



POLICY BRIEF – AFRICA OIL GOVERNANCE REPORT

Introduction

Africa has vast petroleum resources which when utilized efficiently, can accelerate economic growth and development. Translating natural resource wealth into sustainable development depends to a large extent on good governance. Good governance calls for utmost attention in Africa as the region's oil industry is bedeviled by several governance challenges. According to the African Progress Report 2013, harnessing the natural resource potential of Africa will largely depend on the ability of African Governments to strengthen fiscal policy formulation, equitable public spending in infrastructure and adhering to transparency and accountability in the management of resources.

The Africa Oil Governance Report (AOGR), a flagship publication by the Africa Centre for Energy Policy (ACEP), therefore presents the governance efforts of the eighteen member countries of the African Petroleum Producers Association (APPA) in their management of extractive resources. It also identifies the gaps in their governance structures, and how these gaps can be addressed through policy, legal and institutional interventions; therefore serving as a wake-up call to African governments to strengthen their resource governance policies, systems and institutions. In this, it provides stakeholders with relevant governance information on oil producing African countries to influence policy decisions along the oil extraction value chain.

Governance Indicators

In order to ensure efficient management of natural resources, resource rich countries need to take a wide range of decisions along the natural resource value chain and make effective policy choices to implement these range of decisions. The natural resource value chain consists of processes from discovering the resource and deciding whether or not to extract the resource; securing sufficient government revenue from its extraction; maximizing associated benefits while minimizing cost such as environmental impacts; and managing, allocating and investing the revenues for sustainable development. In view of this, eleven (11) governance indicators under three (3) thematic areas have been selected to ascertain the strength of oil governance in African oil producing countries:

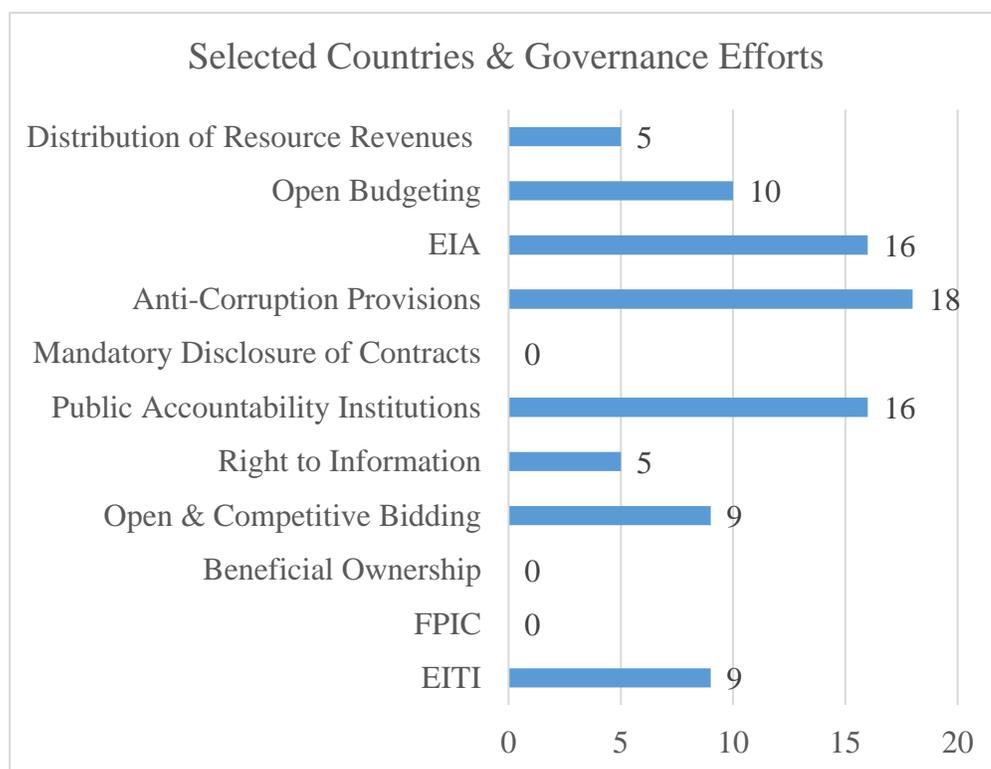
Resource Management: Open and Competitive Bidding Process for allocating oil and gas rights; Mandatory Contract Disclosure; Environmental Impact Assessments; and Free Prior and Informed Consent (FPIC).

Fiscal Management: Open Budgeting; and Distribution of Resource Revenues to Communities Affected by Extraction.

Transparency and Accountability: Adoption of International Governance Initiatives; Anti-Corruption Provisions; Mandatory disclosure of Beneficial Ownership Information; Public Accountability Institutions; and Right to Information Legislation.



Summary of Findings and Recommendations

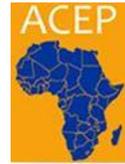


The report finds that there is increasing adoption of open and competitive bidding process, EIA, open budgeting, EITI and anti-corruption provisions. However, the mandatory disclosures of petroleum contracts and beneficial ownership information, the adoption of FPIC and the distribution of oil revenues to affected communities remain a huge challenge in the African region. Figure 1 presents a summary of the findings of this report.

Source: Drawn by Author

A highlight of some key recommendations from this report are:

- i. Countries which do not have competitive bidding provisions in their petroleum laws should introduce them as the default process for awarding resource rights.
- ii. The Open Contracting Partnership and national level civil society organizations must increase advocacy for the mandatory disclosure of oil and gas contracts.
- iii. Environmental considerations should progressively become a biddable factor during licensing of oil and gas resource rights. Therefore, oil and gas companies that have poor previous environmental record should not be considered for the award of resource rights.
- iv. African oil producing countries must adopt the principle of FPIC and develop legislation to guide its implementation as a fundamental human right.
- v. Oil and gas producing countries must incorporate anti-corruption clauses in their Petroleum Laws and contracts.



vi. Governments must make provision for the establishment of public registers of beneficial ownership and to proactively maintain and regularly update the registers.

vii. Oil and gas producing countries must pass right to information legislation to improve the access of their citizens to information.