

COMPARATIVE ANALYSIS OF LOCAL CONTENT IN GHANA, ANGOLA AND NIGERIA



Introduction

One major goal of governments in the sub region is to optimize the exploitation of petroleum resource endowments for the overall benefit and welfare of their citizens in a sustainable manner. A major challenge in meeting this policy goal is; how to develop the oil and gas industry with optimal local content and participation to enhance national development and job creation. In this regard, the key policy objective is to maximize national value creation along the petroleum value chain, through employment, value creation, and transfer of knowledge and technology.

Regrettably, despite huge sums of money spent annually on projects in the oil industry, very little proportion of the accruable profit is available to indigenous oil service companies or invested in developing the nations' industrial base.

Following this historical antecedent, developing oil producing countries are now seeking for more than just economic rent; they have adopted local content policies to boost the participation of citizens and to enhance value addition and Ownership to achieve a desired critical mass in the oil and gas value chain Petroleum Corporation – in every oil licence.

RATIONALE

The paper seeks to make broad policy recommendations on local content developments in the oil and gas industry within the framework of local content legislations in Ghana, Angola and Nigeria. The comparison between these three Sub-Saharan African oil and gas countries takes into consideration the similarities in their natural resource endowments, governance philosophy and economic development.

Further, the paper throws a spotlight on the local content legal regimes of Nigeria, Ghana, and Angola based on their competitiveness, absorptive Capacities and existing infrastructure. Lastly, the paper seeks to conduct a gap analysis to examine the capabilities and effectiveness of the implementation Strategies adopted by these countries to implement the local content legislations.

COUNTRY ANALYSIS

GHANAIAAN PERSPECTIVE:

- ✚ Ghana's Local Content and Local Participation Regulations 2013, (L.I. 2204) was passed by parliament in November 2013 but it took Ghana government approximately 3 years to develop the local content regulations after the commencement of oil production. Ghana government was already applying local content laws as captured in PNDC Law 84 and the Model Petroleum Agreement.
- ✚ Sections 10 and 12 of PNDCL 84 stipulates that A contractor or sub-contractor shall ensure that opportunities are given as far as is possible for the employment of Ghanaians having the requisite expertise or qualifications in the various levels of the operations.
- ✚ Further, a contractor or sub-contractor shall, as far as practicable, in accordance with the regulations and the petroleum agreement or sub-contract use goods and services produced or provided in Ghana for his operations in preference to foreign goods and services

NIGERIAN PERSPECTIVE:

The local content policy action started in 1971 through the establishment of the Nigerian National Oil Corporation, (NOC). NOC was established as a vehicle for the promotion of Nigeria indigenization policy in the petroleum sector.

- ✚ The Nigerian Oil and Gas industry Content Development Act 2010, (Act No. 2) is framed within the context of growth of Nigerian entrepreneurship and the domestication of assets to fully realize Nigeria's strategic developmental goals.
- ✚ The scheme, has the potential to create over 30,000 jobs in the next 5 years, is geared to increasing the domestic share of the \$18 billion annual spending on oil and gas from 45% to 70%, in addition to enhancing the multiplier effects on the economy, through refining and petrochemicals.

✚ **ANGOLAN PERSPECTIVE:** In 2002, the Angolanization policy framework was developed on the back of the Petroleum Decree-Law 20/80 which requires oil companies operating in Angola are required to develop their Angolan workforce from 70% to 90% as well as develop the local supplier market by 2010. The staffing targets are based on worker grades: (1) 100% Angolanization will be required for unskilled workers, e.g., drivers, janitors, etc. (2) 80% Angolanization will be required for mid-level workers, e.g., travel agents, machinists, etc., and (3) 70% Angolanization will be required for higher level staff, e.g. managers, geologists, engineers, etc.

- ✚ Regrettably, the Angolanization targets have not been met till date as a result of the inadequate local capacity and general low level of expertise in certain key priority areas.

Policy Summary

The common thread that runs through successful local content policies include the following principles:

- ✚ There is no single approach to local content development; the policies need to reflect the political and commercial realities of the local environment overruns.
- ✚ Local content development should focus on value addition in-country spend and not ownership.
- ✚ There must be an effective local supplier's development programme to boost the competitiveness of the indigenous people.
- ✚ The concept of 'Local Content' should be addressed in developing a robust local content policy. This is the phenomenon where communities within which petroleum activities take place demand more compensation from the industry.

CONCLUSION: The wheel of local content development in the oil and gas industry in Sub-Saharan African countries has been set in motion. Although critics argue that such policies undermine efficiency, distort competition and deter investment in the economy. Ghana, Nigeria and Angola have made great strides in the local content front. It is quite clear that Nigeria has a robust governance structure for the effectual implementation of the Nigerian Content law. Also, due to abundance of transferable skills and absorptive capacity of the economy, they have also made significant gains in boosting local participation in the area of human resourcing and supply chains.

The wilful return of well-educated and trained Ghanaians in the diaspora with strong industry and professional experience has served as a catalyst to the growth of local content. They have contributed to the human capital

development of most multinational companies operating in Ghana, and are also able create the businesses needed to meet local content requirements.