoring, analysis and drawing knowledge from cross-sectors to communicate a balanced picture of the prevailing circumstances. They could even perform regulatory roles if need be.

Civil society needs an environment of free expression, speech and conducive civic space. Civil Society space is basically about citizen engagement, a civic community brings together private sector and citizens, giving them the grounds to enable them push for what is due the population.

Finally, CSOs also include religious bodies, NGOs, cooperatives, etc. Local government Agencies should be empowered to be a little more forceful and stubborn to resist certain tendencies and practices. Definition of local content should be precise as it would inform the vision and define specific targets and roles of actors involved to prevent incentives for unethical and corrupt practices.

3.4 6th Panel Session

Topic: Opportunities for women empowerment in the petroleum industry (taking advantage of local content potentials and budgets)

Facilitator: Mrs. Anna Kulaya (Deputy Country Director, WILDAF Tanzania)

Speakers:

1. Mekombé Thérèse (Chad)
2. Dr. Jemima Nunoo (Lecturer, GIMPA/Board Member of Petroleum Commission, Ghana)
3. Ms. Victoria Ibezim-Ohaeri (Executive Director, Spaces for Change, Nigeria)

The discussion started with recognition of the role of women in ensuring sustainable development of the continent considering the fact that women constitutes more than 50% of the population of the continent. The introductory remarks also acknowledged the low participation of women in the oil, gas and energy sectors which was described as discouraging and efforts needed to boost women's participation in the sector.



Panelists discussing opportunities for women empowerment in the petroleum industry (From Left to Right- Mrs. Anna Kulaya, Dr. Jemima Nunoo, Ms. Victoria Ibezim-Ohaeri and Mekombé Thérèse)

Speaking on the need for women to take advantage of opportunities local content regulations present, Dr. Jemima Nunoo stated that it actually makes business sense for the industry to have a diverse and engaged work force and this cannot be achieved by excluding, for example in Ghana, over half of the population. She mentions that globally women are much underrepresented and face a lot of barriers and discrimination in the technical fields in the oil and gas sector.

Ms. Mekombe recommends that governments should embed opportunities for women in the various petroleum agreements that are signed with IOCs. She believes, especially in cases where local content requirements are prescriptive, it is not enough to give percentages of local people to be employed and local suppliers to be contracted. Governments have to redefine these requirements to reflect gender inclusiveness.

She also called for the presence and effective participation of women in these contract negotiation process to ensure that the interests of women are reflected.

Again, Ms. Mekombe suggests that women have to show interest in the sector. She blames the lack of interest of women in the oil and gas sector on the socialization process of women. Women have been socialized to believe their made out for more social friendly roles like nursing, teaching etc. compared to more technical roles. She believes if this is not changed, even where governments prescribe quotas for them they cannot be able to take advantage of it.

Ms. Ibezim-Ohaeri on whether affirmative action is the way to go for including women in the male dominated oil and gas sector, believes it can help to include women. Policies like quotas have been very successful in other sectors and can be employed in the oil and gas sector.

However, quotas tend to create the impression of tokenism and does not emphasize the competence of women.

She suggests using targeted subsidies and ensuring access to finance for women owned businesses to fully participate in the oil and gas supply chain. Including women should not only be about working in an oil company but cuts across from decision making level to the supply chain and procurement and down to the benefits of petroleum resources.

Ms. Ibezim-Ohaeri speaking on some of the challenges of women in participating in the sector noted that capacity development programs in the oil and gas sector also discriminates against women. She gave examples in Nigeria where out of 60 people selected for an oil and gas management scholarship, only 12 were women. She is of the view that if this persists, it will continue to reflect in the number of women found in the sector.

Again, in terms of male-female ratios in the benefits of petroleum resources, there are still very huge disparities.

Dr. Jemima also called for de-gendering of STEM to expose women to the oil and gas sector. She also suggested that a portion of the local content funds government and the local content development funds IOCS should be targeted at female owned entities to first build their capacity and attract them to participate in the oil and gas sector.

3.4.1 Participants' discussion

Participants also alluded to the comments made by the panelists on limited access to the sector for women indicating that even though women form more than half of global population, they are under-represented in the oil and gas sector, especially in the technical sector.

Calls are being made for participation of women in the sector, however, some of the women themselves are also not interested

to take the opportunities. Another school of thought advocates against the notion that women should be given opportunity to participate in the sector just because they are women but not because of their competencies, thus the quota system. Women themselves need to be challenged to build their capacities in the technical areas of the sector and compete favorably when there are opportunities.

And lastly, the role of legislation and policies in generating equitable participation of women in the oil and gas sector was stressed. The responsibility is on government to formulate gender sensitive policies that will create opportunities for women to take advantage of the benefits in the oil and gas sector.

4.0 COMMUNIQUE

At the gathering of the 4th Africa Oil Governance Summit in Accra on 13th and 14th November 2018, it was concluded that local content is a great tool for developing the domestic economies, promoting local work force, and championing industrialization and regional integration of the African continent. The reality, however, depends on the extent of African countries' preparation for, as well as effective implementation, monitoring, and evaluation of local content efforts at the national, sub-regional, and regional levels.

The challenges of local content achievements were widely discussed. These are summarized to include low capacity levels of local human resources and businesses; under-representation of women and persons with disability in accessing local content opportunities;

ownership syndrome/culture of business where businesses want to go solo instead of building partnerships to create economies of scale; limited access to finance; difficulty in integrating the oil and gas industry, through local content, into the rest of Africa's productive economies; overambitious targets of local content requirements; and poor coordination among countries to achieve industrialization and regional integration.

Local content is a shared responsibility and requires a partnership approach to achieve shared benefits for all. To address these issues, there are specific roles governments, regulatory bodies, the business community as well as Civil Society Organizations (CSOs) can play to drive the localization agenda.

4.1 The role of Government

African governments must establish a balance between local content targets, the industry's survival,

and growth of linked economic sectors through creative government interventions such as:

- I. Proactive and continuous investment in human resource development, including building the competencies of women and Persons with Disability (PWD) in Science, Technology, Engineering, and Mathematics (STEM) education;
- II. Provision of key infrastructure to drive localization;
- III. Consciously restraining from interference with powers and decisions of regulatory bodies;
- IV. Governments must spend time and money to train the supervisors of the local content requirements to ensure compliance;
- V. Coordinating, harmonizing, and aligning local content efforts and policies across all sectors, including the oil and gas sector, to ensure that they are not counterproductive to each other;
- VI. Building long-term industrialization strategies that outlive political cycles;

VII. Understanding each state's comparative advantage and harmonizing local content policies at the sub-regional and regional levels to achieve shared benefits;

VIII. Commitment to domesticate sub-regional and regional commitments on local content based on comparative advantage of countries. Countries must be committed to internalizing regional frameworks into their policies;

IX. Having strong leadership to audit technological demands of IOCs to ensure that locals are not short-changed. This requires that African governments invest in and train locals in technologies that meet international standards to effectively compete;

X. Promoting transparency in terms of publishing of contracts with companies and their local content plans. Knowledge of existing opportunities helps people to aspire for higher education and skills development to take up local content opportunities;

XI. Making local content relevant for the rest of their economies and ensuring that livelihoods destroyed by oil and gas operations are sustainably replaced through local content policies; and

XII. Strategizing local content requirement with trade policies in mind.

XIII. Government must conduct cost auditing of IOCs regularly and ensure audit reports are published and made accessible to the public including PWDs.

4.2 The role of regulatory bodies

I. Regulators must be effective in monitoring of local content requirements. This requires that they are effective, competent, and independent to properly evaluate local content implementation;

II. Regulatory bodies must coordinate effectively with other state institutions to jointly undertake timely cost audits; and

III. The approach to local content by regulatory bodies must be non-partisan to ensure continuity of implementation.

4.3 Role of Business community

4.3.1 International Oil and Gas Companies

I. Local content is not a barrier to investment from the perspective of oil and gas companies. It is seen as a social license to operate because it neutralizes possible adverse impacts of oil and gas operations on host country, particularly on domestic traditional livelihoods;

II. IOCs must therefore be deliberate about local content by factoring it in their business strategies; and

III. IOCs should be more transparent in their contracting processes to enable local companies to adequately prepare and take up opportunities.

4.4 Local businesses

I. Local companies operating in the sector must pool resources through partnerships and joint ventures to capture greater value;

II. Local companies must be proactive in seeking information to take advantage of existing opportunities; and

III. Local companies must consciously invest in the development of their competences to meet international standards and certifications. This is an important pathway to taking up opportunities local content presents.

4.5 Role of Civil Society

Monitoring activities by CSOs on local content can add value to the localization agenda in the following areas:

I. cost evaluation in subcontracting to ensure that cost inflation by companies is detected and stalled;

II. Contract award processes to ensure that contracts are not awarded to businesses associated with politically exposed persons;

III. Managing the difficult governance and political leadership surrounding local content policies; and

IV. Bringing the understanding of local content close to citizenry through effective engagements. E.g. breaking down the language. This improve citizenry demand for accountability on local content delivery from both companies and governments.

4.5.1 Strengthening CSOs to play monitoring role:

I. Availability and easy access to data is fundamental for CSOs to effectively monitor local content. Oil and gas companies must ensure that data on local content and development plans are available to CSOs for analysis. Central government and regulators must be willing to provide information required by CSOs for the purposes of monitoring local content implementation and attainments; and

II. Funding for CSOs to sustainably operate is an important determinant of CSOs ability to monitor local content implementation.

4.6 Participation of Women and Persons With Disability

I. Government must ensure that women are involved in the oil and gas sector;

II. Women must be involved in every contract and sub-contract signed along the extractive value chain; and

III. Opportunities in the oil and gas sector must be made public for Persons With Disability to take advantage of such opportunities.

IV. All extractive reports must be published in various forms including braille for Visually impaired.

V. A percentage of the ABFA of oil revenues be devoted to supporting capacity development of PWDs

5.0 CONCLUSION

Having local content policies is not enough. African states must be prepared to take up the opportunities that local content presents. This requires;

- I. Building capacities of humans and businesses;
- II. Being mindful about the abilities of women and Persons With Disability by creating local content opportunities for them;
- III. Limiting political interferences in local content implementation and building strong and independent regulators;
- IV. Having flexibly stable long-term industrialization plan that stretches benefits of local content beyond the oil and gas industry;
- V. Understanding each state's comparative advantage to harmonize local content policies at the sub-regional and regional levels for shared benefits;

VI. Taking petroleum cost auditing seriously by building capacities of state auditors, becoming more transparent and accountable, and ensuring strong institutional collaboration; and

VII. Being innovative about local content financing.



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