

4TH AFRICA OIL GOVERNANCE SUMMIT

2018

13TH-14TH NOVEMBER

LABADI BEACH HOTEL CONFERENCE HALL



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

COMMUNIQUE FROM THE 4TH AFRICA OIL GOVERNANCE SUMMIT, 2018



KEY TAKE AWAYS FROM ACEP'S 4TH AFRICA OIL GOVERNANCE SUMMIT ON THE THEME "HARNESSING THE POTENTIAL OF LOCAL CONTENT FOR ECONOMIC GROWTH AND INCLUSIVE DEVELOPMENT" FROM 13TH TO 14TH NOVEMBER, 2018 AT THE LABADI BEACH HOTEL, ACCRA – GHANA.

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

The challenges of local content achievements were widely discussed. These are summarized to include low capacity

levels of local human resources and businesses; under-representation of women and persons with disability in accessing local content opportunities; ownership syndrome/culture of business where businesses want to go solo instead of building partnerships to create economies of scale; limited access to finance; difficulty in integrating the oil and gas industry, through local content, into the rest of Africa's productive economies; overambitious targets of local content requirements; and poor coordination among countries to achieve industrialisation and regional integration.

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

The role of Government

African governments must establish a balance between local content targets, the industry's survival, and growth of linked economic sectors through creative government interventions such as

- Proactive and continuous investment in human resource development, including building the competencies of women and Persons with Disability (PWD) in Science, Technology, Engineering, and Mathematics (STEM) education.
- Provision of key infrastructure to drive localization

- Consciously restraining from interference with powers and decisions of regulatory bodies.
- Governments must spend time and money to train the supervisors of the local content requirements to ensure compliance.
- Coordinating, harmonizing, and aligning local content efforts and policies across all sectors, including the oil and gas sector, to ensure that they are not counterproductive to each other.
- Building long-term industrialization strategies that outlive political cycles
- Understanding each state's comparative advantage and harmonizing local content policies at the sub-regional and regional levels to achieve shared benefits, and

- Commitment to domesticate sub-regional and regional commitments on local content based on comparative advantage of countries. Countries must be committed to internalizing regional frameworks into their policies.
- Having strong leadership to audit technological demands of IOCs to ensure that locals are not short-changed. This requires that African governments invest in and train locals in technologies that meet international standards to effectively compete.
- Promoting transparency in terms of publishing of contracts with companies and their local content plans. Knowledge of existing opportunities helps people to aspire for higher education and skills development to take up local content opportunities.

- Making local content relevant for the rest of their economies and ensuring that livelihoods destroyed by oil and gas operations are sustainably replaced through local content policies.
- Strategizing local content requirement with trade policies in mind

The role of regulatory bodies

- Regulators must be effective in monitoring of local content requirements. This requires that they are effective, competent, and independent to properly evaluate local content implementation.
- Regulatory bodies must coordinate effectively with other state institutions to jointly undertake timely cost audits.
- The approach to local content by regulatory bodies must be non-partisan to ensure continuity of

implementation.

Role of Business community

International oil and gas companies

- Local content is not a barrier to investment from the perspective of oil and gas companies. It is seen as a social license to operate because it neutralizes possible adverse impacts of oil and gas operations on host country, particularly on domestic traditional livelihoods.
- IOCs must therefore be deliberate about local content by factoring it in their business strategies.
- IOCs should be more transparent in their contracting processes to enable local companies to adequately prepare and take up opportunities.

Local businesses

- Local companies operating in the sector must pool resources through partnerships and joint ventures to capture greater value.
- Local companies must be proactive in seeking information to take advantage of existing opportunities
- Local companies must consciously invest in the development of their competences to meet international standards and certifications. This is an important pathway to taking up opportunities local content presents.

Role of civil society

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

- cost evaluation in subcontracting to ensure that cost inflation by companies is detected and stalled;
- contract award processes to ensure that contracts are not awarded to businesses associated with politically exposed persons.
- Managing the difficult governance and political leadership surrounding local content policies.
- Bringing the understanding of local content close to citizenry through effective engagements. E.g breaking down the language. This improve citizenry demand for accountability on local content delivery from both companies and governments.

Strengthening CSOs to play monitoring role:

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

Participation of Women and Persons with disability

- Government must ensure that women are involved in the oil and gas sector
- Women must be involved in every contract and sub-contract signed along the extractive value chain
- Opportunities in the oil and gas sector must be made public for persons living with disabilities to take advantage of such opportunities.

Conclusion

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

- Building capacities of humans and businesses.

- Being mindful about the abilities of women and Persons with Disability by creating local content opportunities for them.
- Limiting political interferences in local content implementation and building strong and independent regulators.
- Having flexibly stable long-term industrialization plan that stretches benefits of local content beyond the oil and gas industry.
- Understanding each state's comparative advantage to harmonize local content policies at the sub-regional and regional levels for shared benefits.
- Taking petroleum cost auditing seriously by building capacities of state auditors, becoming more transparent and accountable, and ensuring strong institutional collaboration
- being innovative about local content financing.

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