AFRICA OIL GOVERNANCE SUMMIT 2016 REPORT

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Theme: Rising through the Rubbles of Oil Price Shock - Strategies for Inclusive Growth and Sustainable Development

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September 26 – 27, 2016
at the Labadi Beach Hotel, Accra – Ghana

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Introduction

The impact of the oil price shock has been devastating for many African countries particularly the major producers. In Angola the national currency has devalued about 37% against the US dollar, putting so much pressure on an economy that is 90% dependent on oil for exports. Nigeria and Algeria are other big players who are facing similar economic difficulties in the face of low oil prices – forcing stringent economic measures such as reduction of subsidies and currency control in attempt to rescues shrinking foreign reserves. Oil price crush has been cyclical in the history of the industry. There is enough literature on the need for oil producing countries to foresee the impact of less than expected revenues and institutionalize smoothening mechanisms to protect countries from the economic difficulties being witness today. However the governance challenges in the continent often relegates long term planning and rather focus on dependence on the resource revenue.

Against this backdrop, the 2016 edition of the Africa Oil Governance Summit was held at the Labadi Beach Hotel on the 26th and 27th of September 2016 under the theme ***"Rising through the rubbles of oil price shock- Strategies for inclusive growth and sustainable development".*** This Summit was convened by the Africa Centre for Energy Policy (ACEP), endorsed by the Ministry of Petroleum and sponsored by UK Aid, the Ghana Oil and Gas for Inclusive Growth (GOGIG), OXFAM and IBIS.

The summit, brought together over 200 participants and experts from the civil society, governments and business community to discuss the lessons learnt from the price crush and the future governance of the sector and its relations with broad base development. It was mainly structured in panel sessions where experts were invited to discuss a range of topics under the theme with only one session held in the form of a presentation. Over the two-day period, a total of 9 panel sessions and one presentation were held where panelists were engaged in discussions ranging from how to rise through the rubbles of oil price shock to strategies for inclusive growth and sustainable development to prudent oil revenue management. Participants were then allowed to submit their questions, comments and suggestions on the topic of discussion at the end of each session. Out of the 10 sessions, four (4) run as concurrent break-out sessions while the remaining six were held as plenary sessions.

Opening Ceremony

The ceremony began with a welcome address delivered by Dr. Mohammed Amin Adam, the Executive Director of ACEP. Dr. Adam welcomed the participants, panellists and friends from the media to the second edition of the Africa Oil Governance Summit. He noted with pleasure that, pursuant to the first Oil Governance Summit held in 2015, the discussions and the communiqué had been vigorously promoted on different platforms resulting in their adoption by many emerging oil producing economies. He also mentioned that an unprecedented number of Africa's resource-rich countries were undergoing the Extractive Industries Transparency Initiative (EITI) validations to determine the level of progress made on the governance of natural resources. He further acknowledged the role played by civil society activists, country governments, legislatures and development partners in augmenting optimism about Africa. Dr.

Amin Adams observed that the 2016 edition of the Summit sought to shift the focus to the impact of oil price shocks on the economies and the development of African countries. Further, he noted that governance dividends as well as other fiscal measures could help address the challenges faced by the oil sector.

With regards to crude oil price shocks, Dr. Adam mentioned that from year 2014, many oil producing countries had suffered under the heavy weight of declining revenues as a result of the oil price shocks. He identified African producers as having been worst hit by the declining prices basically because their economies over-depended on oil revenues, the efforts to generate taxes were insufficient, corruption was high and fiscal discipline was virtually disregarded. Most of such countries were thus forced to make difficult fiscal adjustments and take tougher fiscal measures which have gone to make them unpopular with their people and affect their macroeconomic outlook. Examples of such actions have included the plan to increase taxes and remove fuel subsidies; the imposition of new taxes and levies and the withdrawal of subsidies from petroleum products. He then stated that the deliberations over the next two days were expected to contribute effectively to the debate. Dr. Adam subsequently focused on two main categories of challenges namely, governance and development challenges. For Dr. Adam, with respect to governance challenges, beyond the visibility of the economic challenges of oil price shocks, there is also the aspect of governance costs which have to receive greater attention. He noted some of the effects of dips in crude oil prices on governance as follows:

- As the competitiveness of oil companies decline, there is the tendency for companies to demand a water-down of strict standards in the negotiation of new contracts as some companies consider such standards as cost premium.
- Again, the attractiveness of oil producing countries decline and they are forced to relax high governance standards as a way of attracting investments from investors that are opposed to open governance rules. Broke governments thus become exposed to budgetary shortfalls and have their state of vulnerability exploited by potential investors who demand lower fiscal terms. Consequently, public well-being ultimately suffers.

Commenting on the assertion about the need to spend oil money efficiently and responsibly, Dr. Adam stated that it was needful to do so. For him, this notwithstanding, there exist governance challenges that further undermine the efficiency of spending public funds from resources booming economies. Dr. Adam observed that, in the recent Africa Oil Governance Report released by ACEP which was to be launched later that morning, some issues were brought up. These included;

1. The Mandatory disclosure of oil and gas contracts was still not widely accepted.
2. The right to Free Prior and Informed Consent had not been adopted as a norm.
3. The Mandatory disclosure of beneficial ownership information remained a challenge.
4. The adoption of the right to information legislation had still not become widely attractive to African governments.

Conversely, the report pointed out that optimism about the future can still be kept as a result of the following:

1. There was an increasing adoption of open and competitive bidding processes in the award of petroleum rights.
2. There were some appreciable efforts by African oil producing countries in open budgeting.
3. The adoption of EITI was becoming a common practice in the oil and gas industry within the African region.
4. The adoption of anti-corruption provisions was gaining relevance among African countries.

Dr. Adam further remarked that the revelations made by the Report provided evidence to support the fact that concerted efforts made by African governments and the unending commitment and determination shown by citizens to push for the desired governance standards in Africa could make greater progress towards the transformation of Africa's wealth into development.

On the question of development challenges, the Executive Director focused on resource-based development and reminded the participants that failure to manage the effects of oil price volatility could impact negatively on developmental efforts. The current oil price crisis and the launch of the Sustainable Development Goals (SDGs) serve as a call on all to prepare for rainy days in development planning. Moreover, the efforts of African countries face the risk of being undermined by the growing size of illicit financial outflows from Africa. Dr. Adam expressed worry over whether Africa was ready for the next boom as oil prices were cyclical. He also stated that history had shown that in spite of the oil and mineral price booms over the past decade, most of Africa had failed to achieve the Millennium Development Goals (MDGs). This period was variously described as being a wasted development opportunity. He therefore asked if it was safe to predict if the likely next boom will also be wasted even as the development targets from the MDGs to the SDGs are increased.

He concluded by stating that ACEP believed that the Summit was timely especially as beyond diagnosing the problem, it sought to propose a sustainable policy and strategy for addressing those problems. He also called for concerted efforts from governments and partners alike to surmount the diagnosed challenges. He then expressed gratitude to the Government of Ghana through the Ministry of Petroleum for providing support for the organization of the Summit. He also appreciated the kind sponsorship of GOGIG, the United Kingdom's Government Oil and Gas Governance Program. Oxfam and Oxfamibis were commended for providing financial and technical support to ACEP.

Statement by Sponsors

The welcome address was followed by a statement by the Team Leader of GOGIG, Ms. Adelaide Addo-Fenning. She remarked that it was good to see many participants from last year and mentioned that GOGIG was happy to collaborate with ACEP to organize another summit focused on governance issues. She mentioned that GOGIG was funded by the UK Department for International Development (DFID) and that seeks to improve the regulatory environment, ensure revenue capture and management. They also provide an overall oversight especially by non-state actors. The aims of GOGIG also involve providing the opportunity for dialogue and debates to obtain various perspectives to enrich the discussions.

Ms. Addo-Fenning further assessed the topic of the Summit and commended ACEP for the apt choice. She was hopeful that the Summit would help address the question of how African countries can rise above the storm of the boom and bust; incorporate new ideas and strategies to maximize the next boom and contain the current bust. She also spoke about how developing countries can take advantage of the current global situation and the nature of governance arrangements. She also shared her hopes that the summit would come up with some recommendations to carry the discussion forward. The existence of such a platform should not be underestimated. For her this affords stakeholders the opportunity to deliberate on oil and governance-related issues. She reiterated that this was not just another talk-shop as some recommendations which were made during the First Edition for instance had seen implementation. These included; getting the Ministry of Petroleum to make a commitment to passing the Petroleum Bill. Ms. Addo-Fenning also questioned the role that stakeholders can play in trying to get the recommendations implemented and admonished all stakeholders to hold themselves accountable in their various institutions. She concluded by stating that she was looking forward to the discussions over the next two days.

Statement and Opening of Summit

The Special Guest of Honour, Hon. Benjamin Spencer Kwaku Dagadu, Deputy Minister for Petroleum extended warm regards from the sector Minister who was unable to attend due to other equally important national engagements. He observed that he had witnessed several oil price booms and busts from the 1970s through the 1980s through the early 1990s to the mid-2000s. The Petroleum industry was undergoing a lot of change in the areas of safety, regulation, alternative energy regulations. Rather unfortunately, Ghana was suffering the effects of the global decline in oil prices like many other governments. Some of the measures which have been put in place to overcome these challenges include;

1. Creating predictable and strong regulatory regimes
2. Creating the enabling commercial environment for private participation in the Petroleum Sector.
3. Fully integrating all spheres of the Petroleum industry.
4. Investing in infrastructure
5. Creation of jobs in the country

The Hon. Deputy Minister noted that the theme for the Summit could not have been more precise as it aptly captured the current global situation of a record low crude oil price. He thus applauded the organizers of the Summit for selecting the theme especially in the current context of price busts. He predicted that the theme alone was indicative of the success of the summit. According to Hon. Dagadu, many African countries rely heavily on oil revenues to finance a great part of their budgets. With the current global price declines and concomitant implications, some of the questions worth asking include;

1. How do producers react and manage budgets, strategic planning and capital expenditures in such price extremes?
2. How do National Oil Companies (NOCs) react to price swings?
3. Are these National Oil Companies as flexible and agile as the International Oil Companies?

He went on to provide illustrative answers to the questions he raised for deliberations. He also noted some of the challenges which a low oil price regime brings about.

1. Difficulty in attracting investors especially in deep and ultra-deep water environment for exploration as companies cut down on budgets for exploration in high risk environments.
2. Cancellation or deferment of major capital intensive projects as a result of projects being reviewed based on a given breakeven in terms of a minimum level crude oil price.
3. Reduction of in Government oil revenue resulting in the need to review the annual budgets.
4. Reduction of fiscal regimes to create enabling environments.
5. Difficulty in implementing local content policy and programmes since projects must be delivered in the most efficient manner.

The Hon. Deputy Minister however did point out some opportunities which the current low oil prices presented:

1. Exploring other technologies to reduce cost.
2. Taking advantage of the downturn to sharpen fiscal discipline.
3. The deferring of projects has reduced the cost of services resulting in a decrease in the demand for services.
4. The downstream sector is becoming more lucrative as a result of cheaper feedstock.
5. Oil importing countries are experiencing economic growth.
6. Large oil companies are undertaking more explorations due to reduction in the cost of services.
7. Companies are increasing their reserves through the acquisition of smaller companies.

Hon. Dagadu concluded by reiterating that governments needed to begin reduce their heavy reliance on the oil sector and explore other areas also. He stated Government's sustained commitment to ensure that the oil and gas sector does not become an enclave but a catalyst for national development through the intensification of local participation in upstream petroleum business.

Launching of the African Oil Governance Report

Following his speech, the Deputy Minister on behalf of the Minister for Petroleum duly launched the first edition of the Africa Oil Governance Report (AOGR) which seeks to highlight the efforts of African countries in establishing the governance frameworks necessary for managing their oil and gas resources. Also, the report aims to provide African oil producing countries information on the gaps in their governance structures, serving as a wake-up call to

African governments to strengthen their resource governance policies, systems and institutions. Copies of the report were made available to all the participants.

Panel 1: Financing the SDGs in the Midst of Oil Price Shocks: Challenges and Strategies

The first panel session was facilitated by Mr. Charles Nyirahuku, Chief Gas Regulatory Officer, Africa Natural Resources Centre, Africa Development Bank. The Discussants for the Session were Hon. Benjamin Dagadu, Deputy Minister of Petroleum, Ghana; Hon. Abdul Ignosi Koroma, Deputy Minister of Mines and Mineral Resources, Sierra Leone; and Ms. Nchimunya D. Ndulo - Legal Counsel, African Legal Support Facility. The session highlighted and addressed critical matters on the impact of the decline in crude/oil prices and a persisting awakening for oil demand on African oil economies such as Angola, Mozambique, Gabon, Nigeria and Ghana with specific regard to the balance or linkage of power between governance and investors.

The session also addressed critical concerns including the need to think of innovative ways to develop the plethora of natural resources found on the continent and safeguard national interests. Panellists and the audience as well reflected and shared ideas on issues such as the impact of the oil price volatility on the investors' appetite on the emerging oil market especially in the African region, how countries in this region respond to the issue and how they are able to come forth with reviews. In addition, the capacity of African countries to evaluate how the fuel prices would affect their negotiation strategies and how the trend was going to affect their overall economic social development in the long term were also deliberated upon. The underpinning questions for this session were as follows:

1. How do you evaluate Africa's diversification efforts from resource dependence: what are the barriers to concrete efforts to steer away from resource dependent economies?
2. What role do you think the AMV can play in ensuring linkages from minerals to other productivity sectors?
3. Is the continent succeeding with the AMV or it is another failed regional initiative; how can we make it work in the countries?
4. Who should drive the AMV to ensure that t succeeds; is it the AU, Civil society, or governments in the region through the CMV?

Panel Submissions and Discussions

In making his submission, the Hon. Deputy Minister provided some historical background to Ghana's oil/gas discovery in the early 2000s and its subsequent production as well as how gas for power generation had been the initial idea. Even though the idea was discussed with donors as far back as the early 1990s there was no buy in since oil/crude prices were not that expensive then. Having gone in to the meeting with an optimistic idea to sell a barrel for $18 but was rather told to consider selling at $12 instead. This idea or project thus did not see the light of day as it was considered uneconomical, thus it was not out doored until it was changed to a batch instead (FPSO in the Western Region). For many of the IOCs it is difficult to convince then to put in their money when oil prices are not stable. Oil discovery/processing in Ghana thus remained untapped until Cosmos and Tullow came in 2007. The petroleum environment suffered low interest on its oil revenue till 2007.

Also it was indicated that the drop in oil price offered an opportunity for African states to sit back and right the wrong by correcting the challenges it faced as well as negotiation in the sector. We depend on the oil companies to come and tell us the value of the resources we have. We have not seen the development we want to see in this sector because of weak legal regulatory frameworks. In addressing this particular challenge and in the light of oil price drops and shocks, it is essential for a revisit or review of our legal regulatory frameworks. Also if companies are not ready to invest or are pulling out, African rich-oil countries need to look at more innovative ways of attracting or whetting up investor appetite. There is the need therefore for African countries to cash in on the opportunity so as to ensure are not dictated to on what the terms should be. Key in this regard would be putting in place resilient measures or governance mechanisms that ensure we benefit from our resources instead of being dictated to.

Audience Participation and Contributions

Following the stimulating discussions and presentations by the panellists, the floor was opened for the audience to contribute to the discussion by way of suggestions and questions primarily. Participants wanted an understanding of why African countries cannot use the proceeds from crude oil to develop their economies while others in other parts of the world can do so? How do we address the key challenges confronting Africa in respect to falling oil prices?

Instead of 'spending' all the oil revenues, there is the need to look at diversification and the growing of the reserves for the future. It is important that we grow the reserves and wait for prices to revamp as was done in the 80s by the United States (US). We need to reflect and put in mechanisms or incentives for companies that are closing down to stay and grow the reserve because we have prices going up in spite of contracts we have. Grow and wait for price to revamp has been done in the '80s by the US.

Another participant was of the view that African countries should ensure that they do not spend all the money accrued from the extractive/oil sector but rather invest in savings for the future through the setup of stabilisation or intergenerational funds for future generations like Norway has done. This is essential because such resources deplete over time so it is critical that all the revenue is not spent or attention should also be paid to what the revenue is used for.

African countries do not control the cost of resources because they are determined by foreigner yet these countries feel the effect of price shocks which is why it is important for African countries to review their laws to curb or minimise the impact of oil price shocks. It is imperative that countries also get the aspect of governance right because if they do not get it right they cannot get maximum benefits from the extractive sector. Hence the need to put in place the necessary regimes to help diversify. This would include investing in human capital, fiscal rule and saving mechanisms. For the fiscal or policy rules, most often than not exist but are not implemented or conflict with acts of parliament for instance.

Another suggestion was to invest in geological data/survey as a way to increase in bargaining power when crude prices go up as the lack of geological knowledge posed a fundamental problem/challenge. If African oil countries do not have this information they are then forced to depend on external/foreign support to provide them with this information and thereby also be the ones determining the value of the resources. It was imperative then for African countries to invest in knowing the value of their resources because until they know the value of the commodity they have they will always be bargaining from a lower point. One way around this would be to learn from the extractive industry experiences of other countries within the continent on how they have been able to grow their economies from their resources. Of key reference would be Botswana which is doing quite well in this regard having grown their economy beyond their diamond resource. This brings to bear the need for diversification.

How then could African countries, come to a common ground to increase their bargaining/negotiation power as a unified front rather than individually competing for the IOCs which are the same across all the countries because as it is when the price goes down its difficulty to get the IOCs? One of the ways in addressing this is for African oil producing countries or net exporters need to review or regulate theirs PSAs and legal frameworks so as to reduce the impact of oils shocks. A participant however noted that the consolidation of legal frameworks would not necessarily translate to helping African countries maximise on the interest of the resource rather proactive measures need to be put in place so that for instance when prices come to a certain level and make this clear to IOCs from the very beginning.

Furthermore, in addressing the issue as to whether African countries should in the event of low prices stop and slow down activities or continue at the low prices, it was recommended that they rather come together as a bloc to harmonise, strategize or have an equal footing with companies until they have a rebound. This also offers them the advantage of better bargaining power. There are some countries where oil amounts to 90% of their export and more than 50% of their revenues so getting them to wait was not an option, the way around it would rather be to give out short term licences which were to be assessed on a case by case basis.

While this might work for some countries, for some net importing countries such as Ghana, revenue coming in also goes a long way to support national budgets thus if they are to slow down or stop production activities in the event of low prices they would then not have enough funds to support their budget. Even the reduction is affecting our budget how much more stopping it altogether. In such situations it would be ideal if they have in place infrastructure and capacity that can be optimised in terms of getting the product out of the ground themselves without necessarily relying on external help. It was however highlighted that countries that make the bulk of their money from export do not stand to benefit from low prices.

Panel 2: Moving from Revenue Dependence to Linkages - How the African Mining Vision Addresses the Management of Africa's Oil Wealth

The Panel was facilitated by Mr. Daniel Gbondo, a Mining Policy Consultant, and Coordinator of the Sierra Leone Extractive Sector Benchmarking Project, Ministry of Mines and Mineral Resources in Sierra Leone. The Discussants were Ms. Isabelle Ramdoo, Senior Advisor, Linkages and Investment, African Mineral Development Centre, UNECA, Ethiopia; Dr. Yao Graham, Coordinator, Third World Network, Ghana and Mr. Anthony Paul, CEO- Association of Caribbean Energy Specialists Limited, Trinidad and Tobago. The underpinning questions for this session were as follows:

1. How can Africa develop without oil revenues; is there a potential in tax administration to raise needed revenue for development or revenues from oil should be collateralised to raise Debt to finance development?
2. Can there be a regional approach to ensuring that countries broaden the base of their economy?
3. Closing the tax loopholes, how can policy help?
4. Should Africa's development be financed with tax or debt?

Panel Submissions and Discussions

The Facilitator introduced the panellists and started the discussion by identifying a paradox; the tragedy of Africa in that despite its great energy reserve and prospects; it is still faced with fundamental development-related challenges. He noted that some theories had been propounded to highlight Africa's challenges. These included failure to add value to basic products before export and the lack of maximizing optimal benefits. Mr. Gbondo then posed the first question: what was needed to create an enabling environment for oil rich sectors to operate? He also sought to know if African countries were ready to create and sustain such environments.

For Ms Isabelle Ramdoo, only focusing on revenue maximization is insufficient, when prices go up, the country benefits, when prices fall, the country suffers. While fiscal contribution is important, linkages are also critical to see how development can be achieved upstream and downstream. There is also the need to discover which opportunities are worth exploring. With respect to geological knowledge if new technologies are not mastered, others come and easily take over one's turf. Governments should also have the capacity to negotiate their contracts; the discussion must be extended beyond revenue optimization. Again, as stakeholders, it should be ensured that posterity benefits from actions and decisions made today and are not left with just holes in the ground. Ms Ramdoo further noted that the AMDC was working with member states to ensure that policies are implemented. She stated emphatically that the AMDC did not impose itself on countries. Oil countries voluntarily approached the AMDC on issues related to contracts and geology. She observed that till date no oil country has approached it on issues related to linkages and this speaks to their level of commitment in that regard. She mentioned that it was a political issue, and the problem was mostly with implementation. She advised that if governments did not come up with ways to promote implementation, the same issues would be discussed over and over with no results.

According to Mr. Anthony Paul, local content promotion has been identified as a winning strategy; unfortunately the linkages to ensure that capacity was boosted could not easily be pointed out. He noted that in places where local content has helped create linkages a few things have happened, and these included the employment of initiatives rather than strategies. With reference to promoting local content participation, Mr. Paul further asked what was possible, what was desirable, how priorities were set and whether these questions were worth asking. He remarked that they were hard questions to ask requiring deep technical knowledge. He desired to know how engaged the National Development Planning Commission of Ghana was in planning sustainable development featuring the oil and gas sectors. He admonished that knowing who the actors were whether multi nationals or smaller countries, and whether or not the country had a choice were relevant. In response to the question about how what was possible could be understood, Mr. Paul noted that, it was important to train people and build their capacities. Again, putting in place a regulation, having a proactive policy and putting in place a regulator were other ways of remedying the situation. He mentioned that other people had argued that flexibility was needed more than stricter measures.

The Facilitator intervened by remarking that having policies was good, and although history in Africa has showed that improvements have been made in the area of regulations, Africa keeps having troubles with implementation. Sometimes, the laws do go against the terms of contracts and what was documented in the books was different from the reality on the ground. He queried why this was so. Mr. Paul responded by stating that the work of the regulator was relevant in overcoming the foregoing challenge. He observed that companies tended to avoid those provisions because, while the population was not aware of their existence, governments were virtually helpless as they needed those investors. The population did not have a say in such dealings. Although contracts are said to be owned by the people, they are kept secret and away from the people. The contracts are not made public lest compliance be required. This reinforces the lack of accountability in the management of resources. Also, as a result of the absence of a standard way of doing things, the work of people cannot be directly tracked, impacting the levels of accountability. He further bemoaned the weak nature of government framework and insufficient engagement by Civil Society Organizations.

For Dr. Yao Graham, the biggest discussion was not on how much was earned or spent, but how much was stolen and accounted for. Opaqueness, the lack of transparency accounted for this occurrence. It was important to work towards improving contract disclosure to engage the citizenry more. He however noted that many citizens even with the contract in hand lacked the capacity to assess it. He went on to highlight the benefits of development planning and the value in promoting local content particularly since minerals were vested in the state on behalf of the people. This notwithstanding, due to reflective authoritarianism, the holders of public offices mostly decide how these resources were extracted, managed, sold and how the revenue accrued was utilized. He again observed that unconsciously many citizens had bought into the fallacy that overnight, oil resources could change the lot of a country. There was the need for the minds of people to be disabused of this disillusion. For him, key mistakes were made upstream, major upstream issues had to be identified and introduced into the discussion. The question of revenue utilization and capacity building also had to feature in deliberations. He also noted that in overcoming the associated challenges, litigation had its place, although far downstream. However, it had to be backed up by a clever public outreach and the building of public awareness around it to prevent it from happening in the future.

With reference to comparative knowledge, it was noted that knowledge was mainly produced by the discoverer of the resource. A developing plan on how to optimize the resource thus was key. Institutional capacity was discovered to have been viewed in a very narrow manner. The focus instead had to be broadened to encompass the strengthening of these institutions to avoid exploitation. Procurement regimes are important, in light of the numerous queries put forward, it was important to find out if monitoring agencies were up to the task.

Mr. Gbondo, the Facilitator added that the citizens had to understand the contract to be able to demand compliance. He was interested in knowing how willing parliament was to pass on and make such contracts available to the public under the certificate of urgency. He then asked what should be done in concrete terms to engage and demand compliance.

In response to the question of how Parliament can be made to follow its own rules, Dr. Graham mentioned that despite the existence of complexities within ruling parties that rendered independent actions of Parliament subordinate, the capacities of Parliamentarians had to be considered crucial enough to be developed. With regard to how the media can positively impact public understanding, he was of the view that as the culture of journalism was critical, media practitioners had to be trained to properly investigate the background stories to improve public understanding. For him, when the media maintained consistent interest, the middle ground could be found between citizens owning the resources and how these resources are managed.

Audience Participation and Contributions

The Director for Local Content at Ministry of Power in Ghana expressed her earnest desire to see development planning actually linked to development. She noted that the linkage between the NDPC and other sectors was virtually non-existent. She also spoke about efforts being made by the Minister of Power to develop local content. Fronting should be encouraged if it would complement efforts of governments.

Charles from Nairobi spoke about political expediency, political local content. For him, many incumbent governments wanted to rush to the market to make revenue meanwhile local content required long term efforts and wished to know how the conflict could be managed. Another participant admonished that Government involve the citizenry right from the onset; yet another advised that sufficient be research done to consider the available expertise before drawing up proportion demands for local content.

The session was concluded and one of the recommendations was that the level of interest expressed in the demand for accountability in the oil sector had to be extended to other resource sectors. Again, Ghanaians who were sufficiently empowered financially were welcome to partner companies in the oil sector. This could even be used a plat form for those Ghanaians to launch their companies. Also, fronting was not necessarily a bad thing if it would boost development.

Panel 3: Developing Africa's Economy without Oil - Tax-Based Versus Debt-Based Development

This session was facilitated by Mr. Abdallah Ali-Nakyea, Director, Managing Partner, Ali Nakyea and Associates, Ghana. The discussants were Ms. Precious Akanonu, Centre for the Study Of economies of Africa, Abuja, Nigeria; and Hon. (Dr.) James Klutse Avedzi, MP and Chairman of the Finance Committee of Parliament, Ghana. The underpinning questions for this session were as follows:

1. Is Africa wining or loosing at the negotiation table with the low oil price. How does oil price volatility affect investment attraction?
2. Is there requisite capacity in the oil rich countries to properly evaluate how the fall in price affect negotiation in Africa to ensure that the continent is not on the losing side?
3. What should frontier nations do; halt new licensing and continue to award oil block in the face of obvious weaker negotiation capacity?

Over the years Africans have all heard and know of the resources they have in their countries but the question is have we learnt any lessons from the availability of these resources and today faced with the falling oil prices how do they go past that? Also rather than focusing on just one resource at the expense of others can they look back at what these other resources were with the view of diversifying to avoid the risk of falling into the trap of overdependence with its attendant negative consequences? For instance Nigeria at one point in its past had a broad focus in terms of its resources which helped its economy - for instance it used to be the third largest exporter of cocoa after La Cote d'Ivoire and Ghana - but along the line attention was shifted primarily to its oil resource. However, in light of the falling oil prices and facing recession, the country is now looking back to revamp the other resource sectors. With Nigeria running into a recession, the government is looking at several ways of revamping the economy seeing as its oil revenue is going down. Some of these plans include efforts at improving its agriculture sector as a way to boost the economy as well as taking concrete steps to improve tax collection. In the case of Ghana, are stakeholders going to wait for recession like the case of Nigeria before Ghana goes back to agriculture?

Panel Submissions and Discussions

This session highlighted the debate of whether taxation should be looked at as a main source of development/revenue for government or as a viable or sustainable means of obtaining revenue. For most countries worldwide, the system of taxation that promotes the welfare of the people is a challenge because the taxes do not come as expected, and the amount needed is not available at a point in time hence leading governments to raise revenue through borrowing instead. The result at the end is that it is the same taxation that is used to pay off these incurred debts. This then highlights the point that at the end of the day, it is the same taxes that are used for developmental projects such as roads. In this regard, is it therefore necessary to collect more taxes or use petroleum revenue as collateral to borrow given that fluctuation affects cost of borrowing? Getting revenue from oil is viable to an extent because it is suitable for a period where there is low market sentiment on the market.

What is also required is for government to look at the system of revenue that allows for a better system of taxation, direct or indirect. Government need to put in steps to improve tax collection and one way to do that would be to have in place a good system that ensures everyone pays taxes instead of avoiding it through means such as not declaring their income, understating, illicit financial flows, under invoicing of items with the intention of paying less tax… This would require education or sensitization of letting people understand that paying taxes is a social responsibility. Accountability, transparency and value addition are key to ensuring all citizens pay their taxes. Once the citizenry see what their taxes are being used for, they would then be more willing or convinced to pay their taxes, seeing it as a social responsibility. Another way of getting citizens to pay taxes would be to link their verification number with their tax identification number (TIN) and have these captured on their records. Additionally would be linking such items as loan schemes, lottery wins and health scheme to tax compliance for youth and SMEs for instance. How this would work is that failure to pay would have direct impact on access to certain benefits such as loans. All these of course would require governments to move from the rhetoric to practice rather than politising the issue and ‘fearing’ that such an action on their part would impact negatively on their chances of being elected or re-elected.

Some were also of the opinion that broadening the tax base and making it more inclusive would go a long way to help realise more people paying taxes. In looking at the broadening of the tax base, focus should not only be placed on how to get the informal sector or artisans on board but also those within high income brackets as well. Currently when the issue of broadened tax base is discussed, it is more geared towards getting on board the artisans, downtrodden etc. whereas there are people in brackets earning way so much but they are not included in the discussions around broadening the tax base. In moving forward and being fair, those in the high income bracket but do not pay taxes should all be brought on board as well. In response to this, it was pointed out that for those in the high brackets who currently do not pay taxes such as footballers; there is a taxation of high net worth individuals’ policy that can be applied. South Africa has done that but is struggling with implementation.

Expenditure monitoring is also key to getting the public to know what their taxes are being used for. Thus monitoring of expenditure and curbing of corruption would go a long way in boosting tax compliance from citizens, be they in the low, medium or high income bracket. In the case of Nigeria for instance, Mrs. Akanonu cited as an example how it would be easier to elicit compliance from the informal sector in Abuja than it would be from those in some parts of the north/eastern part of Nigeria primarily because the latter do not see the benefits of their taxes - roads are bad and all. Having a good reporting mechanism for government to report how much revenue was collected and what it was used for is key. In African countries the problem is that the tax paid is used to offset recurrent debt due to borrowing. Tax compliance would be boosted if taxes used for capital expenditure for instance are made available through a systematic or detailed reporting understood by all. Hon. Asaga also suggested that it would be important to establish a body independent of the Executive to ensure tax collection oversight and expenditure in terms of how much of Ghana’s taxes is allocated/ apportioned into the following categories: Payment of salaried workers; Administrative and services expenses; and Capital expenditure

Ghana has a unique opportunity of learning from other countries before we started drilling oil thus it put in place a law to control the management the petroleum revenue so it does not go into the main revenue which makes it easy to know what the money is used for. In that law, conscious effort was made to ensure part of the money is put into a reserve fund – heritage fund and stabilization fund because the oil revenue would not last forever and thus be exhausted. In Ghana, 70% of the revenue realised in a year goes to support the budget, while the remaining 30% goes into the heritage fund and stabilization fund - split into 70% - 30 % respectively.

Audience Participation and Contributions

Tax administration and expenditure monitoring systems need to be enhanced while also addressing the issue of corruption as a way of building trust, accountability and transparency. The issue of corruption for instance needs not be sidestepped because it is a critical contributory factor as to why some citizens fail to pay taxes. Still in relation to transparency and accountability, the use of information communication technology (ICT) is also relevant. IT can also be used to make people understand how their taxes work, so for instance instead of printing hard copies of such reports detailing tax expenditure, it can be published online. There is also the need to build technical capacity and review bureaucracies in paying taxes as a way of creating more room for accountability.

Other recommendations made include:

- Moving towards a saving based development as South Africa is doing for instance.
- Citizens should monitor money coming in and how it is spent.
- In promoting the informal sector to pay tax, transparency is key so people can measure progressively and appreciate the value of their taxes
- Invest in technology to raise more revenue from tax in areas that has not hitherto been explored much. For instance government needs to look at taxing those who trade online because currently a lot of trading is taking place on the net (e.g. Tonaton, OLX). To do so capacities would of course need to be enhanced.
- The need to look at capital flight and the linkages in the revenue collection system.
- The nexus between taxes and accountability should be looked at because taxes foster accountability more than revenue so there needs to be a way that oil revenues can be converted into taxes. As a case in point, in Nigeria oil revenue is already taxed.
- There needs to be an implementation of the punitive measures in place for when people we entrust to do not perform. This is worth highlighting because a number of countries including Ghana have good laws thus having the laws is not necessarily the problem but the challenge lies in the weak implementation of these laws.

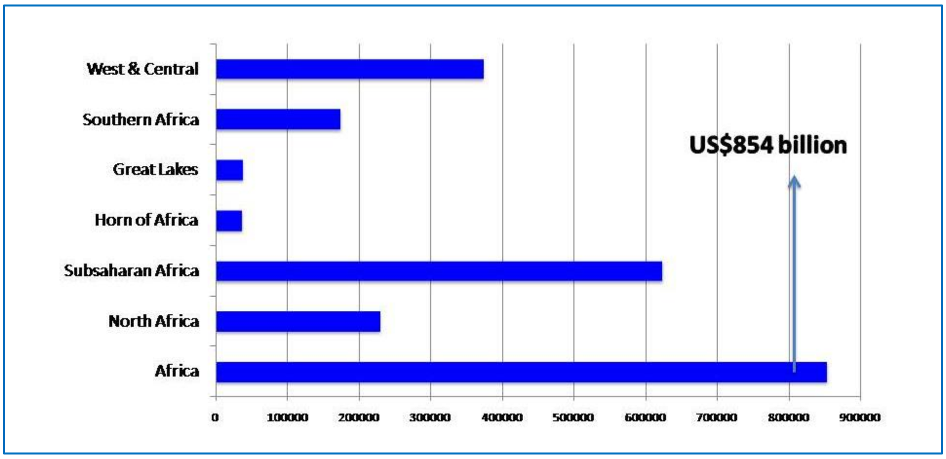
Plenary Presentation: Sealing off Loopholes in Illicit Financial Flows in the Petroleum and Mining Sectors - A Necessity for Financing Africa's Sustainable Energy Deficit for Inclusive Growth.

This plenary presented by Dr. Mohammed Amin Adam, Executive Director, Africa Centre for Energy Policy was facilitated by Dr Isaac Frimpong Mensah-Bonsu, Director, Plan Coordination Division, NDPC. Dr Adam began with the point that inclusive development in Africa was important to ensure no one was left behind. The issue of energy deficits in Africa was therefore critical to the development of the continent. He wondered why the continent was blessed with these resources yet was burdened by it thus, thinking of oil curse or resource curse was almost an oxymoron. Concerned about crude oil price volatility and how that affects the continent, he pointed out that sight is often lost of the fact that falling crude prices also offers huge potential waiting to be harnessed - which is where the issue of illicit financial flows (IFFs) comes in. Answers to questions such as how much money is leaving the continent through illicit means and how these funds can be saved needed to be critically addressed because energy is the fuel for every economy thus addressing its related challenges would help the economy.

As per the United Nations Development Programme (UNDP) definition, Dr Adam stated that “Illicit [financial] flows include, but are not limited to, cross-border transfers of the proceeds of tax evasion, corruption, trade in contraband goods, and criminal activities such as drug trafficking and counterfeiting.” He however pointed out that the definition equates illegal to illicit whereas there are other acts that are legal but illicit such as tax avoidance, debt loading, tax evasion, all of which facilitates the transfer of our resources for the benefit of those transferring at the expense of the country/citizens losing the money. He opined therefore that all illegal acts are illicit, but not all illicit acts are illegal. Illicit acts involve ethically wrong act or hidden act. He further put forward a number of factors to explain why the extractive sector was prone to IFFs:

- The extractive sectors tend to come under high-level discretionary political control, which can facilitate IFF as the sector become too prone to secrecy. By this, he was not only referring to politicians but political establishments
- There is overlapping of public, shareholder, and personal interests in matters relating to the sector leading to public officials having vested financial interests in companies in the sector at home or in secret jurisdiction
- There is no much competition and checks and balances in the sector leading to entrenchment of collaboration between investors, financial institutions and political power
- The sector involve complex technical and financial processes that require a high degree of expertise and given that companies are involved in self assessment of tax liability opens tax accounting to manipulation such as mispricing, cost inflation, etc.

He also presented on the amount of money leaving the continent through IFFs. From 1970 to 2008, a comparative data of IFFs between fuel and non-fuel commodity exporter clearly showed a large proportion going to Fuel Commodity Exporters – 82% to 18%. While the chart below pegs the state/size of flows from Africa from the period of 1970 to 2008 at USD854 billion, Dr. Adam stated that the Thabo Mbeki High Level African Union (AU) Report actually pegs the size of flows from Africa at USD1.3 billion.



Source: Kar, D., & Cartwright-Smith, D. (2010)

He observed that most of Africa is dark whilst several billions of dollars were leaving the continent through IFFs. He indicated that up to 60% of Africa's IFFs was from Nigeria. Paradoxically, while much of these IFFs are from mineral/petroleum resources, areas that have access have been faced with unreliable supply often resulting from failing infrastructure and fuel supply insecurity. In most countries of Africa, access is fast declining as demand for power increases against collapsing infrastructure. 80% of the World's 1.5 billion people living without electricity live in SSA (Africa Development Bank). In terms of access, only about 30% of SSA have access to electricity, 50% in South Asia and more than 80% in Latin America, the Middle East and Northern Africa (UPDEA, 2006). The wide disparity in access to electricity was reflective of the wide inequality in access to public services in Africa - 19% of the population has access to 37% of the continent's installed capacity; and the rest is shared among 81% of the population. This raises the need for inclusive growth through energy services.

Also whilst the continent remained dark, it was worth noting that a lot of hydrocarbon potential remained untapped. Africa, he indicated, was only using 5-10% of its hydropower potential. It is estimated that the continent has more than 7% of the world's oil reserves and its share in world oil production is increasing. In 2005 it contributed 12.2% of world oil production. It also holds about 8% of world natural gas resources and accounts for about 6.2% of natural gas produced (AU/NEPAD ACTION PLAN 2010 -2015). There was also significant renewable energy potential. Yet in spite of these potential, Africa is still the most energy poor. Supply constraints are further increasing. He also touched on the under-investment challenge, stating that if the continent was able to stop or reduce IFF it could make substantive savings for the continent. With regards to financing investment projects Africa attracts 5% of global FDI (Ernst and Young, 2011). According to the World Bank, Africa's renewable energy investments is also expected to grow from $3.6 billion in 2012 to $57 billion in 2020 should the right policies be put in place. Africa needs $40 billion annually to meet power investment needs (Eberhard & Gratwick, 2011). These notwithstanding, Africa's energy markets are not attractive due to a number of factors:

- Unreliable international funding for Low Carbon Energy activities in developing countries – a contributory factor could be attributed to bureaucratic systems not facilitating the release of funds
- Increasing debt financing of energy sector activities but expensive under current market and policy environment
- Energy demand increasing in spite of supply and financial constraints, creating double jeopardy. The demand being driven by three main factors – economic growth, population growth and urbanization growth.
- Corruption

Against this backdrop and in recognition of the link between energy and development, Dr Adam underscored the importance of energy and the need therefore for inclusive growth through energy services. A point that is aptly recognised as part of the Sustainable Development Goals (SDGs), specifically, Goal 7 – "ensure access to affordable, reliable, sustainable and modern energy for all". By way of proposal on how to finance the SDG 7 for inclusive growth, he indicated that one way of doing this would be to channel future savings from IFFs to finance energy services. The World Bank estimates that Africa's largest infrastructure deficit can be found in the power sector, whether measured in terms of generation capacity, electricity consumption, or security of supply. With Africa needing about $40 billion annually to meet power investment needs, the estimated US$20 -50 billion it loses to IFF annually could have substantially erased Africa's energy deficit as well as provide long-term energy security.

In sealing off the loopholes he had identified in the petroleum sector, Dr Adam made a number of recommendations including a re-assessment of or innovative approach to certain components of the oil revenue chain as well as the need to ensure transparency (especially in the licensing system) since corruption is another way through which IFF occurs, the need to prescribe rules to punish abuse of process – rules on public conflict of interest or bribery by foreign investors; mandatory disclosure of petroleum contracts should be introduced in the petroleum law; and revenue postponement among others.

Audience Participation and Contributions

A participant wanted to know how much Ghana was losing to IFFs with specific regard to the oil/petroleum sector. In response, it was stated that according to the country's natural resource data for 10 years, Ghana was losing an estimated USD38 million annually from the natural resource sector but fails to categorise between mining and petroleum sector.

With regards to narrowing down on strategies, another asked the question on which approach or strategy, the speaker considered more effective – reducing the loopholes in the oil chain supply or revisiting/developing good laws? To this Dr Adam stated that when it comes to the laws, the challenge was in its implementation thus what was more important was the need to build capacities to address this as opposed to the laws. This is because while having in place good or strong laws were necessary, it was equally important to ensure there was the capacity to ensure compliance or follow through on these laws. What would be the point of having the laws but not having the capacity to follow through?

In response to the question on what the guarantee was that the savings from the IFFs as pointed out by Dr Adam would go to the energy sector and not some other sector such as health or agriculture, the speaker stated that the energy sector was key and directly linked to the other sectors thus money put into that sector would go a long way to improve on health, education and agriculture that uses the energy service. Other suggestions from the floor regarding plugging the loopholes within the energy sector included the use of technology, enforcement of compliance and strengthening of weak institutions.

Panel 4: Africa and the Next Oil Boom: Implications for Financing Pro-Poor Investments; Education, Agriculture and Health?

The fourth panel was held concurrently with the fifth. This Panel was facilitated by the Master of Ceremonies, Mr. Evans Mensah and the topic for discussion was "Africa and the next oil boom: Implications for financing pro-poor investments; education, agriculture and health?" The Discussants were Mr. Morten Blomqvist, Senior Policy Advisor, Extractive Industries and Development Financing, Oxfam Ibis, Denmark; Mr. Benjamin Boakye, Deputy Executive Director, ACEP, Ghana and Ms. Ichumile Gqada, Senior Researcher, Open Society Foundation, South Africa. The underpinning questions for this session was:

1. How significant is the lost opportunity by oil producers in the last oil boom?
2. What factors contributed to the continents inability to take advantage of the last oil boom?
3. Can Africa change its way with the next oil boom, if it ever comes, to invest oil revenues in a targeted manner to reduce poverty faster?
4. How important will investment in pro-poor sectors of Education, Agriculture and Health be in taking advantage of the oil boom

Panel Submissions and Discussions

The Facilitator introduced the discussion by asking if oil revenues were being directed to the areas that needed the money the most or if governments were taking advantage of the free space the law gave to spend the money however they deemed fit. He followed up with another question asking if African oil rich countries had missed the opportunity to invest the money which was made back in the day when oil prices were high.

Ms. Ichumile Gqada thought most African countries had missed the opportunity, although that did not suggest that nothing fruitful was done with the money, only that the money was not put to use in a sustainable way to benefit the citizens. She stated that many oil rich African states were faced with challenges such as corruption, leakages and problems of policy implementation.

Mr. Ben Boakye noted that the trend reveals that although there have been records of periods of high oil prices, across the region; no single country had been able to put their resources to prudent use. Many governments had failed to properly prioritize the spending of oil revenues. They have been selfish and have spent the monies almost as soon as they came in. He lamented that this was a worrying trend that had to be curtailed. For Mr. Blomqvist, a number of examples could be cited of African countries that had depended on getting these revenues yet had not been able to put them to a prudent use.

Mr. Mensah further stated that progress had been made in the legislative framework ten years down the line yet sought to know whether African countries were in a better place to spend these resources in the areas that matter most.

Mr. Morten Blomqvist in response noted that the sector had seen a lot of advancement; transparency had improved although a lot remained to be done. He advised that the quality of the deliverables be improved. He further mentioned that in Ghana, the legislation gave room for the oil revenue to be utilized in many sectors. He then sought to know if anything had specifically changed in Ghana to make room for prioritization in spending.

For Mr. Ben Boakye, fundamentally, African countries were faced with problems of implementation; they did not see the practical and consistent application of the law. Sometimes it was possible that although four sectors had been prioritized, the spending went beyond those four sectors. The argument then focused on who was right, between the Ministry of Finance thinking it had the whole country to develop and Civil Society Organizations pushing for social change and more accountability. There was also the disillusion that the people owned the resources yet they were not consulted in the making of decisions. It was noted that in reality and practically, the politicians were the real owners.

Ms. Gqada added that in South Africa, it was quite difficult to pinpoint which allocations had been made for the spending of revenues from resources. The law was backed by political processes and complemented by inclusive planning and budgetary processes.

The discussion progressed with another question posed by the Facilitator that sought to know that per the anticipation that eventually the boom years would return were African countries ready and were they not going to miss the opportunity the next time round. Mr. Mensah also wanted to know which priority areas should be focused on and how those areas were chosen.

Mr. Morten thought that African countries were not ready. They ought to begin to critically consider how to invest in quality education for instance to secure economic development in the long run. He added that in order to build up long term funds, there was the need to focus on how to get these funds efficiently disbursed.

Mr. Ben Boakye was of the view that it was a question of diversification. It was essential to put the money where the best returns could be obtained. He maintained that the high numbers of uneducated persons in Africa; and high imports in spite of Africa’s possession of vast arable lands were not too good. For him, money could be invested into agriculture to empower people and move them out of poverty. Mechanized farming should also be promoted. In addition, he noted that Africa consumed 12 million tons of rice, half of that was imported yet Africa possessed the potential of producing it on the continent. Africa can therefore cut down on importation and grow its own food. With regard to education, farmers should be trained and educated even on how to apply the chemicals. According to Mr. Boakye, based on the wide consultations ACEP had carried out, these were prioritized together with health. He also stated that it was important to take into consideration how much was being devoted to that area of priority as it was not enough to start a project and not finish it. There should be an assessment of how people would link development to measures to maximize returns. Ghana should therefore focus its investments and prudently spend on relevant areas. Furthermore, at the continental level of discussions it was necessary to consider where governmental efforts could be complemented by those of the private sector by putting in place the framework for private sectors to come on board to allow for public funds to be utilized in other areas.

For Ms. Gqada, it was important to invest in sectors that generated revenue and energy as well as boosted the employment levels of the country. Again, it would be profitable to pursue linkages at all sides to ensure that extractive industries are not enclaves but catalysts for development. In terms of social investments, she was of the view that investing in the areas of education, health and sanitation were necessary. As a matter of essence, investments had to be of high quality in order to reap tangible results. She was concerned however about who tracked the oil revenue and who accounted for it.

Audience Participation and Contributions

One participant from Central University College observed that, one of the things often done by some oil producing countries was to spend the money before it arrived. He advised that policy research be done to identify the various channels of development as surveys were very important. He also noted that the major players that could drive the others could be identified and strengthened. Another participant thought that it was important to think of making Ghana a net exporter of energy before thinking of obtaining revenue to cover expenditure. The Facilitator interjected that out of a total of 400 people engaged in a survey on the issue of which areas to prioritize, about 120 respondents pointed to agriculture and education. Other participant from Tanzania highlighted the need to also invest energy as countries could hardly develop without sustainable energy. There was consensus on the need for Ghana and African countries to begin to identify the real areas of interest to the people and begin to direct quality investments to those areas. To conclude, the panellists and participants were convinced that in order to maximize the benefits of the next likely oil price boom, it was necessary for oil producing countries like Ghana to work more effectively, prioritize appropriately and strategically allocate funds from oil revenues.

Panel 5: Macroeconomic Impacts of the Oil Price Shock on Africa - How Should African Governments Deal with Long-Term Low Oil Price Scenario?

The panel was chaired by Mr. Senyo Hosi, CEO, Chamber of Bulk Oil Distributers with Dr. Natalia Koliadina IMF, Country Director, Ghana; Hon. Mr. Moses Asaga, CEO, National Petroleum Authority, Ghana; and Prof. Godfred A. Bokpin, School of Administration, University of Ghana as the discussants. Questions underpinning this session were:

1. What are the macroeconomic implications of low oil prices on Africa’s oil producers (countries)?
2. What strategies should African governments adopt to mitigate the implications of current low oil prices?

3. What measures should African governments adopt to address the cyclicality of oil revenues; Stabilisation Funds (counter cyclical measures) or Diversification or Both? Which one and why?

Panel Submissions and Discussions

There are 9 key oil players or major net exporters of oil in the African region - Egypt, Algeria, Mauritania, Libya, Nigeria, Angola, Equatorial Guinea, Togo, and Gabon – the rest are net importers. Given the background that Africa accounts for close to 10% of the world crude, the underpinning question was to know/understand some of the macroeconomic implications of low/fluctuating oil prices on Africa's oil producing countries specifically and the continent as a whole; know what strategies African governments should adopt to mitigate the implications of current low oil prices; as well as what measures African governments need to adopt to address the cyclicality of oil revenues. The implication of this price volatility is the implication for growth as more SSA countries are becoming more affected than they used to be in the 90s because of their dependence on the net export of commodity oil. Commodity industries have become important sources for government revenues. Financing deficits lead to debt financing because there is less revenue from the oil sector and other economies leading to governments borrowing. Countries have concentrated more on the extractive industry. This has become evident in the significant increase of a number of countries in the region becoming heavily dependent on oil and gas revenues over the last couple of years. Consequently some of these countries are facing a slowdown/recession with the economies of others becoming less diversified.

Are African countries in this situation because they have not effectively restricted the economies from a primitive structure which is heavily dependent on the extractive industry? When oil prices went up significantly even Nigeria did not benefit that much because of low refining process they did not benefit. The question that was raised then was why the continent has not diversified more in terms of its resources given that the kind of diversification that witness has not been enough to change the economy. It is estimated that SSA has lost 5% of its GDP as a result of the dip in the oil prices, for Nigeria and Angola for example their impact to oil price shocks are higher.

There is both negative and positive impacts where petroleum prices are concerned. For some, the savings are being channelled into social services while some also are able to cut off subsidies because of low prices. Being a consumer nation or a producer determines the pros and cons of price drop on economies. It is important to identify what has caused the low prices because failure to do so amounts to not looking at the problem at its root. Can we have the political will and what will it take? How will the smaller countries in the region benefit from the challenges we have in oil and what impact will it have on Nigeria? Ghana has done well in terms of infrastructure development (IT, banking,) services sector improves because standard of living of people is also improving alongside. On the issue of politics because countries in the region do not have one voice each country with each trying to cut out its own market share and this was working against them.

African countries have failed to diversify their economies; what has contributed to that? And should Ghana be disturbed by the price of fuel or the drop thereof. Ghana's economy have been managed based on the diversity, because it did not see crude as its main export so in that sense Ghana is better diversified than Nigeria which has been a mono-product economy. The country has the strategies and documents on diversification but has not moved from the rhetoric to practice and for that to happen, political will is required need the political. Presently there is no political will because there is no trust in fostering political leadership.

No country can even benefit from low prices to transfer it to consumers - a low inflation helps to preserve our purchasing power. Once you pass it on you stimulate the private sector for growth. Effective management or governance would help many African countries to withstand shocks from volatility on their macro-economic facilities. There are little economic and political linkages amongst African which is why it cannot take advantage of low prices to enable us trade among ourselves for instance.

The Facilitator asked the question as to what challenges the Ghana government had in restricting their economy. If the example of cocoa is taken for instance, Ghana realises that it does not have an active processing structure, same with manganese, bauxite etc. It also has a refinery which has not grown much. All these point to the fact that there was something fundamental wrong with governance. What then was the problem? The response given was that it was because value or value addition was often mixed with diversification. Before Nigeria discovered oil they were producing other commodities but gave more importance to oil causing the other areas to slump. Ghana have diversification but a problem with value adding. Looking at the general weakness of the economic structure, what was required was for policies to look more at value addition. He cited the example of the Tema Oil Refinery (TOR) for instance which although had been created on the basis of value addition was not being maximised. To get out of the quagmire of low value addition (as Sub Saharan Africa and Ghana in particular) it would be imperative to learn lessons from the crises and take actionable steps to fix it without pushing it to a future generation to do so.

The effectiveness of investments is key because saving is not just about putting money in bank but investing with high returns to help when the region falls on hard times. We need to look at saving and investing in the right places. Not saving for a rainy day through the set-up of wealth funds like Norway has did is a mistake some countries like Ghana has made. Infrastructure development is also important if countries are looking to make the business environment affordable to finance. There was the need to prioritise infrastructure projects and focus more on those with high returns. Second way of dealing with prices in the short term is to allow exchange rate to depreciate and tighten fiscal policy so there was no need to adjust much when prices are low. Oil windfalls become addition inflows or revenue for the country.

Another equally important point that was highlighted was the need to grow and build the capacity of the labour force. To ensure effective labour, it is essential that the skills of people working in this market are enhanced. Finally the use of technology can also help turn situations in the continent's favour. In taking the case of the United States for instance, it has always been known as an importer but technology changed that.

Audience Participation and Contributions

Macroeconomic stability is a critical look out for investors. With regard to fiscal adjustment, fiscal rules and smoothening consumption pattern, Chile which depends on copper, was cited as an example of a country which has been quite successful in the implementation of its fiscal rule. Buttressing the point that having a fiscal rule on the books was not the end of the story but rather implementation was very critical as well. Another way of managing current account deficit is the depreciation rate. In view of the challenges of competing market, African countries need to save right and invest right to benefit from their revenue. It is also important that they trade amongst themselves. How do we transfer the savings into the real sector that is more sustainable because our wells will dry up in the next years? Since oil can be depleted, setting aside some of the revenue for future generation is imperative like the Norwegian model. Setting aside a stabilization fund for instance helps cushion shortfalls but size of the fund should be adjusted to create a balance. We need to think about tomorrow and how policy makers take decision. With critical investments being important for future, it is important for African countries to prioritise to get more out of their commodities. Countries need to continue investing in infrastructure and also building on the labour infrastructure.

The activities of Day Two of the Summit came to an end after the fourth and fifth panel sessions.

PART II - DAY TWO

Engaging discussions and lively deliberations on oil governance continued on the second day under the sub theme "***Ghana's Day- Consolidating the Gains and Bridging the Pitfalls after Five years of Oil Governance in Ghana".***

Opening Address – Day 2

Dr. Nunoo expressed delight about participating in the second deliberations on oil governance in Ghana. She noted that, there had been some commendable improvements in oil governance particularly after the first Africa Oil Governance Summit held in November 2015. She particularly congratulated the Hon. Minister of Petroleum for delivering on his promise to have the Exploration and Production Law passed. She also identified the hopes and expectations which the oil discovery in Ghana triggered and teased out some cases where such expectations were dashed such as Ghana going to the International Monetary Fund for money. For her, it was quite unfortunate considering the 3.25 billion dollars in oil revenue that Ghana received from 2010 to 2015. She also identified some measures that had been put in place to improve oil governance which included: the International Aid Transparency Initiative, the Open Government Partnership which Ghana signed in September 2011. Some others included the National anti-corruption approach introduced to reduce petty, grand, political, administrative and private sector participation corruption. The Anti-Corruption plan also exists to ensure institutional efficiency and enhancing accountability to combat public and private corruption. The Petroleum Commission Act also regulates the management of the deployment of petroleum resources while PIAC is trying to deliver on its mandate.

Dr. Nunoo further identified some key transparency provisions such as the open public tender process and bemoaned the absence of the beneficial interest ownership disclosure aspect and the Right to Information Bill. She conclude by admonishing that it was important to consider investing in pro-poor sectors to reduce inequality and building consensus on how our oil resources are managed. She also advised political parties to reduce the social cost by communicating how oil resources will be used for voters to make informed decisions and create spaces for citizens to take part in decision making processes to promote the well-being of the latter.

Panel 6: State of Oil Development in Ghana: Developing Political Consensus for Improving Oil Sector Governance

This panel was facilitated by Mr. Evans Mensah and the discussants were Hon. Dr. Kwabena Donkor for the National Democratic Congress (NDC), Hon. Owuraku Aidoo for the New Patriotic Party (NPP) and Mr. James Kwabena Bonfeh for the CPP. The Facilitator stated that the session was integral to the summit, and wondered whether the political parties would build a consensus on how to improve oil sector governance.

1. How do you evaluate the oil sector governance? Any room for improvement? Example
2. What model will your party use to manage the oil revenues; what specific sectors will you invest the money.
3. Do you believe that we should continue to save some of the money for future generations or invest all the money now?

Panel Submissions and Discussions

Mr. Mensah asked whether evaluation was necessary as far as oil sector governance was concerned. He sought to know how the Panellists would score the performance of government of Ghana in oil and gas governance.

Mr. Bonfeh firstly wanted to point out that the views he was about to share were those of the Convention People's Party (CPP) and not his personal views. According to him, the CPP believed in the principle that the natural resources of today were shared with generations yet unborn and from an African perspective, the dead, decisions could therefore not be taken arbitrarily concerning the exploitation of these resources. It was important to consider how ancestors would have acted with regard to decision-making on how resources are used as well as the impacts it would have on posterity. Mr. Bonfeh maintained that the NPP and the NDC had ventured into the sector without taking into concentration the lessons learnt from other minerals such as gold. Furthermore, the Stabilization Fund and the Heritage Fund were established from oil money. They were set up with the understanding that those natural resources were non-renewable and had adverse effects on the environment. He bemoaned the actions of apparent apathy of the part of government to secure these funds. He stated that the CPP would renegotiate all oil deals because they did not serve the interests of the Ghanaian people. For him, this renegotiation was possible and doable. He added that if the exploitation of a mineral did not bring about profitable gains, that mineral should be left alone as it would save people from suffering the consequences that came with it.

He then corrected an impression created earlier about dates; Ghana's knowledge of having oil did not start in 1992. The Tema Oil Refinery (TOR) was established with the knowledge that Ghana had oil potentials. He stated emphatically that the CPP would revamp the TOR. The Facilitator then remarked that Mr. Bonfeh's blatant statement that all deals would be reviewed was rather bold; he sought to know if it was not based on faulty assumptions that all deals were problematic. In response, Mr. Bonfeh stated that it was fair to say that it was not an over ambitious statement to make as the problem appeared to have been replicated everywhere. He noted that production and distribution of power were also problematic and questioned how the signed contracts served the interest of the country.

Dr. Donkor took his turn by admonishing that condemnations should not just be made as historical antecedents existed and were relevant. The focus needed to be on the future and how to progressively improve oil governance. For him, subjecting these discussions to mere party politics was not the way to go. He added that any d0cument presented to Parliament was a public document. It thus cannot be shrouded in secrecy. In every negotiation, confidentiality rules apply. There is a government negotiation team; even Ministers get involved when the government negotiation team comes to give briefing. The negotiation of team was not final; it had to come to Cabinet and Parliament. Transparency can be achieved in a context. For him, oil production is a serious business which should be conducted in a professional way so that Ghana benefits. There are positives in the downturn of oil prices which can be maximized.

For Dr. Donkor, the quality of people in parliament proved that that they were not mere rubber-stamps, there were absolute professionals. All state institutions should not just be disrespected. No law had been broken concerning the utilization of oil revenue. The issues had to be contextualized. No pretences should be made; Ghana's industry is a very small one with teething problems. Norway was asked severally how they fared at the beginning. There should therefore not be comparisons between finished products and raw products.

Mr. Mensah then asked if the panellists were happy with the current governance levels and the solicited responses to the question of CSOs being concerned about the high levels of discretion given to the Minister and the existence or otherwise of laws to regulate the dealings. He added that even if such laws were in existence, did they address the concerns?

Dr. Donkor in response stated that he would score the country 67%, progress had been made yet more improvements were needed. He acknowledged some of the seeming challenges such as the inherent limitations with Exploration and Production Law for the Minister to exercise discretion in the oil tender process. He then sought to clarify the erroneous conception that the Minister could exercise arbitrary discretions. He stated that it was for all the right reasons that the Law made provision for this. In the tendering process, when the potential client was found to be fraudulent or involved in drug trafficking, the Minister could set aside their tender and provide justifications. The tenders are then published and the tender process is started again. The Minister does not have the right to award any contracts in this regard as there were constitutional provisions on how discretions were used. He also observed that for the first time the regulations to back the law were ready.

Mr. Aidoo said he would award Ghana a score of 50% as the industry had not done too badly. There was however more room for improvement. He further noted how politics was used to stifle businesses of people, particularly those who were considered as being opposed to the government. For him, the Finance Minister had too much power to determine how the oil revenue is used and PIAC was not sufficiently resourced to do its work. Again, oil revenue had been spread too thinly so the impact was not being felt. There should be a political party consensus for instance, on building roads or undertaking agricultural projects which would be relevant to the towns and villages of the country. More transparency was also needed as well as the publishing of the proceeds from the oil sector. Consensus should also be built in the putting together of the contracts to avoid giving out concessions to favoured government companies. Additionally, Mandatory publication of contracts and the beneficial interest ownership disclosure provisions should be addressed by Law.

Mr. Aidoo postulated that other stakeholders should be brought on board during the negotiation process. Consensus also had to be built to make all stakeholders confident. Education, agriculture and capacity building should be prioritized. There should be tangible projects undertaken to show the use to which the oil money has been put.

Mr. Bonfeh interjected by stating that consensus could not be built if the viewpoints of each stakeholder were not respected. He maintained that against Ghana's own rules, the oil revenue had been stretched too thin. Attempting to rationalize our mistakes was not the way to go. With the benefit of hindsight, making the same mistakes others have made before was not pardonable. It was an indication of failed leadership. There was therefore the need for transparency. He lamented that pursuant to the consultations made on the Petroleum Management Bill, many of the contributions were thrown out. In order to determine where the money should be spent, the country should first think about owning the revenue obtained. The oil must be refined in Ghana to increase revenue. Investments can be made in agriculture, science, technology and infrastructure; these will in turn feed to the other areas such as education.

Dr. Donkor then provided some education regarding crude oil. He noted that when the crude was in the ground, it belonged to the state; when it was extracted, the country possessed only the agreed percentage. No insistence could be made that the crude oil be refined in country. Ghana could only insist that its share be refined in Ghana. Ghana is a small player; it is not an island and wants to attract investors hence it had to be careful in its dealings. He intimated that a deal was being reached which will allow part of GNPC's share of the crude oil to be refined by TOR. Mr. Bonfeh mentioned that although the crude belonged to several people once it was lifted from the ground, the deals would have to be renegotiated to ensure that the oil is refined in the country.

The Facilitator sought to find out the views of the panellists on the big debate about the heritage fund, whether money should money still be put into it or halted and utilized in other areas. Mr. Bonfeh reiterated the CPP's belief that the resources belonged to past, present and future generations. The fund should still be kept and the amount was even too small. The Stabilization fund should not be touched either. Mr. Aidoo was of the view that the heritage fund should be left for the future, it should be invested with a little more risk than it is being done today to grow the fund. It should also be properly managed and invested properly to obtain good returns. For Dr. Donkor, the Heritage Fund needed to be kept only that the concept had to be fine-tuned a little more.

Audience Participation and Contributions

Hon. Mutawakilu Adam admonished that, in the negotiation of projects, there was the need to be very careful in order not to conclude deals which would be more expensive for the country, there could however be reviews in subsequent deals. He cited the example of carried interests in the mining sector of Ghana. He did not see Ghana suffering from the Dutch disease; he expatiated on the two ways in which the disease could be detected.

Another participant from Tanzania commented on issues of transparency and public access to the oil agreements. He added that exploitation should not be encouraged and also noted that although some countries were dissuaded from setting up refineries, they had stood to gain in the long run today. Dr. Donkor in response clarified a point he had made earlier on the low comparative benefits of refining oil in the country of extraction. He however stated that for reasons of national security it was often advisable to have state-owned refineries. Also, Governments were mostly torn between exporting oil and refining it due to challenges of the benchmark revenue. The government on a number of occasions has had to cushion the budget of Ghana.

A female participant spoke quite passionately about the country knowing what it had to do yet refusing to do it. For her, the country was very much aware of best practices around the world due to wide consultations it had partaken in yet it chose to act however it pleased.

Dr. Adam supplied some valuable information and statistics on the oil sector in Ghana. He touched on domestic supply obligations and stated that Ghana could call on up to 35% of its share of the oil while Tullow could go up to 100% and these have all been adopted in the new petroleum bill. He also questioned whether it was a prudent move for NDC's manifesto on the energy sector to feature a promise made the government to build another refinery in Takoradi, a port city of Ghana. He wanted to know if it made any economic sense. He also asked if the government would soon start renegotiation of some deals such as the ENI deal to ensure it served Ghana's interests. The session was subsequently rounded up and the Facilitator thanked the Panellists and the Participants alike for contributing to the very animated and interesting discussion that had just taken place.

Panel 7: Ghana's Oil Industry in Transition: Policy and Institutional Frameworks for Scaling up Investments

The session which primarily sought to address the question as to whether Ghana's institutional and legal and regulatory frameworks are adequate enough to attract the much needed investment in the upstream O&G required in the petroleum sector was facilitated by Mr. Ishmael Edjekumhene, Executive Director, KITE, Ghana and the discussants were Mr. Kwaku Boateng, Director of Special Services, Ghana Petroleum Commission; Mr. Theo Acheampong, Consultant, Crystal Energy, London; Mr. Emmanuel Kuyole, Deputy Director, Natural Resource Governance Institute; and Mr Adams Wakilu, Vice Chairman of the Select Mines and Energy Committee. The main discussions among the panellists focused on the following questions:

1. Ghana competes with the world for investment in the oil sector. Does the country now have the right institutional and legal frameworks to attract investment into the sector?
2. What are the crucial gaps that still exist and may hamper investment attraction?
3. Are the sector agencies truly independent to deliver on their mandates or there are gaps which cede more control to the political class?
4. Are Ghana's local content prescriptions in the local content regulation adequate to enhance local participation or has become a barrier to investment?

Panel Submissions and Discussions

On the question as to whether Ghana had the right institutional and legal frameworks to attract investment or if there were any gaps from his perspective, Mr Kwaku Boateng answered that he was satisfied with what existed and also that there were no gaps as far as he was concerned because the current frameworks were in line with international best practices. He indicated that it in ensuring that the country's frameworks be consistent with a number of factors in the industry and other factors such as geological data Ghana's petroleum related frameworks had evolved over time. Frameworks are not static but dynamic based on prevailing circumstances thus factors such as the changing technology and economic environment had also necessitated the need to check if existing laws match up. For instance the PNDC Law 188 which set up a separate tax regime for the petroleum sector, as well as other frameworks were reviewed or are being reviewed. In this year, a new petroleum act was passed that allows for private sector relations in the industry. In the past it was an open door system through application now the law explicitly states that in awarding blocks the ministry needs to embark on a competitive process. The framework also deals with many important aspects such as HIC and petroleum measurements which were not included before. It as well establishes an independent regulatory body (GMA, EPA), as well operating entities. Mr Boateng was also asked to share, from the Commission's perspective, any challenges that existed or if there was anything the country could do to improve on what currently existed. On the bottlenecks, he identified the issue of harmonisation of the funds regarding regulatory, the value chain of regulation functions and in some cases the overlaps which creates problems for investors. For improvements, he indicated that having a one stop shop would make investment easier and simpler. Citing the example of the extension of GIPCs mandate to include oil and gas which was initially mandated to another institution, Mr Boateng underscored the need to ensure overlaps were not created when putting together the acts or mandates.

Regarding the question as to whether there were a lot of incentives and good packages for upstream investment in the country, Mr. Theo Acheampong answered in the affirmative, indicating that Ghana was on the right track. Investment behaviour, according to him, was driven by certain variables such as cost, macro prices, host government policies, institutional and regulatory frameworks. In terms of petroleum policy/investment attractiveness, Ghana was on the right track with very good improvements having been made over the last couple of years. In terms of petroleum policy attractiveness, Ghana had over the period of four years moved from 72 jurisdictions in 2011 to 52 jurisdictions out of a 100 jurisdiction at the international level. In Africa, Ghana run number 2 after Namibia out of 14 jurisdictions and this is because of the frameworks and reforms that have taken place. With the new EMP bill it offers a number of incentives such that both governments and investor get incentives. In the new agreement there was faster capitalisation of investor cost so they can recover money used in the field in a shorter period of time.

The facilitator wanted to find out from Mr Kuyole if Ghana's fiscal regimes were too flexible and if the quantum leap spoken about earlier was because investors see the country was not hard enough when it comes to negotiation deals for instance. In terms of competiveness, Ghana has a law that requires it can have proper auction and this needs to be tested and assessed. He however noted that within the context of the low price regime Ghana may run the risk of going into a major production decline unless long term measures were put in place.

On the issue of the supposed political powers in terms of the discretionary awarding and terminating of contracts in the EMP Bill for instance, Mr Wakilu clarified that this was not the case. He explained that Clause 10 of the bill indicates that the process of awarding contracts would be open, transparent, competitive etc. whereas clause 4 gives the minister the power not to at his/her discretion terminate and award contracts to someone else but to do so in the course of due diligence should it be realised that the company awarded was engaged in money laundering, fraud, etc. In such instances and in the interest of ensuring national interest, there must be a way to abrogate the contracts of such companies, and this why clause 4 is critical. He also indicated that the current EMP bill stayed for almost two years in parliament before being passed primarily because the Select Committee had to review several times, the various concerns that had been raised by CSOs particularly.

Audience Participation and Contributions

With regards to local content, three important factors were highlighted: focusing it on developing linkages - rather than seeing the extractive as an enclave sector it must be linked to other sector; the need to benchmark what is needed by local content; and the need for an active industrial supply base. For solutions the local content law (LI204) passed in 2013 was overly ambitious on local content, aiming at getting 90%. What was rather needed was a local content strategy and road map addressing pertinent questions such as what services would be needed in the country over the next 10 years for instance? Government should also start putting money into the Local Content development fund to support the local content capacities. Again on local content, indigenous companies are not aware of jobs generated or available in the value chain (for example, exploration) so they can benefit from these. Local companies do not have the capacity thus to what extent are we helping these companies so they can also compete, deliver and benefit. With the new agreement, the state is getting about 70% so there is improvement in that regard. The name is not whether its production or concessionary but what is key is how to control oil cost and how profits/shares are split. In production sharing agreements or tax sharing agreements focus should be on the fiscal terms.

With respect to the local gaps and how to support the local sector, there are regulations being worked on with the Norwegian Petroleum Agency. Also while all agreements make provisions for local participation, it was not until 2013 that government came up with a clear law on local content participation in the negotiation of contracts. Since then, of the several contracts awarded, a number has been awarded to Ghanaians as well. On licensing – we need to clarify their terms and bid assessment criteria. Mexico and Cyprus have done this successfully. Contracts that we signed had some mystery to companies that came with their financial capacity etc. but now there are the pre-qualifying debt criteria that help to sift through to get the best companies that are able to deliver or meet obligation.

A participant asked the question on what was being done with the scattered rigs on the shores of Western Region post production? A related question was to why Ghana with its modified fiscal regimes still was not forcing oil companies that have not found oil with in the period to relinquish their blocks but are given extensions rather than abrogating for other actors to come in. The answer was that the contracting framework in Ghana allowed for 25 years, with a 7 year maximum exploration period/discovery with subsequent extensions all falling within this period. Whether drilling meets with oil discovery or not, the companies are entitled under SPD to hold on to the block. On the scattered rigs question, there was a process of decommissioning in place to address that.

Another question from the floor was on the issue of environmental regulations and how to deal with offending companies or make them responsible given that pollution of environment has not been codified as a crime. The PNDC Law 84 upon which the Cosmos and Tullow agreements were signed was silent on environment provision on environmental pollution and how to deal with offending companies. Same applies to the subsequent laws. The current bill still does not offer that clear environ provision as to how should there be a spill it would be addressed. The response was that the EMP bill had a health safety and security environment aspect. Also a health safety (HSE) regulation which addresses these and was applicable to both onshore and offshore operations was being developed. This regulation, he indicated was ready, just awaiting the next sitting for it to be passed. With regards to what other environmental safeguards or mechanisms to address community interests should be put in place onshore to ensure Ghana reverts from Nigeria's incident the response was that the concession of current model needed to be address because what was currently being used was not the best. Also mechanisms need to be put in place to make the companies responsible to pay for whatever damages owing from spillage. We need to set our own standards and ensure compliance rather than saying international best practices because that differs…

Panel 8: Translating Ghana's Oil Wealth to Broad Based Development: Implications for Government, Businesses, and Affected Communities

This panel session was held with all the participants being present at one location. It was facilitated by Ms. Nana Ama Yirrah and the Discussants were Awulai Agyei, Chairman of the Platform of Coastal Communities; Mr. Armah and Mr. Jantuah, Vice Chairperson of PIAC, Commissioner for the National Development Planning Commission. Guiding questions for this session were:

1. How do we ensure that the exploitation of oil does not impact negatively on any segment of society; thereby ensuring broader inclusive development?
2. What is not being currently to ensure that local business benefit from the oil industry?
3. What are the roles of the state and businesses in addressing the concerns of affected communities?

Panel Submissions and Discussions

The Facilitator started the discussion by pointing out that the session sought to ascertain whether or not the oil wealth was trickling down to communities. She noted a difference between the discussion at the national level and at the community level. She then acknowledged the presence of the Discussants to share their experiences and thoughts on the issue at hand.

She stressed the theme and asked how Ghana had fared as a country in translating oil wealth into tangible benefits for the people.

Mr. Armah responded by stating that assessing Ghana's performance at the broad level was difficult, bringing it down to the level of the fisherman made it easier. According to him, the everyday fisherman and farmer would say they had not enjoyed any tangible trickling down of oil resources. Even in areas where such benefits were felt, there were questions on whether the right people received the relevant and timely help. There was a lot more to be done in spite of the progress made. Ghana as a country needed to have a more coordinated approach in distributing oil wealth. He also noted that there was insufficient discourse with communities and the oil derived benefits, where available were somewhat scattered.

Awulai Agyei sought to address two areas under the community from which the impact of oil wealth or otherwise could be measured. He thus broke down the broad area of the community into the livelihood of the community and the environment. For him, the performance had been negative. Although about 3.28 billion dollars of the oil revenue had been said to have been spent within some indicated areas, farmers who had suffered losses from the cutting down of their coconut trees had not been compensated to date. He mentioned that he had met with sub chiefs within his jurisdiction and cautioned that there would be a demonstration against that especially in cases where the monies had been disbursed to the community heads yet had been squandered and not given to the rightful beneficiaries. Under the umbrella of the environment, Awulai noted that arable lands had been cleared yet accruing oil revenues had been channelled into the construction of roads, robbing the people of their livelihoods and denying them of any concomitant benefits. He wanted the Participants to note that many chiefs had to serve as shields to prevent people from getting violent. He questioned how long the traditional leaders could serve that purpose and said that he would rather rally the people behind him to fight for what is due them.

Mr. Jantuah in response to the question asked if the country started oil production on the right note, whether the communities were considered, as they were not involved in decision making. Although so much had been earned, the impact had not been felt. Land and house prices in places like Takoradi have shot up. The fisher folk have been affected in many areas, examples being the military zoning off of some marine areas which affects fishing. At the national level, consensus could have been reached, and fishermen trained in welding and other geology-related skills as they were good divers and swimmers to work in this sector rather than leaving them with no jobs or income. The oil money has barely impacted the Ghanaian people, there was a disconnect between those on top and those at the bottom.

Out of the four areas noted as being priority sectors for the allocation of oil revenue, road and other infrastructure as well as agricultural mechanization were mentioned. People were looking at roads that would bring about employment. 40% of the landmass of Ghana is said to be covered by oil. However, there had been no indication on the zoning of land to make room for other activities. A lot needed to be done, guiding frameworks needed to be put in place. The Facilitator then asked if Ghana had sectors fully independent and capacitated to act.

For Awulai, it was the case that some funds had been tampered with. Africa lacked leaders that thought about people and communities. There existed laws and regimes yet very little change was felt. The leaders knew exactly what to do yet would not do it for fear of losing out financially. He proposed that some of the funds be set apart for people to use to sue squanderers of oil monies and arraign such people before the court. He lamented that although the sectors were there, punishments were non-existent and people were tired of talking and protesting. Positive action needed to be promoted.

Mr. Armah responded by stating that, to be able to participate in the oil sector and related industries, it was important to consider the capacity of the local companies to deliver. Rather unfortunately, the ability to discover those services was problematic. Technical and vocational training were a key element for him. There was the need to provide people with skills. The ordinary local in Axim is challenged and deprived of the chance to move out of poverty. A strategy is needed. According to him, some Oil and Gas companies were trying to undertake Corporate Social Responsibility projects to help out yet these were not done completely altruistically.

Furthermore, Mr. Jantuah asked what roles the state and businesses could play, what the real issues were and what needed to be done. The challenges were often a question of leadership; political parties wanting to win elections and doing whatever they could to win without a single care for the genuine welfare of the citizenry. He observed that nothing had been done about poor farmers and citizens of areas where galamsey had destroyed the land. Politics affects everything that is done, even the share of revenues. He also criticized the citizens for failing to ask the hard questions when the politicians came around. Ghanaians ought to get their leadership right before the lot of Ghana can be improved. He noted that it was possible to halt oil production and get the proper framework and regimes in place before resuming production.

Moreover, it was interesting to discover that the oil revenue provided only 5% of Government's revenue. Mr. Jantuah decried the percentage (70%) of those funds being allocated to the Consolidated Fund. He called for the alteration of this as in the end; it was not possible to distil which projects were gotten from oil revenues and those that were funded by a different source. The oil revenue should rather be set aside and put in a high interest account for some five years before starting to do anything. It was necessary for Ghanaians to interrogate the action of leaders. He intimated that the long term development Plan would come into effect soon, and cautioned voters to be wary of charlatans who sought to deceive them and sway their votes. Again, he advised that the people engage the leaders and keep them in check. He shared a quote that the secret of life was to have no fear and entreated Ghanaians to question the leaders and have no fear, speak their minds as this would be a fight for posterity.

The Facilitator gleaned from the submissions of the Panellists that Ghana had not done too well in the area of impacting positively on Communities and invited the Participants to ask questions or contribute to the discussion.

Audience Participation and Contributions

Eva, a Gender Advocate wished to know if gender sensitivity taken into consideration in the drafting of oil contracts and assessment of the impact on communities. She also asked what the challenges of women in the sector were and what was being done about them. Mr. Jantuah reacted by stating that, perhaps in the area of capacity building, gender sensitivity and inclusion were taken into consideration However, he stated that he had not noticed how matters related to the oil revenue have considered gender sensitivity.

Another participant, Mr. Goldenberg asked if the pace of development had improved with the discovery of oil. Yet another participant noted that even before the oil revenue upsurge of oil, annual budgets were being drawn and financed, why therefore had the focus shifted and rested solely on the oil revenue in recent times? A participant from Friends of the Nation spoke about the distribution of benefits while Jeffrey Scott asked about the PIAC report. Mr. Jantuah in response highlighted that all of PIAC's reports were put together in consultation with GNPC, the Bank of Ghana and other relevant stakeholders although it lacked a prosecutive mandate. PIAC therefore had to rely on the media and other CSOs to take up issues revealed in the report. Mr. Duncan Amoah from Chamber of Petroleum Consumption, Ghana thought that it did not pay to continue to sit aloof and wait for the central government to act. The Facilitator summed up the discussion by rehashing the recommendations brought up and observing that until those in the governance practice began to take the matters seriously, more time would be spent merely discussing the same issues over and over again with no substantive action taken.

Panel 9: Oil Governance Experience from Oil Producers and Frontiers, Nigeria, Tanzania, Kenya and Ghana

Facilitated by Mr. Ian Gary, Associate Policy Director, Oxfam America, USA, the discussants for this session were Dr. Ishmael Ackah, Head of Policy, Africa Centre for Energy Policy, Ghana; Dr. Dauda Garuba, Natural Resource Governance Institute, Nigeria Office; Mr Charles Wanguhu, Coordinator, Kenya Civil Society Platform on Oil and Gas, Kenya; and Mr Nshala Rugemeleza, Independent Consultant, Tanzania. The guiding questions for the discussants were:

1. How do you describe the oil governance experience in your country; do you have the right framework to ensure efficient exploitation of the resource and utilisation of the revenues?
2. Is there space for civil society to engage in the critical decisions on contracting, development of frameworks and revenue management
3. What do you think are the gaps to ensure that your country maximises the potential for oil revenues to transform the country

Panel Submissions and Discussions

In his opening statement, Dr Garuba expressed that he wished Nigeria had the opportunity Ghana had when it started its oil production. Nigeria went into oil production without getting involved in the discussions Ghana had prior to production. This thus gave Ghana an advantageous opportunity to learn from Nigeria's experience. When resources are discovered the tendencies is often for the government to make money and IOCs to drill while for citizens expectations centred on development, however there needs to be a focus on the downstream sector rather than allowing IOCs to push countries to focus on upstream sector. It is imperative to get national assembly to have more oversight over natural resources and put in place measures to ensure fiscal discipline.

In response to the facilitator's question as to whether solving the problem required technical or political capacity, the speakers indicated that everything was political and so its plays a key role. Politics indeed does interfere in the setting up of strong institutions. The problem also stemmed from the fact that some African leaders are more interested in their own needs and thus not prepared to stand up for the people. Globally or locally oil itself is politics. Ideas that are brandished as national interests are actually leader's interests. These notwithstanding, having the local technical capacity was a must have as well. Having the capacity is important - if we want more control we should be able to decide our own fate. In the case of Nigeria however, Dr Garuba stated that being a long time oil producer, its case was less of capacity and more of politics. Citizens had no role to play on how their oil resource was going to be governed both under its military regime and the civilian as well. It was also pointed out that regarding the issue of oversight, there was the need for political to be intertwined with some civil society work even though despite the complementary efforts by CSOs their efforts are not documented.

Other ways of addressing some of the challenges that African countries faced was the need for the establishment of strong institutions to oversee the sector, the need to be transparent, setting aside of revenues, wise investments, as well as putting policies into action. In terms of diversification, it is important to select a sector with comparable advantage by looking at that sector, looking at linkages that feed into other sectors, and finally looking at the allocation of resources. It was noted that when it comes to petroleum price activities, African countries do not have control over that. So unfortunately when prices fall it affects the continent so much. One of the ways that was suggested in dealing with it so it does not impact severely was the setting up of a fund so when prices are low that can serve as a cushion.

When given the opportunity to indicate what they would like to see differently coming for the Summit next year, the panellists shared the following: that there would be more African-focused discussions in terms of presentations; the development of the overall resource sector, both extractive and non-extractive rather than focusing on just oil. Another point was to see an end to bad agreements and actions such as taking things to court – the need to challenge laws and take them to courts for decisions to be taken if it is in violation of the country's constitution such as the Newmont law.

Audience Participation and Contributions

A participant asked a question relating to local ownership content (LOC), wanting to know if it was a matter of local content or if it is because local content management was weak? The response from Dr. Garuba was that Nigeria was not affected by the LOC aspect. Dr Ackah pointed out that in Ghana, FOCs need to have a local partner. Another wanted to know what could be done to mobilize citizens to be ahead of the political leadership because if this is the case much progress would be made. The response was to develop a critical mass of people that will galvanise governments into action. This has happened in Nigeria so other countries can follow. Nigeria has gained from the EITI process.

A participant pointed out a number of challenges undermining the continent's efforts in transforming resources to wealth: 1) a disconnect between the rhetoric and the action which needs to be addressed to ensure policies are translated into action; 2) a disconnect between those in authority and the general citizens. 3) the seeming collusion between parties/leaders of ruling government and opposition. Another participant added that there was also a disconnect between the actions of leaders and the expectations of citizens and this unfortunately was not limited to the oil and gas sector.

A number of the challenges identified emanate from a culture of not setting aside funds for the implementation of the laws. Sufficient resources should be set aside to ensure law is implemented. Also natural resources belong to the people not the president or people in power so they have a right to understand what is being done with that resource and see tangible benefits or projects – the country should be the primary beneficiary of the resource not the companies, e.g. Tullow. How can we ensure the powers they occupy are reduced? Interest in accountability should be done across all sectors not just oil and gas. Leaders must be held accountable. Lack of punitive laws is also a challenge

In light of the fact that it would soon be producing oil, a participant from Liberia wanted to know how to manage the expectations of the citizenry. On managing expectation when Nigeria discovered oil in 1956 people rejoiced over its prospects but down the line the expectations have not been realised. Thus Liberia was advised to learn from the experiences of other countries to avoid making the same mistakes. Natural resources we have must be wisely used and judiciously to the betterment of the people. People should know the truth about what it means to mitigate expectations. For instance how much is being spent should be published and projects funded by oil revenue should be indicated as such.

Yet another participant asked if the problem stemmed from the fact that institutions that are training the people in the industry are not getting it right? Money for capacity building has not been utilised well keep doing trainings upon trainings. There should be a 2-way approach to capacity building - institutions should also have a relationship with oil companies to let them know what they are doing. Instead of simply conducting trainings upon trainings, capacity building should be more targeted. In Ghana for instance, the example was cited of the approved bus branding project which was being touted as capacity building and also the example of about 2.9 million pounds having been spent on a number of Ghanaians to study oil and gas but upon return most are in different unrelated sectors.

Presentation of Communiqué

The Communiqué was put together and presented by Ms. Paulina Armah to the participants who were in agreement and accepted the content.

Closing Remarks and Vote of Thanks

Mr Benjamin Boakye, the Deputy Director of ACEP delivered a brief closing remark highlighting the need for continued engagement to see the fruits from the short to long medium term. He reiterated the fact that the AOGR was published to set the baseline to track the changes of what was happening in the sector to ensure everyone is part of the processes of governance. This year's focus moved to the oil price crush because the resource we so depend on are not generating the funds to support our economies. In this regard, a lot of issues had been discussed to ensure revenue serves the purpose that the people want it to be, amplifying tax efforts of other sectors. He concluded by saying that the various discussions and suggestions over the past two days including covering the entire mineral sector so together we can manage out extractive industry together had all been taken note of.

The Vote of Thanks was then rendered by Ms. Linda Ahunu. She extended heartfelt gratitude to the Panellists and Participants alike, as well as the Ministry of Petroleum, Oxfam and GOGIG. The Summit was subsequently dissolved by the Deputy Director of the Africa Centre for Energy Policy, Mr. Benjamin Boakye.

Appendix 1: Communiqué

COMMUNIQUÉ FROM THE SECOND AFRICA OIL GOVERNANCE SUMMIT

We, participants at the second Africa Oil Governance Summit held in Accra from 26th to 27th September, 2016, having discussed issues relating to the effects of oil price shocks on the economies of African countries;

Convinced that the failure to take appropriate actions and measures to address the negative effects of oil price shocks could have adverse implications for the provision of social and economic infrastructure and services to our people;

Aware that the state of oil resource governance in Africa is still under-developed and could further compound our development challenges;

Satisfied that the African Mining Vision could facilitate Africa's accelerated development through value linkages and regional integration;

Do hereby resolve that African governments should consider and implement the following recommendations adopted by us:

RECOMMENDATIONS ON ADDRESSING THE EFFECT OF OIL PRICE SHOCKS

1. African governments should introduce mechanisms for addressing the effects of oil price shocks on the economies and development of African countries through diversification of their economies from overdependence on petroleum revenues; establishing sovereign wealth funds with proper governance structures to save for the future; introducing appropriate fiscal rules to stabilize the economies and creating backward, forward and side linkages with the rest of the economy.
2. African governments should increase the quality of spending at all times to ensure that budgetary shortfalls resulting from oil price shocks do not affect development. To this effect, we demand that governments should spend petroleum revenues efficiently and responsibly by ensuring that there is value for money for projects funded with petroleum revenues.

RECOMMENDATIONS ON IMPROVING OIL RESOURCE GOVERNANCE

3. African governments should leverage the low price era to reconsider their governance structures and build institutional frameworks to manage future oil booms
4. African governments must institute and further develop transparent processes in petroleum licensing such as open and competitive bidding processes, mandatory contract disclosure requirements and the establishment of public register of companies.

RECOMMENDATIONS ON IMPROVING DOMESTIC RESOURCE MOBILIZATION

5. African governments should pass appropriate legislation and invest in capacity building to check illicit financial outflows particularly from the oil and gas sector. We demand further that our governments build appropriate partnership with the international

community to design appropriate global guidelines and response to illicit financial outflows.

6. African governments should increase their tax efforts by improving on tax administration and widening the tax base. Governments should develop comprehensive taxpayer database to identify and track tax payers for the purposes of increasing domestic revenues for development and fostering of public accountability.

RECOMMENDATIONS ON PROMOTING INVESTMENT ATTRACTION IN AFRICA'S EXTRACTIVE SECTOR

7. African governments should invest in increasing the capacity of our institutions to generate and protect knowledge of our geological environment and to be able to estimate the value of untapped resources to increase our negotiation position in our relationship with investors for the exploitation of our resources.
8. African governments should stop the blanket granting of tax concessions to extractive companies, and must review tax concession policies to appropriately target investments that bring maximum benefits to our countries. To this effect, we demand that our governments conduct a comprehensive evaluation of the current tax concession regime to determine its effectiveness as a tool for investment attraction.

RECOMMENDATIONS ON PROMOTING REGIONAL INTEGRATION

9. African governments should increasingly involve their citizens in the implementation of the African Mining Vision which has been adopted as the blueprint for Africa's natural resource development. We further demand that relevant stakeholders should make efforts to mainstream the Vision into local policies and laws.
10. The development of Africa's natural resources should promote regional integration through the development of shared infrastructure, shared institutional and regulatory capacity, and harmonized policies and legislations.

RECOMMENDATIONS ON PROMOTING SUSTAINABLE DEVELOPMENT

11. African governments, as a matter of urgency, should aggressively engage their citizens to ensure local ownership of the Sustainable Development Goals to improve on development accountability.
12. African governments should channel increased domestic revenues resulting from curbing illicit financial outflows and improvement in tax administration into financing sustainable development initiatives to ensure the achievement of the sustainable development goals.
13. African governments should prioritize investments in agriculture and human capital development for the use of petroleum revenues to facilitate poverty reduction and reduce income inequality. We further demand that state petroleum institutions should effectively coordinate with National Development Institutions to ensure integrated resource development for inclusive growth.

RECOMMENDATIONS ON COMMUNITY ENGAGEMENT AND DEVELOPMENT

14. Africa governments must adopt and implement policies such as Free Prior and Informed Consent to ensure the protection of community rights. Governments should collaborate with key stakeholders to consider alternative livelihood for communities affected by extraction activities.
15. African governments must develop and implement integrated community resource development plans to ensure that communities affected by extraction are developed into growth poles to support the economy.
16. African governments must incorporate into their petroleum laws requirements for Community Development Agreements to empower communities affected by extraction to effectively engage oil companies on their development priorities.
17. Stakeholders must provide financial support to communities affected by extraction to seek legal action against governments and companies destroying the environment and the livelihoods of communities.

GOING FORWARD

Although these recommendations focus on African governments as institutions that must provide leadership and resources for the implementation of the recommendations, it is equally important for other stakeholders including oil exploration and service companies, Parliament and independent institutions, Civil Society Organizations, the media and the general citizenry to effectively participate in all processes involved in the management of oil resources to ensure that our governments are held accountable for their stewardship of the resources.

We finally demand that this communiqué is widely distributed to our governments, regional institutions, parliament, African citizens and development partners.