

REPORT

23rd & 24th November, 2015

COMPREHENSIVE REPORT ON
THE AFRICA OIL
GOVERNANCE SUMMIT 2015



**Africa
Centre for
Energy Policy**

Funded by:



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INTRODUCTION

The maiden Africa Oil Governance Summit was convened in Accra, Ghana by the Africa Centre for Energy Policy (ACEP) and endorsed by the Ministry of Petroleum at the Labadi Beach Hotel on the 23rd and 24th of November 2015. It brought together key stakeholders, development partners and civil society organizations to carefully consider the importance of ensuring proper and effective governance of all natural resources, particularly oil and gas which abound in Africa. The main sponsor of the summit was the Gas for Inclusive Growth (GOGIG) Programme with support from Oxfam, IBIS and the German Development Cooperation (GIZ).

The summit convened to achieve three main objectives;

- To evaluate the progress made by Ghana and Africa in the area of oil governance;
- To provide a platform for national and continental consensus building on policies that must be adopted to deepen oil governance in Africa
- To identify best practices in oil governance for adoption by other African countries

The summit 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 10 panel sessions were held where panelists were engaged in discussions ranging from how to avoid the oil curse to improving Ghana's 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 panel sessions, 6 were run as break-out parallel sessions with the remaining 4 held with all participants present.

This report is structured to capture the panelist submissions, contributions from participants and recommendations from the various panel sessions and presentations. It begins with highlights from the opening ceremony on day one chaired by Dr. Joyce Aryee, followed by the first Panel session which reflected on the state of Ghana's oil governance after 5 years of oil production. This is followed by outputs from panels 2, 3, and 4 where participants discussed options for efficient oil revenue management, maintaining governance reforms in the midst of falling oil prices and getting a fair deal from petroleum contracts respectively. The report then highlights key remarks from a presentation on how to address implementation gaps to achieve effective development of Africa's oil sector. Day one ended with three more breakout sessions, Panels 5, 6 and 7 on how international governance standards can be adopted to avoid the oil curse, how oil- companies could co-exist with communities and lessons African oil frontiers could learn from the governance challenges faced by other oil producers respectively.

The report then presents outputs from day two of the summit which began with opening remarks by Dr. Jemima Nunoo, the Board Chairperson of ACEP, on some of the key challenges facing oil governance in Ghana. This was followed by a presentation on the findings from pre-summit citizen round table discussions that had been organized by GOGIG. The report then highlights proceedings from the 8th Panel session which discussed community concerns for the development of Ghana's oil and gas sector followed by the next panel session discussing governance issues in the 2015 Petroleum Bill. The final panel session highlighted the challenges with evaluating Ghana's Oil Revenue Management. The report concludes with the closing remarks presented by Dr. Amin Adam of ACEP.

EXECUTIVE SUMMARY OF FINDINGS

Africa Centre for Energy Policy (ACEP), partners and allies met in Accra from the 23rd and 24th of November 2015, to review and reflect on progress made by the country and Africa as a whole in the governance of its oil resources and to build the desired consensus on a road map to resource prosperity. The summit focused particularly on how good governance from oil wealth can be translated into development in Africa and how the continent could be assured to move away from the oil resource curse. For good governance to be achieved, participants agreed that it was paramount to pursue transparency and accountability in the oil resource sector.

In ensuring transparency, it was acknowledged that some African countries have made impressive progress such as the adoption of open and competitive bidding processes for granting oil concessions. Particularly for Ghana, the government has propelled the institutionalisation of a number of processes including the setting up of the Petroleum Commission Act, the Petroleum Revenue Management Act (PRMA) and the Public Interest Accountability Committee (PIAC) amongst others. These demonstrate the strong foundation being laid to promote good governance in the oil sector in Ghana which sets an example for other African nations.

However it was agreed that more could be and needed to be done in terms of promoting accountability. Participants agreed that it was time for transparency to translate into accountability. That is to ensure that the information being provided as a result of transparency does not become an end in itself but rather as ammunition to hold governments accountable for development pledges.

Participants agreed that, in achieving greater accountability it was necessary for African countries to first set a clear vision for their oil sector. That is, a vision of how the oil industry would serve as a catalyst for development of the nation. The ultimate goal of good governance within this sector should be to ensure that oil revenues translated into tangible development outcomes for citizens. Hence revenues from oil resources must be directed towards fuelling sustainable development in other sectors such as agriculture and health from which the nation will continue to reap benefits long after the depletion of oil resources.

The summit also called for citizen and community involvement and participation in all stages of decision making right from the appraisal stages to deciding which type of projects should be funded from oil revenues. A remaining hindrance to civic participation however is the complex and technical language with which policies are often crafted. It was therefore necessary for policies and regulations to be translated into forms easily accessible to the average citizen.

Furthermore, it is relevant to fill the skills gap in the oil industry by investing in human capital both upstream and downstream. Though the government has initiated the Graduate Upstream Sector Internship program to this effect, more needed to be done in building local human capacity for the entire value chain from managerial positions to artisan and technical roles. Also these skills should be transferable beyond the oil sector to other industries such as agribusiness.

In addition, participants recommended a more focussed plan of investment for oil revenues

targeted at key projects instead of spreading revenues thinly across many sectors. Projects that are being financed should be clearly branded.

The Summit was also of the view that we needed to invest in building the capacity of our institutions to effectively evaluate, negotiate and execute good oil contracts. This would be better as opposed to signing bad contracts and then expending resources to monitor these bad contracts. Also there was a call for an independent review body to be set up to review past oil contracts that have been passed by the parliament. Where lapses are found, members of the general public, possibly led by the House of Chiefs can lead protests against those agreements.

It was further identified that the citizenry did not feel effectively engaged by PIAC. The PIAC which has as part of its mandate to monitor and report oil revenues receipt and expenditure has been under-funded since its establishment. PIAC is supposed to provide a platform for debate over spending options.

The house also called for parliament to fast track the passage of the Petroleum Exploration and Production Bill which has been in the pipeline for the past six years and brought before parliament since 2014. Although this bill is a huge improvement over the PNDC law 84, it still has some challenges that need to be addressed. For instance, the bill should have a clear provision that allows citizen to have access to information on who owns the blocs and faces behind these companies. Also it gives the minister the powers to set aside the open tender process and enter

into direct contract with a company. Specific guidelines should be stated in bill as to when the minister can make use of this discretion.

Finally, there was also a call for wider reform of the entire public revenue system. Oil revenues constitute only about 4% of total government revenues hence it was necessary to look at the broader picture by advocating for accountability in the general public revenue system. A more efficient general public finance system would translate into an efficient oil revenue system.

All stakeholders present were however cautioned to manage expectations of their constituents by making sure they create a clear picture of the size of oil revenues and what realistic development targets it could achieve. Members were also reminded that we all had a role to play by ensuring the use of existing information in their various capacities to demand more accountability from the government. The summit should not be a talk shop but should be used as action points in prioritising the oil governance agenda.

Finally, ACEP and all institutions present reconfirmed their dedication and commitment in terms of human resources, time and in mobilizing fiscal resources in ensuring good governance within the African oil sector.



PART 1:
DAY ONE

23RD, NOVEMBER 2015

1.1 OPENING CEREMONY FOR

Day One

The Opening Ceremony was chaired by Dr. Joyce Aryee, former CEO of Ghana Chamber of Mines and constituted of welcome addresses by Dr. Mohammed Amin Adam of ACEP, Adelaide Addo-Fening of GOGIG and the Minister of Petroleum, Hon. Kofi Armah Buah.

In her opening remarks, Dr. Aryee stressed that a natural resource ought not to be a curse for African nations. To ensure this, owner-countries should make sure to exhibit transparency and accountability in the exploitation, processing and use of these natural resources in such a way as to benefit the people directly. She encouraged African nations to take lessons from the mistakes made by sister countries and in the mining sector to ensure that sufficient governance measures are put in place to avoid a repetition of history.

The Chairperson further remarked that a major challenge lies in looking beyond present gains and being mindful of the fact that oil resources do not last forever. What happens next in the event that these resources are totally depleted? In terms of the development of human capital, what becomes of the trained professionals when there are no more liquid resources to mine? She therefore suggested that it will be more beneficial to ensure that we train professionals in the entire oil supply chain with transferable skills such that they do not become redundant when we no longer have oil and gas. The Chairperson ended by welcoming the participants to the Ghana and to the Summit and wishing them a fruitful deliberation.

Welcome Address by

Dr. Mohammed Amin Adam

Dr. Adam began his speech by welcoming the participants and remarking that the Summit afforded a rare opportunity for key stakeholders to come together to deliberate on the importance of good governance in managing Africa's abundant oil and gas resources. He lamented that most African oil-producing countries are often the poorest. This brings in the argument of oil being a curse to such countries. This can be attributed to factors such as undertaking bad resource contracts, corruption, extreme secrecy which shrouds oil deals and the inability to negotiate and sign good deals.

Dr. Adam identified some reasons which have accounted for the challenges faced by oil and gas producing countries with particular reference to Ghana. He pointed out examples such as a licensing regime covered under extreme discretionary powers, Ministerial vetoes, asymmetry of information on the potential concessions between private firms and the Government and lack of citizens' participation in contracting. According to him, when these challenges are rectified, there will be improved prospects at obtaining revenue to fund infrastructure and achieving positive development for the benefit of the good people of Ghana.

He recommended the pursuit of some best governance practices which included: building a transparent regime for licensing of resource contracts, efficient tax administration and collection to stop the haemorrhage of Africa's resource wealth through illicit financial flows. Again, new reporting requirements and regulations under the Extractive Industries Transparency Initiative (EITI) can be promoted. He further noted that the summit coincided with the celebration of five years of oil production in Ghana and although some achievements have been made there was still a lot of room for improvement.

Dr. Adam concluded by acknowledging the key partners of the Summit especially GOGIG, Oxfam and IBIS for funding the summit. He hoped the communique and recommendations which would be obtained from the

Summit would enrich the oil policy discourse in Africa and accelerate efforts at addressing the outstanding and emerging challenges that could threaten the resolve to manage oil wealth effectively.

Address by

GOGIG Team Leader Mrs. Adelaide Addo-Fening

Mrs. Addo-Fening began her address by acknowledging the presence and contributions of all partners in making this summit possible. She commended the presence of various stakeholders from the Government, civil society, media and oil industry and indicated that this reflects the necessity of such a summit. She however cautioned that the success of this summit should not be measured by how participatory the event is but rather based on the ability to generate clear and specific recommendations which can be taken forward as a follow up to the summit.

The team leader of GOGIG then proceeded to introduce the audience to the GOGIG programme – a 5 year programme funded by the UK Department of International Development DFID and aimed at supporting Ghana’s efforts to maximize the benefits from oil and gas to promote inclusive growth. A unique aspect of the GOGIG program is that it seeks to work with both state institutions and accountability actors. It seeks to support the development of the needed capability in state institutions on one hand and to strengthen the efforts of accountability actors on the other hand. Another unique aspect of the GOGIG programme is the fact that it is designed to respond to emerging priorities and opportunities hence ensuring its agenda is locally driven and owned.

Mrs. Addo-Fening concluded by stressing on the fact that governance is indeed the missing link between oil wealth and development and urged that the expectations of citizens about the benefits to be derived from oil will not be realized without sound governance. It is therefore crucial for Ghana to cement a robust foundation for good governance in the oil sector in this early phase of oil find.

Keynote Address by

Hon. Emmanuel Kofi Armah Buah

The minister began by commending the choice of theme for the summit adding that it brought into sharp focus the abundant oil wealth yet poor governance and slow development witnessed in some oil rich developing countries. The theme also allows oil-producing African countries to reflect on the lean contribution of the oil and gas sector to their annual budgets and the way forward.

He noted that before the commercial production of oil and gas five years ago, many were skeptical about the ability of Ghana to effectively tackle the concomitant issues especially given the poor track record from the mining sector. Ghana however vowed to get it right this time around, to avoid failing a second time and has since taken concrete steps to fulfill this. The Government of Ghana has been responding to calls by citizens to uphold effective governance to use our oil wealth to improve the lives of the general populace. Some of the achievements include the setting up of the Petroleum Commission Act, the Petroleum Revenue Management Act (PRMA) and the Public Interest Accountability Committee (PIAC) amongst others which will improve transparency in the industry. At the grass root level, there has been the implementation of Corporate Social Responsibility activities in six (6) districts in the Western region of Ghana. Some real improvements have been noticed including the attainment of better water facilities and an improvement in healthcare delivery in the area. Hon. Buah further noted that structures such as the Petroleum Security Centre which liaises with all other Security agencies to enhance security in production areas have been set up. It is also important that the capacity of Ghanaians is built to improve human capital and ensure that locally-trained professionals can compete at the international level. The Graduate Upstream Sector Internship program has been initiated to this effect.

Furthermore, the Minister indicated that the government has heeded the call of the citizen for a more focussed plan of investment for oil revenues targeted at key priority areas instead of spreading revenues

thinly across many sectors. To this end, in the 2016 budget, over 70% of the Annual Budget Funding Amount (ABFA) has been allocated to two critical sectors; agriculture and infrastructure development. He commended the civil society for their instrumental role in these advancements. He concluded by urging all African governments to encourage a meaningful, development-oriented cooperation between oil companies, host governments, local communities and CSOs to guarantee good governance in the management of our oil and gas resources.

1.2. PANEL 1:

“Five years of oil production in Ghana: the State of oil Governance”

This panel was chaired by Dr. Joyce Aryee with panelists in the persons of Dr. Steve Manteaw, Chair of the Civil Society Platform on Oil and Gas, Mr. Theophilus Ahwireng, CEO of Ghana Petroleum Commission PC and Hon. Adam Mutawakilu, Vice-Chairman of the Energy and Mines Committee in Parliament.

Panel Submissions and Discussions

Dr. Manteaw was of the opinion that the performance of oil sector governance was slightly below average after 5 years of oil production. He indicated that more needed to be done. For instance, currently over 80% of oil revenues were spent on consumption instead of capital investments. He added that remarkable progress had been made in terms of transparency however accountability was still lacking. According to him, fundamental to good governance is proper timing of the governance instruments. First, a country had to set a vision; that is the role this resource is expected to play in the economy, and then a policy could be formulated followed by its laws and regulations. He reflected that, in Ghana we began oil production without setting a vision. Even worse, the sector was at the time guided by the PNDC law 84 which was

inadequate to deal with the issues of the oil sector. Government is still yet to pass the new Petroleum and Exploration Bill which was brought before parliament in 2014.

Hon. Adam indicated that despite the above challenges substantial progress has been made as earlier on stated in the Minister's speech. He added that this progress had not been fully appreciated by the public because public expectations had been exaggerated. He indicated that all stakeholders needed to help manage the expectations of the citizens by being realistic on the size of the oil revenue and what it could accomplish. With regards to the Petroleum Bill he indicated that parliament was committed to passing this Bill and in the meantime had seized the approval of any oil agreements. Mr. Ahwireng further highlighted some of the progress that had been made in the oil sector. For instance, to address the human capital skills gap in the oil sector the Graduate Upstream Sector Internship program had been launched. In addition, out of 450 companies that had registered to render local services in the industry, over 300 belonged to Ghanaians.

Contributions from Participants

Participants were of the opinion that there needed to be greater accountability from the part of government. They felt they were yet to see the benefits from oil revenues. A participant called for a comprehensive environmental assessment to be conducted before any oil exploration works. He was particularly concerned about the impact oil production was having on the livelihoods of the local fishermen. With regards to growing prospects of onshore mining in Ghana, there was a call for the government to clearly map out which areas where permitted for exploration in order not to interfere with agricultural lands.

There was also a concern raised indicating that documents and proceedings from contract negotiations were too technical and hence the average citizen struggled to understand these documents. It was therefore suggested that these documents need to be translated in versions that are easily understood by the average citizen.

Recommendations

- Need to set a clear vision for the role of the oil sector.
- To translate high level documents into accessible forms for the average citizen

1.3. PANEL 2:

“Options for efficient and transparent management of petroleum revenues”

This session was chaired by Major (RTD) Daniel Ablor Quarcoo, former Chairman of the PIAC with Mr. Mark Henstridge, Chief Economist at Oxford Policy Management, UK and Dr. Amin Adam of ACEP as panelists.

Panel Submissions and Discussions

The session began with a presentation from Mr. Henstridge on the various frameworks that were available to enable us think of efficient ways to manage oil revenues. He highlighted various channels through which oil revenues could have an impact on inclusive growth such as the health and education infrastructure. However the magnitude of impact depended on how good these sectors were at translating into development. He indicated that compared to other sources of revenue, oil revenue was not yet a major contributor to the Ghanaian economy. For instance so far in 2015, oil revenue per person was \$17. He therefore advised for citizens not to expect immediate economic transformations from oil revenues. He however added that transparency and accountability should be demanded for from the onset of production. Since money from natural resources was more a less ‘free money’, governments usually felt less inclined to account for this compared to other sources of revenue such as taxes.

Dr. Amin began his submission by explaining the different ways the term efficiency could be defined. For a more holistic assessment of whether oil revenues were being used efficiently or not, all these different angles

are needed. He added that one key element is that no matter how much we advocated for transparency with oil revenues, if our national public finance system in itself is not transparent we will not achieve much. Hence we need to look at the broader picture and advocate for accountability in the general public system. He encouraged that, transparency should not be viewed as an end in itself but rather as a tool in demanding accountability. He concluded by indicating that although it was necessary to manage expectations, all the hype being created around the oil sector has contributed to increased transparency in the sector.

Contributions from Participants

Participants agreed that for oil revenues to be efficiently used, it needed to be invested and not spent on consumption. The focus should be on using oil revenues to help grow an alternate industry that would live on after the depletion of the oil resources.

There was also a suggestion that instead of taking students abroad for training, the government should ask oil companies to support existing faculties at the various local universities. A participant queried the rationale behind the Heritage fund since we end up borrowing at higher interest rates. He was of the view that the Heritage fund can be used in place of borrowing abroad.

1.4. PANEL 3:

“Will governments of host oil countries lose leverage for governance reforms in the midst of falling crude oil prices?”

Summary of Panel

This session was chaired by Dr. Joseph Asamoah, Managing Director of Enerwise Africa with Mr. Mark Evans, Africa Economic Analyst, NGRI and Mr. Baluri Kassim Bukari, ENI as panelists. Participants were reminded of

the geopolitics in the oil and gas industry and discouraged host countries from initiating kneejerk reforms of petroleum contracts in times of falling crude oil prices. It was indicated that price was not the only concern to operators, other important factors such as transparency in dealings; the regulatory certainty and a clear fiscal regime also count. Therefore host countries could still attract operators without having to settle for badly priced contracts. It was recommended that revenues from oil and gas be invested in alternate sectors such as agribusiness that may grow along with the oil and gas sector. Further, host countries were admonished to strengthen and empower the Petroleum Commission and other state agencies to take independent decisions that will foster the growth of the oil and gas sector.

Panel Submissions and Discussions

Mr. Mark Evans noted that although there have been a number of new discoveries of oil and gas in Sub-Saharan Africa in the recent past, the expected benefit was yet to be realized. He added that due to the falling oil prices, there is constant pressure to take a look at the contents of petroleum contracts which gives more reason why we need transparency and accountability in petroleum contracts. He further pointed out that, over the years, oil revenue spending has shifted away from investment in other sectors of the economy to recurrent expenditure such as payment of interest on loans. Hence governments were left with no or little back-up making them even more vulnerable in times of falling oil prices. He added that host countries should invest revenues from oil and gas in other profitable sectors so that in the event of fall in oil prices, these sectors can grow to make up for the loss.

Mr. Baluri Kassim Bukari began his submission by indicating that in Ghana; too much attention was being focused on trying to build capacity in the oil and gas sector. In the event of falling prices and its associated redundancy, most of these people employed in the oil and gas sectors are likely to be unemployed. He therefore recommended that host countries should diversify local content by investing in skills that are employable in other sectors to reduce risk. Mr. Bukari added that host countries should not rush into reviewing contracts when oil prices begin to fall because when the situation improves they may lose out. He indicated that oil operators were not only concerned with price but importantly with factors such as

transparency as to who to deal with, the regulatory certainty and a clear fiscal regime. Hence host countries should concentrate on improving these factors to use as leverage to attract operators during price falls.

Furthermore, he indicated that although prices are falling, operators are still producing and this is because they usually take a long term view of the prices of petroleum products, say 50 to 100 years ahead hence the reason they are not perturbed by the falling prices in the past few years. He therefore encouraged African countries to emulate this by developing long term plans for their oil sectors. Another recommendation he provided was that, host countries should strengthen and empower the Petroleum Commission and other state agencies involved in oil and gas industry to take independent decisions that will ensure that country does it gets the best of the oil and gas sector.

Contributions from Participants

A participant suggested that host countries can get the best out of their oil revenues if they invest in other sectors, such as the financial services industry particularly pension funds. Another participant talked about the fact that the impact of oil to economic development can be seen in two ways – local content and revenue to the state. Therefore, it is always beneficial to view development in both direction so that the impression is not created that countries are losing out, when actually they may have gained in some other way.

Recommendations

- It was recommended that host countries set up a fund from the oil and gas revenues to develop other sectors of the economy
- Host countries should identify and invest revenues from oil and gas in other profitable sectors so that in the event of fall in oil prices, these sectors can grow to make up for the loss
- Host countries should diversify local content by investing in skills that are employable in other sectors to reduce risk.
- Host countries should strengthen and empower the Petroleum Commission and other state agencies

involved in oil and gas industry to take independent decisions that will ensure that the country gets the best of the oil and gas sector

1.5. PANEL 4:

“Getting a fair deal in petroleum contracts: fiscal regimes, negotiations and political settlement”

Summary of Panel

The Chair for the session, Mr. Allan Lassey welcomed participants and introduced the panelists in the persons of Chief Medaki Ameh an oil and gas lawyer and Mr. Theophilus Acheampong an associate member of Crystal Energy. Discussions from the panel indicated that African countries should invest in equipping our institutions with the capacity to negotiate good contracts. However giving the current secrecy with which contracts were handled in some countries, questions still remain about how committed nations were to negotiating good contracts. Hence there was a call for greater transparency with regards to the negotiation and awarding of contracts. It was also recommended that shorter timelines be fixed for tax concessions to ensure that companies do not get too used to not being required to pay taxes such that eventually when they are asked to pay there would be less challenges.

Panel Submissions and Discussions

The panel discussion for this session took the form of a Q&A where the chairman asked the two panelist key questions under the topic for their inputs. Below are the questions asked and inputs from the panelists,

i. The popular belief is that African oil producers do not get the most out of the contracts they sign, are they just in a hurry to get any available revenue or are there other factors?

Chief Ameh indicated that African countries did not sign the best contract terms mainly because we lack the institutional capacity to do so. He added that there was a need to limit tax concession and explore giving shorter timelines to these companies because once they get used to the tax concessions, it may be difficult to pull back. Mr. Theophilus shared a similar opinion but cautioned that it was tougher for African frontiers to negotiate better deals since they are new entries into the market and usually come with higher risks. Hence many times they needed to give tax incentives to attract these companies.

ii. With regard to timelines for tax concession and negotiating good contracts, do Sub-Saharan African countries have the capacity to change things?

Mr. Acheampong was of the view that African countries did have the human expertise to work out what is due the State and the companies. To him the issue is not about competence, but about how ready the country is to implement its rules. He however noted that institutional capacity was inadequate. The state regulators should be equipped with enough resources to be able to match the industry knowledge of the oil companies. Chief Ameh remarked that in Nigeria, there is a reliance on already-existing information. In recent times, practitioners from the industry do come and work for the government as regulators, this helps match knowledge to knowledge.

iii. Considering the many contracts our governments sign, does it matter which fiscal system was used and whether we could tweak our fiscal regimes to obtain the best out of our oil.

The panelists were of the view that irrespective of the regime, a country could design a fiscal incentive structure to suit that country. They argued that the fiscal regime in itself did not matter provided the incentive mechanisms work and are linked to profitability. They lamented on other key issues which needed to be addressed. For instance, in a typical concessionary system in Africa, oil companies owned the concessions whereas in other systems, the country owns the concession and the exploratory companies only have a stake in it. Also with regards to production sharing arrangement, the current practice of having the operators

bearing all initial costs and countries later paying back in oil was not optimal. Furthermore, government sometimes has limited knowledge regarding how to challenge the cost structure in contracts. It was therefore important to have independent bodies look into the cost structure during contract negotiations.

Contributions from Participants

A participant suggested that we should not allow any new oil agreement to be signed which goes below the current Petroleum Income Tax Law's default rate of 50% as been witnessed with Jubilee which is set at 35%. We should strive to keep to the percentage stated or go above it to obtain enough revenue to embark on developmental projects in Ghana.

It was agreed upon that the capacity of state agencies is weak hence depend on the statistics of the oil companies. When these companies come with their figures, we are unable to challenge them to achieve Ghana's national interest. The tax authorities need to be proactive yet they need information from the regulators, GRA etc. All these stakeholders ought to collaborate better to be empowered to challenge questionable figures. Participants further indicated that the bigger question of interest was on how to use the resources or the revenue that we have already received.

In contention of the claim that the type of regime is irrelevant, a participant noted that it may hold true in theory but in practice it did not. Each regime requires different capacities with the returns realized at different times. In a country where there are economic challenges, the system matters.

Recommendations

- There is a need to limit tax concession and explore giving shorter timelines to these companies
- Need to build human and institutional capacity with enough resources to better negotiate and regulate oil contracts
- The fiscal regime in itself did not matter provided the incentive mechanisms work and are linked to profitability.

1.6. PRESENTATION 1:

“Governance Frameworks for Oil and Gas Management - Addressing implementation gaps for effective development of Africa’s oil and gas potential”

Summary

This session was chaired by Dr. Juliette Twumasi Anokye from the Ghana Petroleum Commission and presented by Dr. Anthony Paul an energy consultant with the Association of Caribbean energy specialist. The discussion was mainly on how countries can benefit from oil and gas in terms of local content. Countries need to know what they want in their local content policy. This is because each country’s circumstances differ. Ghana needs not copy wholesale from other countries to have a good policy but have a Ghana model that fits into its situation and realities. The recommendations were that Ghana needs to build human and institutional capacity to take over its oil and gas sector; move away from the export of raw materials to adding value to its natural resources. There should also be a structured framework which considers each actor, his interest and how to link this to development.

Panel Submissions and Discussions

Mr. Paul began his presentation by expressing that, every country that has discovered oil and gas should be more interested in how to convert the extracted resources into development. However, this must be measured against the principles of good governance such as rule of law, transparency and accountability. Countries must be transparent as to how decisions are taken and who takes them.

Furthermore, he noted that countries tend to start their local content agenda by drawing up a local content policy which guides how local content will be carried out. He cautioned that you do not design policy in vacuum but have a duration and outline of the activities that must be carried out within the given period. According to Mr. Paul, policies are necessary because they guide local content. More so, the policy must also be guided by a number of activities and the sort of capacity that must be built should also be known. He was also emphatic on the fact that countries must analyze their aspiration and vision to get the benefits from the oil and gas sector. He said that in this sector, there are series of engagement that link the various state and non-state agencies to achieve a common goal. Each agency must do a self analysis to ensure that they understand their role and needs. He remarked that countries adopt a stakeholder relationship management approach to inform the public and to receive the necessary feedback. In response to a question posed to him about what Ghana is not getting right in terms of its local content policy, he commented that Ghana's policy is good but we must put in place procedures that ensure that the instruments of good governance are at the centre of the policy. The title of this session: "Governance frameworks for oil and gas management - Addressing implementation gaps for effective development of Africa's oil and gas potential" raises key issues which are summed up in the fact that the gap in the Ghanaian system is the lack of specific rules, policies, guidelines; people are not clear in their minds about what to do. Beyond the existence of a plethora of laws, we should ensure that we have clear procedures, guidelines, accountability procedures for local content.

Contributions from Participants

A participant asked the presenter which local content document he would recommend for Ghana as best practice based on his experience. His response was that Ghana needs to analyze the situation and not copy directly from any other country. The model of Ghana should be a Ghana model. He added that it could be a hybrid but it has to be applicable to Ghanaian realities. Another participant wanted to know from Mr. Paul how Trinidad and Tobago are able to ensure that the graduates of the oil training programmes return to work for the country. He said they undertook a need analysis and identified technical areas that need to be occupied by citizens. The training was targeted at petroleum engineers, petroleum geo-scientist amongst others. He added that a training program was created and a specific number of students were admitted onto

the program.

Recommendations

- Ghana should identify clear guidelines and accountability procedures in developing its local content.
- Ghana must build capacity in specific technical areas such engineering, fabrication and ICT to enable Ghanaians take over positions in these areas in the near future.
- Ghana must also move away from the export of raw materials to adding value to its natural resources

1.7. PANEL 5:

“Avoiding the oil curse: How international and African governments standards can be linked for effective oil governance”

Summary of Panel

This session was chaired by Dr. Raymond Atuguba, Director of Law and Development Associates with panelists Mr. Ian Gray from Oxfam America, Mr. Emmanuel Kuyole of NRG1 and Mr. Marten Blomqvist from IBIS as panelists.

It was summed up that although a lot could be learnt from International laws and standards, these initiatives may not be appropriate for developing countries faced with weak institutions. These initiatives would therefore need to be adapted to the local context of the host nation.

Panel Submissions and Discussions

The session began with a presentation by Mr. Ian Gray on the various international oil governance standards that were available such as the Extractive Industries Transparency Initiative. He added that most

international initiatives called for contract disclosure hence companies were to declare how much they paid to governments. This information provided new source of data for improving oil governance. Also contract disclosure informs us of what should have been paid in the first place hence allows for greater accountability. He therefore encouraged developing countries to sign on to these international standards and to make the most use of the outcomes.

Mr. Kuyole added that information from contracts disclosures would allow for developing countries to negotiate better contracts instead of signing bad contracts and then expending resources to monitor these bad contracts. He however cautioned that these international standards may not always be appropriate for developing countries especially those with weak institutional capacity. Hence for these international laws to be effective they need to be integrated into the local context and adapted to suit the institutional capacity of the host country. He raised a concern with the fact that these standards were voluntary and hence commitment level of stakeholders was usually low.

Mr. Morten encouraged developing countries to facilitate the process by advocating for tax transparency in the international committee. Also, governments should use this data emanating from the various international transparency measures to inform their policies and achieve results.

Contributions from Participants

Participants wanted to know if there are benchmarks to determine whether we are negotiating better contracts. This would help us monitor our progress. Unfortunately, this does not exist yet. In the meantime there are standard parameters which a good contract ought to cover. Hence should be able to tell if a contract was based on these parameters.

Participants were also interested in finding out the punitive measures in place for non-compliance to these international laws. There was also a suggestion for ISO-type regulations to be set to harmonize these international laws and requirements.

Recommendations

- There is a need to move beyond transparency to accountability. From 'earmarking' the funds to 'eyemarking' the funds.
- Need more and greater information, capacities, strategies, capacities and drive in the following areas:
 - a. Determining the resources available to us
 - b. Negotiating better contracts
 - c. Monitoring the contracts and taxing better by eradicating tax havens, transfer pricing etc.
 - d. Determining the resources available
- Work for more compelling international standards that are directly enforceable

1.8. PANEL 6:

"Oil, Communities and Conflict- How oil companies can co-exist with communities and perspectives on Free Prior Informed Consent (FPIC)"

Summary of Panel

The panel was chaired by Mrs. Hannah Owusu-Koranteng, Executive Director of WACAM with panelists in the persons of Ms. Ikal Angelei of Kenya, Mr. Solomon Kusi Ampofo and Mr. Tijah Bolton from Policy Alert Nigeria. The session expressed that since there is a gap in knowledge sharing and responsibilities there should be a holistic view to empower people to be able to demand accountability. Measures should be taken to use the FPIC in making government accountable to the citizenry at large. The framework should open up space for people to debate issues dispassionately and within the context of the beneficiaries. Furthermore, Corporate Social Responsibility (CSR) should not be used as an alternative to government interventions and to our demanding accountability from government. CSR should not be equated to our rights to demand compensation, equity sharing, etc. The way forward thus will be to regard land in a way that will ensure that

community folks can leave freely, be able to lead lives of dignity and practice their culture sustainably.

Panel Submissions and Discussions

The Protocols of the UN and other regional economic blocs have spoken to the Free Prior and Informed Consent, (FPIC). The panel addressed issues such as the feasibility of FPIC and the extent to which it has been used to fix conflicts in affected communities. It sought to discuss whether government intervention can be substituted by Corporate Social Responsibility and how can conflicts be reduced using the FPIC? The discussion focused on what should be done to ensure that in the event that lands are taken away from the local populace, conflicts are reduced.

Ms. Ikal noted that the FPIC was not being effectively practiced in Africa. Most often, oil companies arrive at the catchment areas and declare that they have been given a permit at the national level to operate. This skews the discussion from the start and negotiations end up being based on what the oil companies have to offer not necessarily what the community members want. Unfortunately for the indigenes, all the information such as how much resource will be taken out is not given up front and as time goes by this sparks conflict when their expectations are not met. Furthermore, for the conduct of CSR as there is usually no national framework or written agreement to guide this, companies themselves decide which kind of developmental project will be given. Oil and gas are non-renewable resources; it is of essence to think about what would happen when they eventually get depleted. How can we use the FPIC to look at an inclusive business model? FPIC should not be limited to only structures it should be extended to accountability.

Mr. Ampofo began his delivery by stating that the people should have the supreme authority when it comes to questions bordering on how natural resources should be used. For him, the problems faced are as a result of failure to adhere to the dictates of the constitution. The FPIC is a cardinal principle expressed in the various constitutions. He agreed that communities should be well-informed prior to government's allocation of concessions. He further added that Corporate Social Responsibility is a complementary role to supplement government's efforts thus if we are able to streamline CSR activities, more development

progress can be made in communities.

Mr. Tijah broke up the constituent words of the FPIC and explained them. He stated that with regards to 'Free' it is necessary to find out whether or not the communities are freely brought in. He answered in the negative. 'Prior' seeks to find out whether or not they indigenes are given enough time to contemplate the offer made. He submitted that they are not. 'Informed' deals with what the quality of information is and whether or not it clearly understood by the people. He again answered in the negative. For 'consent', he noted that there are many legal frameworks that Africa is involved with that should get her to talk about FPIC more actively yet this is not the case. This is mostly due to a contradiction in the country's constitution where the land belongs to be the people traditionally yet the title of the land and the resources that lie beneath it have been entrusted into the hands of the Government.

Contributions from Participants

Participants agreed that although land is owned by the community, there are questions regarding who owns the surface land and the land beneath. Again, land should not just be looked at as a factor of production; the conversation should be extended to how the community at large can be brought on board to be a real shareholder for equity to be achieved. In giving out licenses for mining, it has always been done from top to bottom. Accountability has rarely been a part of the governance system. Sovereignty is for the people; whoever is in charge must be accountable to the people. Thus the FPIC should not just be seen as an option but rather a must.

Furthermore, CSR should not be seen as an alternative for driving development efforts, the government is primarily responsible for this. If people realize that they have the power to demand accountability, to participate etc. we can begin to progress more sustainably.

Finally, another participant lamented that "our laws give with one hand and take with the other. We have the supreme authority yet we cannot exercise it by ourselves. For starters if we cannot exercise any rights

over resources found on our lands, at which point will our consent be sought?" He called for citizens to be empowered enough to demand what is rightfully theirs.

Recommendations

- The oil and gas companies should meet with the people and find out what their needs are and try to meet them.
- The right information should be churned out for the individual to take the information and use accordingly.
- Thus the FPIC should not just be seen as an option but rather a must.
- CSR should not be seen as an alternative for driving development efforts A more structured national framework should be design for CSR.

1.9. PANEL 7:

"Are African oil frontiers learning from the governance challenges of oil producers: Experiences from Kenya, Mozambique and Uganda?"

Summary of Panel

African countries that have recently discovered oil and gas are conscious of the fact that there are governance challenges that can lead to the natural resource. These challenges relate to issues of good governance, particularly transparency and accountability. Therefore, these countries have promulgated a number of laws and policies to ensure that they are able to confront these challenges head-on and consequently get the best of their new discoveries. However, the implementation and enforcement of these laws has always been the problem. The key issue is not necessarily what have learnt from each other but how to enforce what we may have learnt.

Panel Submissions and Discussions

This session was chaired by Mr. Ishmael Adjekumhene, Executive Director, Kumasi Institute of Technology, Energy and Environment (KITE). The panelists were Mr. Charles Wanguhu, Coordinator, Kenya Civil Society Platform on Oil and Gas and Mr. Enock Nimpamya, Civil Society Coalition on Oil and Gas, Uganda.

Mr. Enock Nimpamya talked about the experience of Uganda. He indicated that Uganda discovered commercial volumes of oil and gas since 2006. He added that Uganda has a clear and elaborate regulatory framework and specific regulations on national content for the oil and gas industry. Notwithstanding these regulations, Uganda faces a number of governance challenges. These include deliberate centralization of institutions, securitization of oil and gas, poor institutional capacity, lack of transparency and accountability, harassment and intimidation of non-state actors amongst others. He concluded by saying that Uganda may have learnt from other countries in terms of copying provisions in the laws of other countries and as such may have regulatory framework and a local content policy. However, there are still a number of good governance challenges, as he mentioned earlier, that still persist today.

Mr. Charles Wanguhu started by affirming most of the remarks of the other panelist because Kenya and Uganda share similar characteristics. He stressed that it should not come as a surprise that most African countries have very similar laws and the reason is basically as a result of the wholesale copying of laws from each other. He remarked that the challenge has always been enforcement of these laws. According to Mr. Wanguhu, there are parallel processes currently taking place in most African nations – while there are ongoing processes to enact laws to ensure we get the best deals, exploration and production of oil and gas is also happening simultaneously. He added that African countries are competing too much with each other instead of learning from one another. He cited the example of Tanzania and Kenya fighting to get the opportunity to Uganda's oil to the coast. It also came up in his submission that there are no community engagements or involvement in the governance of oil and gas.

Both panelists were then asked to give their opinion on the extent to which communities should be

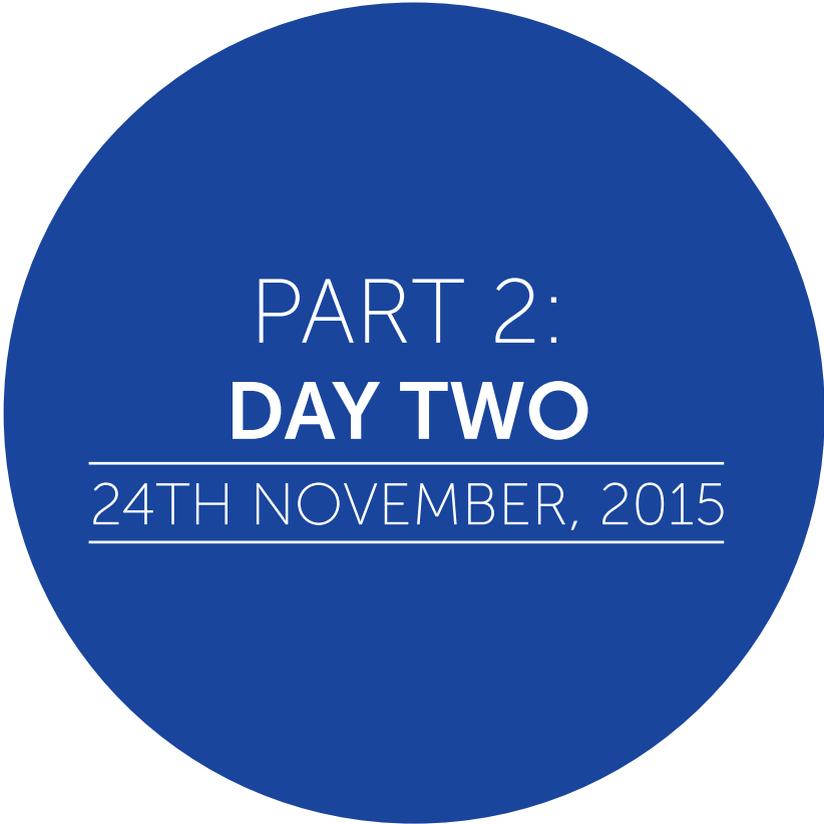
engaged. The consensus was that usually authorities seem to envision for the affected local communities rather than allow them to give their views as to what are of utmost importance to them on their scale of needs. Communities are barely engaged on the environmental effects that they are likely to suffer, neither are they consulted on the changing livelihood that may accompany the loss of their lands. Even worse, compensations are barely paid for the lands taken. NGOs are also not allowed to empower local communities to enable them ask for fair deals and compensation. Panelists were also made to respond to the question 'has the political economy allowed for good governance to be promoted in the extractive sector?'. The consensus was that the legislative frameworks are only on paper but not enforced in reality. Mr. Wanguhu cited the example of the Kenyan constitution being clear on the fact that there should be access to information, but access to information is virtually impossible in the oil and gas sector.

Contributions from Participants

A participant from Zambia wanted to know if there are no successful cases on the continent for African countries to learn from. The panelists agreed that the case of Botswana is a good example but the setting may differ from the other countries in Africa. He also asked the panelists 'what their Constitutions say in terms of who owns the natural resources?'. The panelist from Uganda said that constitutional provisions are barely respected. He further remarked that there has been a declaration to the effect that the citizens only own up to 7 meters below the ground whiles the President owns the rest of the land beyond the 7 meters. Dr. Ishmael Ackah from ACEP also asked if there are any differences in the governance of oil and gas and other natural resources. The panelists said they could not say much about the governance of other natural resources because government has never paid attention to them like they have with the oil.

Recommendations

- African countries must pay particular attention to enforcing the laws that they have promulgated to regulate the activities in the oil and gas sector
- Countries should invest oil and gas revenues in projects that last for long periods, e.g good roads.
- The implementation and enforcement of legislative laws should be encouraged.



PART 2:
DAY TWO

24TH NOVEMBER, 2015

2.1 OPENING CEREMONY FOR

Day Two

Day Two of the summit began with opening remarks by Dr. Jemima Nunoo, Chair of the Executive Boards of ACEP. She started her speech by drawing our attention to the fruitful discussion that took place yesterday. She mentioned some of the achievements and benefits from the oil production in Ghana. She said that over 160 wells have been drilled so far and an amount of \$3 billion have been generated from the oil sector. It was also indicated that the focus areas of spending of oil revenue are agricultural modernization, road and infrastructure, expenditure and amortization of loans and capacity building. Dr. Jemima Nunoo commended the enactment of the Petroleum Revenue Management Act (PRMA), which was enacted to govern the use of oil revenues in Ghana. The Act established the Public Interest Accountability Committee (PIAC) and the publication of receipts of oil revenues. The Petroleum Commission was also established to regulate the oil sector and advise government on the petroleum issues.

However, she was quick to state that there are challenges in the oil and gas sector, which includes underfunding of the Public Interest and Accountability Committee (PIAC), the discretionary powers of the Finance minister to cap stabilization fund in order to service debts, the absence of any fiscal rule on spending growth, debt targeting and development of the non-oil sector and the excessive spending on goods and services at the expense of capital investments contrary to the provisions of Act 815 amongst others. She prescribed the following recommendations:

- Develop an oil investment plan guided by medium to long term development plan framework
- There should be specific guidelines on when and how the Finance minister can use his discretion to fix benchmarking prices and managing the stabilization fund.
- The funding of PIAC should be backed by law
- Oil revenues should be spent on a maximum of two pro-poor areas for three-year period so that projects will be completed when started.

She concluded by saying Ghana must strive to make our oil and gas sector the most efficient, transparent and accountable on the continent.

Highlights from Pre Summit Discussions led and funded by

GOGIG

Prior to this summit, a number of consultations, led and funded by GOGIG, were organized in some selected regions of Ghana in the first three weeks of November. The pre-summit activities aimed to reignite public interest in the sector, with the objective of generating public pressure for greater accountability in how the sector is managed going forward, and to solicit input on how to maximize the benefits to citizens going forward. The activities were organized in collaboration with Citi FM, Joy FM, Adom FM, Institute of Economic Affairs(IEA), Institute of Chartered Accountants Ghana, Penplusbyte and Blogging Ghana and included round table discussions, radio and TV programmes, town hall citizen conversations, a youth event with tertiary students and the use of social media channels to further broadcast all the activities. The youth events were organized in four separate campuses of tertiary institutions. These are the University of Professional studies and the University of Development Studies, Takoradi Polytechnic campus and the Kwame Nkrumah University of Science and Technology. Each event had over 50 participants made up of students and academic staff. Also, a town hall was organized with participants drawn from informal groups with the Accra Metropolitan Area, Ga East and Ashaiman Municipality. In addition, a roundtable discussion was held at IEA where panelists included Dr. Kwakye, a senior economist at IEA, Mr. Kwaku Boateng, Director of Special Services of the Petroleum Commission and Mr. Ismael Edjekumhene, Executive Director of KITE.

As part of the opening ceremony, a discussion was held on the main findings and feedback from these pre-summit consultations. This discussion was moderated by Mr. David Korboe. The panelists were Evans Mensah, Dr. Ishmael Ackah, Nana Ama (COLANDEF) and Dr Steve Manteaw. Evans Mensah was involved

in engaging students and academic staff at the youth events held at the various tertiary institutions. Dr. Ishmael Ackah engaged civil society, academia and security services amongst others at the Institute of Economic Affairs (IEA) whilst Nana Ama also engaged market women, farmers, fishermen and community based organizations (CBOs) at the town hall discussion that was organized.

Mr. Mensah indicated that students have high expectations about the oil discovery in Ghana. He added that students pursuing oil related programs wanted such programs to be funded from revenues from oil and gas. In terms of the benefits of the oil revenue respondents have seen in their regions, Evans added that those in Northern parts of the country thought they have seen tangible projects (roads) from the oil revenues. However, those in Accra thought government is investing in infrastructure in the northern region for political reasons. A suggestion that came up was for infrastructure that is funded by oil revenues to be branded (like HIPC) and the amount spent must be specified.

Dr. Ackah also remarked that expectation was high amongst the people he spoke to. However, with civil society, their expectation had to do with the management of oil revenues. They want to see tangible projects funded from oil revenues. Nana Ama (COLANDEF) commented that the citizenry expect a lot from authorities, especially in relation to the provision of jobs. She also talked about the fact that there are all sort of training programs organized by stakeholders and these trainees end up with no jobs. Even worse, due to the targeted nature of the training, such trainees are unable to find jobs in other sectors. She gave a quote from a market woman 'can the revenue from the oil sector replace my tickets and tolls at the market'. Based on this quotation, she concluded that there is a lot of work to be done in terms of community expectations. She added that there is the impression that development should erupt all around the country because we have discovered oil.

On the part civil society organizations (CSOs), Dr. Steve Manteaw said some members of PIAC felt it was difficult to demand accountability because they were under-resourced. There is also a failure on the part of PIAC to provide the platform on spending options despite it being a part of their mandate.

Another concern that was raised was that most documents regarding the oil issues are too technical and difficult for many Ghanaians to understand. Hence he called for these documents to be translated in forms that are easily accessible to the average citizen.

From this discussion the following recommendations came up:

- Tangible and verifiable projects should be undertaken. Infrastructure projects funded from oil revenues should be clearly branded.
- There must be transparency and accountability in the spending of oil revenue
- There must be equality in the distribution of oil revenues.
- Community engagement and consultation may be expensive but it achieves results. It is important that communities are engaged to manage their expectations and win their support
- Communities should take advantage of the mitigation fund in the PRMA
- These documents to be translated in forms that are easily accessible to the average citizen.

2.2. PANEL 8:

“Ghana’s agenda for oil and Gas Development: Addressing policy, commercial and community concerns”

Summary of Panel

The session was chaired by Nana Nketia I, Traditional Ruler, Omanhene of Esikado Traditional Area. The panelists were Nana Ama, Lawrence Apaalse, Director of Petroleum at the Ministry of Petroleum and Awulai Anor Agyei, Traditional Chief, Paramount Chief of Benyin Traditional Area.

The Conference (panelists and participants) unanimously agreed that critical challenges remained with respect to civic engagement and participation in oil resource allocation and decision making. It is important

for the views of the people on how their resources are extracted and used to be taken into serious consideration every step of the way. It was also noted that in spite of the existence of CSR activities, the direct needs of the people were not being met. Specific recommendations were made for a Social Impact Fund to be set up for the 6 districts along the coastal areas where oil drilling chiefly takes place. In addition, it was recommended that a framework be drawn up to serve as guide for the execution of CSR activities in catchment areas. Again, it was suggested that an Independent Committee be set up to look into/review all the Agreements reached by Parliament to date. Where lapses are found, members of the general public, possibly led by chiefs can take to the streets to protest against those Agreements which impact our lives negatively and threaten our very existence as Ghanaians.

Panel Submissions and Discussions

The Chair lamented that after 58 years of independence, we still had to rely heavily on foreign aid to run our economy. In spite of all the resources we have available, our development is lacking. For him, we had the right to have high expectations from our oil sector since it has been able to propel development in some countries. He encouraged the audience to demand for accountability from the government by asking the ‘whys, whats and hows’. He queried why PIAC had not been adequately funded since its set up and sought to know if it was deliberate. For him, since we want to make a creative change, we should avoid exaggerating our achievements and address the key issues which remain. He decried the absence of emotional integration between the people and the government and advised that we do away with partisanship when it comes to oil-related matters. Our state institutions should be independent and not have any party colorings.

Mr. Apaalse hinted that by 2017 it is estimated that about \$240,000 - 250,000 will be realized per day when all the companies pending approval start extracting oil from Ghana’s fields. Measures which are in place to replace reserves include intensifying work in virgin areas. A number of policies are also being considered and implemented. These include the Petroleum Policy, Local content and Local Participation which has been passed. According to the Director, as far as gas is concerned a long term plan is being drawn up to direct our actions in the realm of governance. There is also the LPG promotion policy aimed at having more than

50% of Ghanaians switch to LPG use. The Director of Petroleum hinted that the policy on Health Safety and Environment should be ready latest by 2016. The GNPC and other stakeholders have met to discuss the Voltarian Basin and have engaged in sensitizing people to the impact of using explosives in that area and the effect on the fauna in the area. The Savannah Accelerated Development Authority (SADA) has also been contacted to help.

Awulai began his submission by highlighting jobs that had been lost due to oil production such as those in the Atuabo area who depended on cultivating and selling coconuts. Many others have lost their farmlands to the laying of pipelines. He admonished the government for their failure to rise up to their responsibilities to the local people. Government should be wary of the fact that the local people could actually carry out their threats in reaction to all the challenges they are being faced with. Again he identified that it appears the country was not striving to add value to our oil before exporting it. Many countries engage in value-adding and even obtain by-products from oil production. He accused the nation of sitting back and allowing other countries to tap into our oil without beginning to think of how we can improve our oil for export. For him, this would be another avenue for job creation for the local people. He concluded by recommending the set up of an African Monitoring System under the AU to monitor all oil-producing African countries similar to the African Peer Review Mechanism and not wait till it gets too late to salvage the situation.

Nana Ama agreed with the earlier submissions and went on to warn that all our neglect of civic engagement will eventually catch up with us. She advised the nation to be as devoted to local and district level issues as they were to the national level issues. For her, results at the district and community levels are equally critical as they affect the very lives of the people. She asked for actors to help empower communities and districts to collate and analyze data to complement efforts at the national level. She added that although CSR has supported communities to a great extent, there still remained a mismatch between the real needs of the people and CSR activities. We cannot leave the mandate of community development to oil companies. Hence it is important to strengthen the capacity of local government advocates in issues related to oil and gas to enable them negotiate better deals on behalf of the communities.

Contributions from Participants

Hon. Adam Mutawakilu began by asking the audience that if an oil discovery was made, what exactly should be communicated to the people; the total number of barrels found and the share that actually owned by the nation? He suggested that we tell the people the truth. Awulai advised that the whole state of the matter be laid on the table, full transparency must be practiced. The information presented to the people is what will inform their expectations.

Another participant enquired whether the natural habitats- coral reefs, mangroves were considered when given out concessions? These are sensitive habitats which have to be protected. The Director of Petroleum submitted that careful surveys are conducted before, during and after oil explorations are made. The Chair interjected that at a point in time, Tullow Oil had to fund the Environmental Protection Agency (EPA) to go around carrying out these surveys. Allowing oil companies to fund such surveys could compromise the findings and the effectiveness of the EPA

Mr. Nii Armah Amarfio, a fisherman, queried the panel as to what was really meant by Corporate Social Responsibility. For him currently, CSR looked like a publicity tool for companies. How do we get companies to undertake effective CSR? Nana Ama responded to the question by stating that all what has been classified as CSR does not follow any standard guidelines and this must be interrogated.

Dr. Amin Adam of ACEP noted that there remained a high level of secrecy when it came to the signing of oil contracts. He gave examples of situations where Ghana had signed rushed contracts with companies who lacked both the capacity and the financial ability. He cautioned that we should take into deeper consideration the technical capacities of the companies we sign contracts with.

A participant from Uganda recommended that Africans stop asking for CSR but instead demand for Corporate Social Investment. Another participant suggested that we concentrate on technical capacities by training graduates in more technical fields such as vibration analysts, pump and turbine experts to eventually

man our own rigs.

The Chair ended the session by suggesting that an Independent Committee be set up to review all the previous Oil Agreements reached by Parliament to date. Where lapses are found, members of the general public, possibly led by chiefs can take to the streets to protest against those Agreements which impact our lives negatively and threaten our very existence as Ghanaians. He further encouraged that we should strive not to make this Summit another talk shop and called for the implementation of the outcomes of this summit.

Recommendations

- A need for actors to help empower communities and districts to collate and analyze data to complement efforts at the national level.
- The set up of an African Monitoring System under the AU to monitor all oil-producing African countries
- The set up of an Independent Committee to review all previous oil Agreements reached by Parliament.
- A framework be drawn up to serve as guide for the execution of CSR activities in catchment areas.

2.3. PANEL 9:

“Governance Issues in the Petroleum (Exploration and Production) Bill, 2015: Does the Bill adequately address governance challenges in the Oil and Gas sector?”

Summary of Panel

This session was chaired by Mr. Ian Gary, Associate Policy Director, Fueling Development, Oxfam America. The panelists were Mr. Kweku Boateng, Ghana Petroleum Commission, Mr. Benjamin Boakye, Deputy Executive Director, ACEP and Hon. Owurako Aidoo, Member of Parliamentary Committee of Mines and Energy.

It was acknowledged that the current Petroleum (Exploration and Production) Bill, 2015 (E and P Bill) was a huge improvement over the PNDC Law 84 due to its key provisions such as the publication of the decision to open or close an area, open and competitive public tender and mandatory contract disclosure. However, there still remained some challenges in the Bill such as the discretionary powers of the Minister to quash or override the outcome of an open and competitive bidding process. It was also recommended the circumstances under which the discretionary powers of the minister may be exercised must be specified. It was also recommended that Parliament quicken the passage of the Bill into a Law.

Panel Submissions and Discussions

It has been acknowledged that the PNDC Law 84 is unable to address the realities that Ghana confronts within the oil and gas sector. Consequently, there was a national consensus that a new law be passed to replace the PNDC Law 84 and hence the emergence of the current Petroleum (Exploration and Production) Bill, 2015 (E and P Bill). After six years, the Bill was however yet to be passed.

Hon. Owurako confirmed that the Bill has been brought before Parliament for comments and approval. Parliament has looked at the Bill, made some amendments and sent it back to the Executive to effect the proposed changes. He added that Parliament is currently awaiting the return of the Bill to the floor for further deliberations and subsequently passage. It was indicated that the new Bill is a major improvement on the PNDC Law 84, especially due to its key provisions such as the publication of the decision to open or close an area, open and competitive public tender and mandatory contract disclosure. These provisions are believed to be the major pillars of good governance in petroleum production.

However, it came to the fore that there are still some challenges, which includes the discretionary powers of the Minister to quash or override the outcome of an open and competitive bidding process. The panelists agreed that such power is open to abuse by the Minister. However, the audience was provided some justification for this discretionary power under the Bill. These include circumstances where the Minister believes approving such contract would pose some security threats and where granting a block to

established oil company would be more beneficial than a new company that is yet to set-up.

Another challenge was the lack of access to beneficial ownership information. That is, there is no information on the actual owners of the companies that are awarded blocks. Hence it was easy for persons within the government to hide behind these companies to award themselves oil contracts. There was therefore a call for the Registrar General and Petroleum Commission to record the names of the actual owners of these companies and to make this information readily and easily available. It was also indicated that the Bill does not give enough room for community engagement in the petroleum production. In order to make communities realize the benefits, it was recommended that, on a yearly basis, every constituency should be provided with a project that will be recommended by the Chiefs, opinion leaders and the people.

Recommendations

- Parliament should quicken the passage of the Bill into a Law.
- The focus should be more on the implementation of these laws rather than simply passing them.
- The circumstances under which the discretionary powers of the minister may be exercised must be specified.

2.4. Panel 10:

“Evaluating Ghana’s Oil Revenue Management; Challenges and prospects for transforming the economy”

The tenth and final session was chaired by Newman Kwadwo Kusi, Executive Director at the Institute of Fiscal Studies, Ghana with panelists in the persons of Dr. Kwadwo Asenso, Mr. Kwame Jantuah, Vice Chair of PIAC and Prof. Gyan Baffour, member of the Finance Committee in Parliament. Some of the issues which

came up for discussion include: how Ghana's oil revenue has been used to develop and transform Ghana's economy; the prospects and challenges. The session sought to find out whether Government's capital spending has increased and what the plan is for using oil revenue. Again, it sought to know how the use of oil revenue will engender growth and development in Ghana.

Panel Submissions and Discussions

Discussions from the panelist centered around three main issues as highlighted below,

- Underfunding and underutilization of PIAC

Panelists acknowledged that PIAC has been underfunded since its set up. This has limited the committee to undertake some of its mandate such as being able to physically visit communities to engage citizens on issues of decision-making around the oil sector. PIAC has had to depend on donor aids. Prof Gyan indicated that although it has been said that the Finance Ministry is deliberately starving PIAC, the reality is that budget allocation were slashed across sector and hence affected all areas.

On the other hand, the panelists lamented that the citizenry has failed to use the information gathered so far by PIAC to query government. They encouraged citizens to access these reports to be empowered enough to interrogate the actions of government in the area of oil and gas governance.

- The thin distribution of oil revenue expenditure

Panelists observed that oil revenues have been thinly distributed over many projects and hence limited its impact. 25% of oil revenues go to GNPC, 21% into the Heritage Fund and the little that is left is spread thinly over so many sectors. This reduces its impact. Some suggestions made as regards the use of the oil revenue include the fact that the four priority areas should be reduced to two. Also, the proportion of oil revenue (70%) which goes into the Consolidated Funds should be reduced to 40%. Further, project should be selected strategically with the involvement of citizens and should be focused on what the citizens want. By doing this it is hoped that Ghanaians will be able to identify what the petroleum revenue is used for.

- Achieving transformation

This centered on whether we have been effective in utilizing our oil revenue in achieving transformational change. It was noted that we first needed to clearly define what transformational change we wanted as a nation. Research shows that countries that have boosted their agricultural sector have moved on to advance in their industrial sector. Hence the panelist encouraged that we seek to prioritize the development of our agriculture industry. However they added that we would only achieve transformational change in agriculture by adding value to our produce for export. The solution is to move away from production of raw materials to adding value. Hence in order for the oil sector to effectively contribute to transforming our economy, it should be invested towards this agenda. Another recommendation on how oil revenues could help achieve transformation is to invest in upgrading our local tertiary education centers to train our students locally instead of financing scholarships abroad.

The panelist however cautioned that economic transformation requires a change in every sector we should therefore not bank our hopes on the possibility of using just petroleum revenue to transform the economy. The oil revenue alone cannot be used to solve all the problems of the economy; it should be used to support other sectors to serve as a backup when the oil dries up.

Recommendations

- For oil revenue to effectively contribute to transforming our economy, it should be invested towards supporting industries that added value to our raw materials
- The four priority areas for investing oil revenues should be reduced to two. The specific projects funded under the selected areas should be selected strategically with the involvement of citizens.

2.5. Closing Ceremony

The closing ceremony included closing Remarks by Dr. Amin Adam and a presentation of a communiqué by Mr. David Korboe.

In his closing remarks, Dr. Adam observed that there is a lot of research that suggests that payment of taxes by citizens fosters accountability and transparency. This is however not the same with oil and other resources as these are said to be owned by government. It therefore does not foster accountability. In Ghana however, the research is proved wrong as Ghanaians do demand accountability about how the oil is used. The resource belongs to the people and not the powerful people. Ghana's oil discovery is a blessing because the discovery of oil and the management has created the necessity for accountability because we believe that oil is our last hope and until oil is managed well, we cannot manage our other resources. This Summit could therefore not have come at a better time. He recounted all the various topics which were discussed over the past two days.

He went on to thank the resource persons for sharing their knowledge and experiences; the moderators who steered the affairs; the foreign participants; the State Agencies: Ministry of Finance, Ministry of Petroleum, and Petroleum Commission etc. for their support; the Members of Parliament for their active participation; the partner and donors GOGIG, GIZ, IBIS and Oxfam and finally his staff. He thanked all the participants for their effective participations, contributions and presence and apologized for all the gaps and mistakes and promised to improve upon the services. He ended by expressing his wish to see everybody at the next edition of the Summit.

The summit was brought to an end by the unanimous adoption of the conference communiqué read by Mr. David Korboe.



APPENDIX ONE

COMMUNIQUÉ FROM THE First Africa Oil and Gas Summit

Accra witnessed the maiden Africa oil Governance Summit on the 23rd and 24th of November. The Summit sought to highlight the governance challenges faced by oil producing countries in Africa and to drive consensus to manage the challenges. Ultimately the Summit aimed at ensuring that the production of oil and gas is linked to the development of producer countries through transparent, accountable and efficient management of the industry's value chain.

The Summit with the theme: **"Africa rising as oil curse beckons for most countries – Is good governance the missing link between oil wealth and development?"** brought together participants from Governments, industry, Civil Society and the Media across Africa and beyond to discuss Contract governance, Institutional development, revenue Management, and Community rights.

At the end two-day Discussions, key recommendations were distilled, consolidated and adopted by participants to guide African states and all stakeholder for the proper governance of oil resources on the continent. The Recommendations are:

Recommendations to African governments:

1. African governments should **optimize the benefits** from oil and gas exploration through a combination of fiscal and non-fiscal reforms, specifically by:
 - I. Stopping unnecessary tax concessions
 - II. Applying optimal fiscal terms that match specific conditions pertaining to different blocks
 - III. Maximize local content initiatives.

2. Revenue management

African governments should develop comprehensive resource revenue management frameworks, extensive disclosure requirements and productive investment choices based on long-term national development and public investment plans developed through broad consultation

3. Contracts

African governments should build a transparent regime for licensing of oil concessions. In particular, governments should adopt open and competitive bidding processes, mandatory disclosure of contracts, disclosure of beneficial ownership information and provision of anti-corruption clauses that penalize companies and public officials involved in corruptly facilitating the acquisition of licenses.

4. International transparency initiatives

African governments whose countries who have not yet signed onto the EITI are encouraged to do so as a way of enhancing transparency and accountability mechanisms in their countries

5. Regional cooperation

- I. African governments should develop a regional protocol linked to the African Mining Vision, for addressing common tax issues, cross-border resource management, conflict and regional infrastructure issues
- II. African governments should lead and demand an international response to combating illicit

financial outflows which are perpetrated through transfer pricing, tax avoidance, thin capitalization and other such practices. As recommended by the African Mining Vision, the Africa Union should intensify steps to cooperate more effectively with OECD and other international bodies to design and implement appropriate guidelines for addressing such illicit financial flows

6. Institutional capacity development

- I. Africa governments must demonstrate commitment to building independent and well-resourced institutions for efficient tax administration, contract negotiation and execution, mitigation of adverse environmental impacts and effective parliamentary oversight.
- II. We also encourage cooperation among institutions particularly between resource and tax administrations

7. Community participation

Africa governments must ensure the protection of community rights and interests by adopting or introducing appropriate policies such as Free Prior and Informed Consent (FPIC), simplifying reports for public hearing to facilitate effective community participation and provide appropriate channels for communities to seek redress.

8. Recommendation to oil companies:

Oil companies should negotiate and implement Community Based Agreements (CBAs) in consultation with communities to support community development, protect their rights and ensure environmental sustainability.

9. Recommendations to civil society:

Increase dialogue between government and Civil Society and non-state actors to build consensus on the key issues affecting oil and gas development. Civil Society should also take proactive steps to increase their technical capacities on the sector as well as advocacy skills to engage more effectively with other stakeholders.

10. On moving the conclusions of the summit forward:

Each participating country should take urgent steps to domesticate these recommendations by developing clear and jointly-owned advocacy action plans in order to sustain the momentum generated by the summit (incl. the pre-summit consultations) and to ensure that the summit recommendations are pursued not only vigorously but also in a systematic way.

ACEP would like to thank its Partner who supported the Summit; Ghana oil and Gas for Inclusive Growth (GOGIG), the UK Aid, GIZ, Oxfam and IBIS, for their extraordinary partnership, which delivered the biggest oil governance Summit ever held on the continent. ACEP also wants to thank the Ministry of Petroleum, Particularly the Minister for the support and participation. The Petroleum Commission of Ghana deserves huge appreciation for availing all their top-level management for such an important discussion about the future of Africa's oil resources. We are also thankful to all our resource persons, the media and our staff who worked tirelessly to ensure we had a successful Summit.

ACEP will monitor the progress made on the recommendation through the Africa Oil Governance Report, which will be issued every year.

We look forward to Next year's Summit with great optimism that together we will find the solutions to the governance challenges in Africa's Oil sector to accelerate development. It is a collective duty on all to ensure that we monitor the governance space for efficient transparent and accountable management of the entire value chain of the Oil industry.

Thank you

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