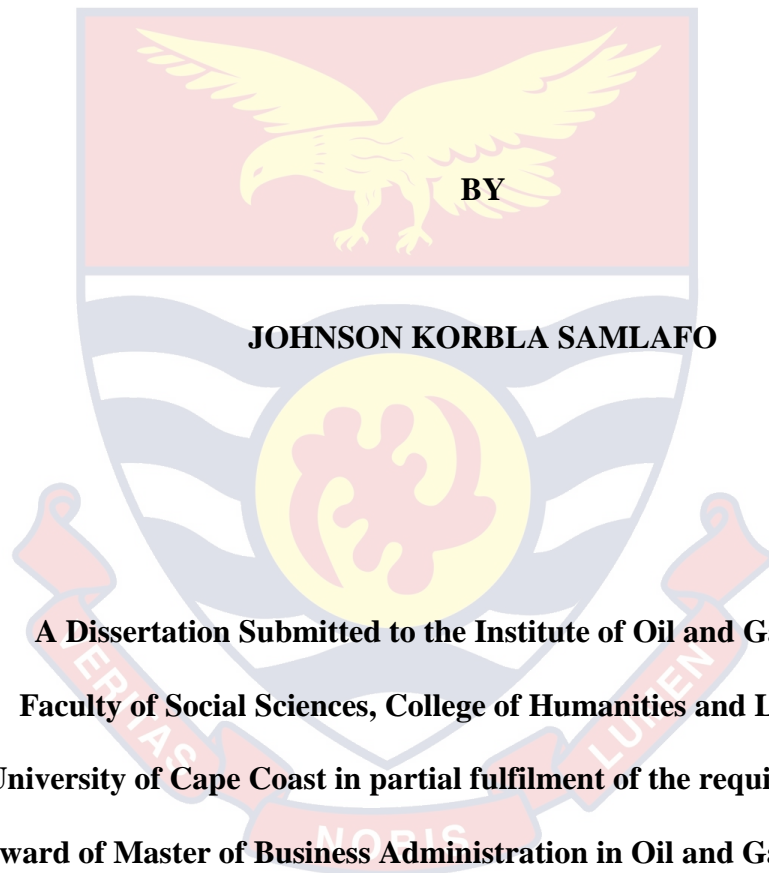


UNIVERSITY OF CAPE COAST

CONTENT ANALYSIS OF THE LOCAL CONTENT POLICY IN OIL  
AND GAS SECTOR: A COMPARISON BETWEEN GHANA AND  
NIGERIA



A Dissertation Submitted to the Institute of Oil and Gas Studies of  
Faculty of Social Sciences, College of Humanities and Legal Studies,  
University of Cape Coast in partial fulfilment of the requirements for the  
award of Master of Business Administration in Oil and Gas Management

JANUARY 2019

## DECLARATION

### Candidate's Declaration

I hereby declare that this project work is the result of my own original research and that no part of it has been presented for another degree in this University or elsewhere.

Candidates Signature..... Date.....

Name: Johnson Korbla Samlafo

### Supervisors' Declaration

We hereby declare that the preparation and presentation of the project work were supervised in accordance with the guidelines on supervision of project work laid down by the University of Cape Coast.

Signature: ..... Date: .....

Name of Principal Supervisor's: Mr. Seyram Kawor

## ABSTRACT

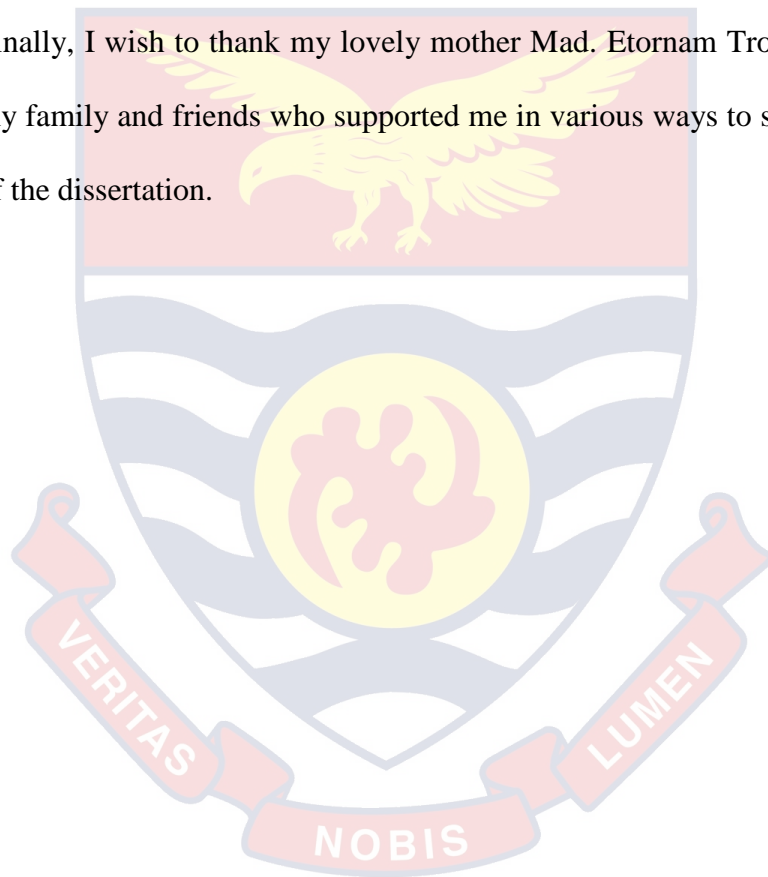
The discovery of oil and gas in many parts of the world has become a curse to the nations than a blessing. There have been several efforts by many nations to ensure that, this trend is reversed to bring joy to the oil producing countries. The objective of the study was to analyse the local content policy of Ghana and to find out how it has been implemented since its inception. The research question was what is the extent of local inclusion in the production and marketing of the oil and gas in Ghana? and what is the achievement of oil and gas local content policy in Ghana The study would be significant in helping to know the extent to which Ghanaians participate in the oil and gas industry which would help in future research to know the number of people and the contribution of the locals in production and marketing the crude oil from Ghana. The research was carried out in the upstream sector of the oil and gas industry in Ghana. Most of the data was collected form Journals, articles, books and paper on similar work on the subject. These included internet sources and other relevant sources. The research revealed that local recruitment in Ghana over the years have been good, and may be exceeded in the near future by the overall numbers.it also revealed that local content policy of Ghana has certain systems put in place to enable it implement the local content policy as it is done in Nigeria. The research concluded that there is limited data on the operations and achievement of the Local Content Policy. It was recommended that there should be a data collection agency to collect and analyse data relating to the petroleum activities in Ghana, so that these data can be compared with the objectives of the Local Content Policy to find out if there is progress being made or not in terms of the achievements of the Local Content Policy.

## ACKNOWLEDGEMENT

I would like to express my sincere gratitude to my supervisor Mr. Seyram Kawor, and the Dean of School of Business, University of Cape Coast Prof. John Gartchie Gatsi whose contribution helped me through the programme successfully.

I will also like to thank Honourable Bernard Ahiafor, Member of Parliament for Akatsi South for his financial support through my studies.

Finally, I wish to thank my lovely mother Mad. Etonam Trokor Samlafo and my family and friends who supported me in various ways to see to the success of the dissertation.



## DEDICATION

I dedicate this work to almighty God for his blessings and favor. Again, I do dedicate this work to my lovely wife and son Mrs. Vida Tetteh Samlafo and Sedinam Samlafo respectively.



## TABLE OF CONTENTS

DECLARATION	ii
ABSTRACT	iii
ACKNOWLEDGEMENT	iv
DEDICATION	v
LIST OF TABLES	ix
LIST OF FIGURES	x
LIST OF ACRONYMS	xi
CHAPTER ONE	1
Introduction	1
Background to the study	1
Statement of the Problem	6
Research Objectives	9
General Objectives	9
Specific Objectives	9
Research Questions	9
Limitations of the Study	10
Delimitations of the Study	10
Definition of Terms	11
Organisation of the study	11
CHAPTER TWO	13
LITERATURE REVIEW	13
Introduction	13
Meaning of Local Content	13
Implementation of Local Content	14

Challenges of Local Content Implementations	15
Localism	16
Subnational Economic Development Theory	17
Arguments for Local Content Policy	17
Arguments against Local Content Policy	18
Local Content Legislation Documents	19
Local Content Legislations in Ghana	19
Local Content Legislations in Nigeria	20
Empirical Literature Review	20
Criticisms of the Local Content Policy in Nigeria	22
Criticisms of the Local Content Policy in Ghana	23
Conceptual Review	23
<b>RESEARCH METHODS</b>	25
Introduction	25
Research Design	25
Population	27
Sample and Sample Procedure	27
Data Collection Instruments	28
Desk research	29
Interview	29
Data Analysis	30
<b>CHAPTER FOUR</b>	32
<b>RESULTS AND DISCUSSION</b>	32
Introduction	32
Local Participation in Oil and Gas	32

Achievement of the Oil and Gas LCP	33
Local Content Expectation of Ghana	35
Local Content Report of Ghana	36
Local Content Expectations in Nigeria	38
Local Sourcing in Ghana	39
Local Sourcing in Nigeria	40
Nigeria's local sourcing report	41
Local Training requirement in Ghana	42
Local Training Requirement in Nigeria	42
Technology transfer in Ghana	43
Capacity Development in Ghana	44
Chapter Summary	45
CHAPTER FIVE	48
SUMMARY, CONCLUSIONS AND RECCOMENDATIONS	48
Introduction	48
Summary of Major Findings	48
Conclusions	50
Recommendations	50
REFERENCES	52
APPENDIX A	57



## LIST OF TABLES

Table		Page
4. 1:	Local employment requirements in Ghana	36
4. 2:	Comparison of Local content policy of Ghana to Nigeria	46



## LIST OF FIGURES

Figure		Page
2. 1:	A Conceptual Framework of the Study	24
4. 1:	Employment figures of 41 registered foreign companies	37
4. 2:	Percentage of local employment into the upstream sector of the oil and gas industry	38



## LIST OF ACRONYMS

ACET-	African Center for Economic Transformation
ARTP-	Annual Recruitment and Training Programme
GATS-	General Agreement on Trade in Services
GATT-	Agreement on Tariffs and Trade
GNPC-	Ghana National Petroleum Corporation
GPA-	Government Procurement
IOC-	International Oil companies
LCC-	Local Content Committee
LCP-	Local Content Policy
MOSOP-	Movement for the Survival of the Ogoni People
NNPC-	Nigerian National Petroleum Corporation
NPC-	National Petroleum Commission
NOC-	National Oil Companies
PIAC-	Public Interest and Accountability Committee
SEM-	Structural Equation Modeling
TRIM-	Trade-Related Investment Measures
WTO-	World Trade Organisation

## CHAPTER ONE

### Introduction

Energy is key for development and Oil and Gas (fossil fuel or hydrocarbon) remains the world's leading source of energy supply and consumption. As a major source for energy, oil and Gas has become a vehicle to drive and boost the economies of the world.

Few international Oil and Gas Companies from the mid-19th Century dominated the production of Petroleum but from the 20th Century governments have shown their interest through their National Oil Companies to obtain maximum benefits, increase their participation, authority and share of profit in the industry to benefit their citizens. However, one of the various measures governments across the world deploy is the Local Content Policies (LCP) approach to achieve their set objective. Some of such objectives include leveraging on the discovery of the Petroleum resource to protect and foster the development of local business to become competitive, transfer technologies and technical knowledge to its people, and through legislations ask the International Oil Companies (IOCs) to procure items locally.

What is more intriguing is that while some Oil producing countries through their LCP have turned their fortunes around others have not been able to implement their LCP successfully, hence, the discovery of the petroleum resource has become a curse than a blessing.

### Background to the study

Sarpong (2015) revealed that as of 2013; 6,929 personnel employed in Petroleum upstream sector; 5,589 Ghanaians (80%); 1,340 expatriates (20%); Ghanaians occupy 40% Managerial and 52% core technical positions; 232

companies registered with Petroleum Commission, of which 152 Ghanaian (65%).

He identified that the citizenry are also constrained financially in the quest to participate in the industry. As noted, there is a minimum 5% requirement for Ghanaian equity participation in petroleum ventures as well as 10% interest in joint ventures providing for goods and services. Few Ghanaians have the financial means to engage in these. He therefore suggested that, rather than the prescribed 5% or 10% equity requirement, LI 2204 could be amended for the investor firms to float shares on the stock exchange to allow for maximum participation by the general public. In that regard, care should be taken to ensure that a limit is placed on how much shares can be acquired by an individual or entity. The current equity requirement is a recipe for corruption and/or fronting by Ghanaians. Even though LI 2204 criminalizes such conduct, in practice such offences are difficult to detect.

According to data collected by the Ghanaian authorities suggest the local employment levels in 2014 were 80% in the upstream sector (5,589 people of a total of 6929 hires) and 64% in the operators' staff (2315 people of a total of 3616 hires). These came mainly from lower-skilled positions though, where locals vastly outnumbered foreigners. For technical and management positions the employment was distributed more or less 50-50 (Amoako-Tuffour, Aubynn, & Atta-Quayson, 2015). This information suggests outcome is in-line with initial policy requirements.

In terms of local sourcing of goods and services, a report suggests in 2015 the amount of contracts awarded to Ghanaian companies accounted to roughly 60% to 75% of the total. However, since they were mostly low-value, they

represented a mere 5% of the total price of all contracts (Ovadia, 2016). This value falls short on the overall 10% initial requirement (Brand, 2017).

Adedeji, Sidique, Rahman, & Law, (2016) found that LCP has a positive significant indirect effect on job creation through indigenous oil firms' participation and backward linkages. However, the results show that local value addition created as a consequence of LC policy is less than average. This suggests that the targets for content development in the Nigerian oil and gas industry have not been met.

According to Hamilton (2011), the youth of Niger Delta State in Nigeria felt they were not getting much from the oil resource as compared to other parts of Nigeria. They lamented the poor state of roads, poor communication, education, and health facilities as well as lack of potable water and even arable land. The youths of the Niger Delta felt that they had suffered a lot of deprivation over the years. These concerns led to the formation of the Movement for the Survival of the Ogoni People (MOSOP). Hamilton, (2011) revealed that the group listed their grievances and demanded political autonomy to participate in the affairs of the Nigerian State as a distinct and separate unit, including the right to the control and use of a fair proportion of Ogoni economic resources for Ogoni development. This led to youth demonstrations as an opposition to both government and oil companies. It resulted in a military crackdown in Ogoni and led to the arrest and detention of MOSOP leaders. Then some prominent political figures lost their lives as a result of murder by a mob youth. Sixteen (16) members of the MOSOP leadership were put on trial and nine (9), were eventually convicted and sentenced to death. Hamilton (2011) said this aggravated the anger of the youth and led to a mammoth protest at Shell's

facility at Umuechem, east of Port Harcourt, Rivers state. This incident led to the police killing some eighty (80) unarmed demonstrators and destroying or badly damaging 495 houses. Additional eight (8) youths were shot in Bayelsa state for attempting to close down an Agip flow station in Brass. These and many other similar incidents led to a discussion about the local inclusion of the youth in managing the oil resource and resource allocation to create jobs and also bring about development to the people of Niger Delta.

Ghana's case has not been different as in terms of the motives for establishing LCP.

Ghana's oil and gas industry is very young, even though some exploration activities were carried out dated from the 19<sup>th</sup> century. According to the "Ghana Geological Survey Bulletin No. 40" as cited by the petroleum commission website, exploration for oil and gas in Ghana started in 1896 in onshore Tano basin (Western Region). There were further activities to discover oil in commercial quantities until the year 2007 when it was discovered in the Cape Three Points in the western Region. This was discovered by a joint team of Kosmos Energy, Tullow Plc and Anadarco Oil Companies (Petroleum Commission Ghana, 2015).

Having discovered oil in commercial quantities, there came the need for Ghanaians to be included in the production and marketing of the oil. These called for the preparation of the LCP document to give a legal credence to the locals to have a local participation in the production and marketing of the oil and gas in Ghana.



Following the need for the local content inclusion, series of National Oil and Gas forums were held to discuss the way forward to ensure that the discovery of Oil and Gas in Ghana has become a blessing to Ghanaians instead of a curse (Asamoah, Making the Oil and Gas Find in Ghana a Blessing, 2013). A good local content strategy is not a quick fix or a route to achieving short-term benefits. It requires planning, coordination, resources and perseverance to obtain improvements, often realized in the long term. It is essential to communicate within the company the range of business benefits that can be gained through a local content programme in order to justify the time and effort involved. This communication can include a wide range of internal stakeholders across different business functions such as human resources, procurement, public and government affairs, etc. Additionally, an effective local content strategy can assist companies in meeting regulatory requirements, contributing to sustainable development and protecting their commercial interests. Practitioners should avoid becoming solely focused on meeting internal and external reporting requirements. A strategic approach to local content must have realistic targets that contribute to lasting benefits in the long term. Targets that are beyond the existing capacity of local industry or the absorptive capacity of particular assets may create inefficiencies. These result in higher costs, lower government revenues and less competition. Established procurement practice tends to focus on cost and efficient factors that favour established businesses and global supply chains. While there may be a short-term cost premium in developing local suppliers, in the long term a reliable local supply chain can offer better overall value. Actions for achieving local content objectives include four key factors. These are: thoroughly analysing the local context; starting



early in the project life cycle to consider how and when to intervene; taking a long-term perspective; and effectively managing information flows and transparency. Although companies have made considerable progress in advancing local content, it remains an emerging issue. As such, it requires more time and effort to improve practices (International Petroleum Industry Environmental Conservation Association, 2011).

### **Statement of the Problem**

According to Adenikinju,( 2018) the poor integration of the oil and gas sector with the wider economy has long been a concern for successive Nigerian Governments. He said there is a general understanding that the huge potential of the sector is not being appropriately leveraged and that, as a result, the country is not reaping the associated benefits. Adenikinju, (2018) revealed that in 2017, the oil and gas industry accounted for 97.7% of total export earnings and 77.5% of government revenue in June 2018 (according to the CBN), its share of the GDP is a meagre 9%. Between 1960 and 2016, Nigeria has earned in excess of US\$1.27 trillion from oil exports. Adenikinju, (2018) compared oil-GDP ratio in Nigeria with selected oil producing countries showing that the country still has a long way to go to improve on the non-oil synergies. Adenikinju, (2018) revealed that Ghan's contribution of oil to the Gross Domestic Products (GDP) is 9%, while Nigeria's is 4 %.

Adenikinju, (2018) revealed that more than 30,000 direct and indirect jobs have been created for local Nigerians in the sector since 2010. Indigenous companies such as Seplat have been instrumental in maximizing opportunities for local content development at their operations. Adenikinju, (2018) said, 99% of the Company's entire workforce is Nigerian and Nigerians account for nearly 80%

of the Company's top management positions in 2018. The Company also has a rigorous Workforce Capacity Development training programme to ensure its workforce has the necessary skills and knowledge required to operate to an international standard (Adenikinju, 2018).

According to Asamoah (2013), the discovery of oil and gas in many parts of the world has become a curse to the nations than a blessing. He again said that there have been several efforts by many nations to ensure that, these trends are reversed to bring joy to the oil producing countries. The international partners have influenced local Content Policies greatly (Asamoah, Making the Oil and Gas Find in Ghana a Blessing, 2013). Countries where oil and gas has been discovered have done a great deal of work by putting together a Local Content Policy (LCP) to help its citizens develop the needed human capacity and encourage local participation in the production, procuring, and servicing of facilities used in the production of the oil reserve. There is the need for a comparative analysis of Ghana's LCP, to ascertain the gap that exists and a plausible amendment to ensure that oil-producing countries like Ghana get the best of its petroleum resource for local citizens (African Center for Economic Transformation, 2017).

Asamoah, (2013) revealed that Ghana is at risk of not getting its citizens employed by the International Oil Companies (IOC) but rather foreign expatriates. These foreign employees repatriate all the incomes earned to their home countries which put more pressure on the local currency which negatively affects the exchange rate. The IOCs are failing to engage the locals in the technical operations.

Lastly, food and other supplies are imported from other countries which could have been sourced locally. This does not help the local citizens to also participate in the production of the crude oil.

According to Asamoah (2013), many countries have experienced the oil curse due to lack of proper legislation and lack of proper local content policies. He identified Angola, Gabon, Chad, Nigeria and Equatorial Guinea as countries that suffered due to improper legislation and a good local content policy. He further stated that these countries had their citizens raised concerns about the lack of development, in terms of good health facilities, roads, education and in the economy. These led to youth activism and civil unrests in some areas like Angola, Nigeria and Gabon.

A research conducted by Owede & Alor, (2018) concluded that though fabrication of vessels in Nigeria is one of the requirements by the Nigerian Content Law, it is not the main determinant of compliance by marine vessels vendors in the Oil and Gas Industry in Nigeria. They argued that the ability of a vendor to acquire and operate different categories of vessels has proven to be the core determinant of compliance. Vendors who can compete in all fronts due to ownership of all categories of vessels are more likely to comply with the local content policy in Nigeria.

There have been several literatures on the topic, but most were limited to the objectives and provisions of the various policies. This study sought to draw a comparison between the outcomes of the implementation of these policies. The cases of Nigeria and Ghana are compared to see how effective these laws are. Hence the achievements of these policies are identified and make appropriate recommendations for the improvement of these laws.

## **Research Objectives**

These are the objectives of the research which shall form the basis of the outline of the research. They are sub-categorized into general objectives and specific Objectives.

### **General Objectives**

The general objective of the study is to analyse the local content policy of Ghana compared with Nigeria and to find out how it has been implemented since its inception.

### **Specific Objectives**

The specific objectives are as below

- i. To examine the extent to which the locals participate in the production and marketing of Oil and Gas in Ghana.
- ii. To examine the achievement of the Oil and Gas Local Content Policy of Ghana to its set objective.
- iii. To compare the Petroleum Local Content Policy in Ghana with that of the other Oil and Gas policies in other nations that have implemented it successfully specifically Nigeria.
- iv. To analyse the effectiveness of its implementation (for both local and foreign Oil and Gas Companies).

### **Research Questions**

The following are the research questions for this project work:

- i. What is the extent of local inclusion in the production and marketing of the oil and gas in Ghana?
- ii. What is the achievement of oil and gas local content policy in Ghana?

- iii. How operative is the Petroleum local content policy of Ghana, compared to other policies in Oil and Gas producing nations like Nigeria?
- iv. How effective is the implementation of the local content policy in Ghana?

### **Significance of the Study**

The study will be significant in helping to know the extent to which Ghanaians participate in the oil and gas industry, help in future research to boost the number of people and the contribution of the locals in production and marketing of petroleum in Ghana. The study will also help to ascertain how efficient Ghana's Petroleum local content policy compared to others in the West Africa sub Region. The study will also help to know the implementation of the Local content policy of Ghana as the basis of development.

### **Limitations of the Study**

The study was conducted using only secondary data. This was due to the limited logistic support. It was difficult getting a primary data from the industry players.

Secondly there was limited time for which the research was expected to be completed. And getting a primary data could potentially delay the deadline for the submission of the project.

### **Delimitations of the Study**

The study was conducted using the Local Content Policy of Ghana and that of Nigeria. This was used because Nigeria is the oldest and the most developed oil industry in the West Africa Region. The study could not assess the Local

Content Policies as a result of the diverse conditions which might not give the objectives of the study.

### **Definition of Terms**

**Fossil Fuel:** This is a fuel formed from the organic matter. This is from the remains of microscopic marine plants and animal.

**Hydrocarbon:** A hydrocarbon is a large organic molecule. As the name suggests it is composed of hydrogen atoms attached to a backbone, or chain, of carbon atoms. Short chain hydrocarbons like methane are gases. Medium chain hydrocarbons like paraffin are liquids. Long chain hydrocarbons like bitumen are solids.

**Petroleum:** Petroleum is a naturally occurring material under the earth made up predominantly of mixtures of compounds of carbon and hydrogen

**Upstream activities:** these are the activities undertaken to extract crude oil. These include Exploration, Development and Production.

**Midstream activities:** these are activities undertaken to get the oil to the consumer. It includes transportation, pipelines and storage.

**Downstream activities:** these are the activities undertaken to distribute the oil to the consumer. In it include refinery, processing and marketing.

### **Organisation of the study**

The study is organised into five chapters. Chapter one is an introduction to the report, it talks about the background of the study, the problem statement, research questions, the research objectives, significance of the study, limitations and delimitations of the study and the organization of the study. Chapter two talks about the literature review; that is the analysis of relevant literature which is incidental to this research topic. Chapter three contains the

methods of this study; that is the research design, population and sampling, data collection instruments, data collection procedures and the analysis of the data. Chapter four talk about the intervention design and implementation. Chapter five is about the results of the study. It includes summary, conclusions and the recommendations from the study.





## CHAPTER TWO

### LITERATURE REVIEW

#### Introduction

This chapter reviews relevant theoretical and empirical literature on the local content in the oil and gas sector of Ghana. This chapter sought to explain the concept of local content, some major theories, challenges of local content policy implementation and criticisms of local content policy. An empirical review was done to find the findings of other researchers on similar topics. The chapter ended with a conceptual review to show the flow of the research work.

#### Meaning of Local Content

According to International Petroleum Industry Environmental Conservation Association (2011), Local content is the added value brought to a host nation (and regional and local areas in that country) through the activities of the oil and gas industry. This may be measured (by project, affiliate, and/or country aggregate) and undertaken through workforce development by employment of local workforce; and training of local workforce. Additionally through Investments in supplier development by developing supplies and services locally; and procuring supplies and services locally.

As in many developing countries, the oil find created euphoria; the perception being that it would herald the much needed resources for the nation's socio-economic advancement and/or the general economic development of the country. The oil find also brings in its wake the feeling and/or desire that indigenes, both natural and artificial, ought to be fully involved in, and reap the benefits that accrue from petroleum exploitation. The foregoing has been viewed within the context of *local content* which usually finds expression in



various petroleum agreements. Provisions on matters such as employment and training of Ghanaian nationals, promotion of research and development, participation of local industries in the provision of services, and technology transfer provisions which seek to address the subject, are collectively referred to as local content or domestic or national content (Sarpong, 2015).

Following the 2007 oil find, pressure was mounted on the government by civil society and the populace in general for a local content policy for the oil and gas sector. A wide stakeholder consultation was set in motion; culminating in the preparation and adoption of the policy document to guide the sector in 2010 (Sarpong, 2015).

### **Implementation of Local Content**

Successive Ghanaian governments and policy makers have sought to realize the implementation of local content through various legal and policy initiatives. Apart from the 1992 Constitution, several pieces of legislation govern the oil and gas sector in Ghana. Some of these laws address local content (Sarpong, 2015).

According to Columbia Center for Sustainable Investment (2014), an Oil and Gas Business Development and Local Content Fund will be established to support local capability development aspects of the local content framework. The fund will be used primarily for education, training and research and development in oil and gas. Sources of the fund will include contribution from Licensed Operators (at amounts specified in the applicable Petroleum Agreements), Oil and Gas Revenue, levies, grants and other support from Ghana's Development Partners.

According to African Center for Economic Transformation (ACET), (2017), As part of government plans to implement the local content policy, the National Energy Strategy required the preparation and implementation of a Local Business Development Plan by the Ministry of Energy, in conjunction with the Association of Ghana Industries and the Ghana Chamber of Commerce, and the setting up of a Skill Development Committee, as well as the development of a Middle-Level 1 Skills Development Program to train middle-level personnel.

### **Challenges of Local Content Implementations**

The absence of explicit strategic policy to leverage extractive activities to advance economic development has not helped. Aspirational signals have been weak. Other key constraints are the lack of competitiveness, low quality standards of local suppliers, weak local entrepreneurial capabilities, poor infrastructure (roads, rail and power), and poor access to finance. For oil and gas, building the capacity of state institutions to monitor and supervise the local content policy remains an important challenge. Other challenges include the quality and extent of cooperation between government, industry, and local businesses; the general capabilities of local businesses in a capital-intensive and high quality standards industry; the coordination of manpower training; and how to minimize fronting to genuinely promote local entrepreneurship and participation in the industry (African Center for Economic Transformation, 2017).

## Theories of Local Content Policy

These session reviews some theories that underpin the development of LCPs for the host nations. These are Localism and Subnational Economic Development Theory.

### Localism

Nwapi, (2015) in a conference explained that localism is about the empowerment of local areas. It is rooted in a set of arguments about the role of local governments in promoting efficiency in the provision of public goods and services, as well as in promoting democracy and community. When decisions are made by the very people who are to be directly affected by them, the decisions have the potential to reflect the yearnings of the people more fully.

Nwapi, (2015) further explained that localism is a theory “which reverses the trend of globalisation by discriminating in favour of the local”. It favours support for locally owned businesses, use of local resources, employment of locals and services for local consumers. LCPs are designed to give first consideration to local populations within the proximity of the resources and who are most directly affected by the resource development externalities are consistent with these demands of localism. And since these demands cannot be described as illegitimate or unconscionable, a local community-oriented local content policy can serve as a vehicle to build the capability of local skills to access the opportunities brought by extractive development as well as mitigate its negative impacts.

According to Nwapi, (2015), there are further advantages of the localism theory. It will reduce the exodus of local people to over-crowded urban centers in search of greener pastures that, more recently, are increasingly in very short supply. It

will improve company-community relations, enabling companies to obtain the social license to operate, thereby contributing positively to the public perception of extractive companies. Given the socio-ecological impacts of extractive resource development, a localist approach to LCPs has the potential to compensate local communities afflicted by resource externalities by promoting job creation and value addition for the communities.

### **Subnational Economic Development Theory**

Another theory explained by Nwapi, (2015), is the Subnational economic development theory calls for a regional or local approach to development. He said this involves decentralization of power and resources from central governments to subnational governments. In an increasingly globalizing world economy, this call seems counter-intuitive. However, it has been necessitated by the transformations brought upon the economic landscape of many (particularly developing) countries by globalization. These transformations include, perhaps most remarkably, economic disparities among the various regions of many countries.

### **Arguments for Local Content Policy**

Tordo, Warner, Osmel, and Anouti,( 2013) argued that host governments who propose LCPs , do so for the following reasons. The desire to increase domestic valued-added by substituting domestically produced goods for imported goods, and to create more local employment by substituting domestic labor for imported or foreign-based labor are among the most frequently cited objectives of LCPs. These two objectives are linked—domestic production equals increased jobs, many of which may use local labor. These goals are reinforced by the typically low level of local content observed in many countries.

Governments feel that there must be economic benefits to be captured by policies that increase the local content with respect to value-added and employment. These are further described as increasing value-added, correcting market failures/externalities, support employment and achieving social objectives.

### **Arguments against Local Content Policy**

Tordo, Warner, Osmel, & Anouti, (2013) identified four categories of arguments against LCPs they are misallocation of resources and/or inefficiencies, misalignment between instruments and policy objectives, international regulation, and institutional frameworks. They argued that host nations misallocate resources which do not help to achieve the objective of LCPs. They said the principal challenge to the use of LCPs rests on the misalignment between objectives and instruments. They also argued that host governments are forced to comply with international regulation. These regulations defeat the purpose of a lot of LCPs. Both multilateral and regional negotiated agreements regulate trade between nations. According to Tordo, Warner, Osmel, & Anouti, (2013) the World Trade Organization (WTO) oversees compliance with these rules. The most relevant agreements among WTO members with implications for LCPs include the General Agreement on Tariffs and Trade (GATT), the agreement on Trade-Related Investment Measures (TRIMs), the General Agreement on Trade in Services (GATS), and the agreement on Government Procurement (GPA). Lastly Tordo, Warner, Osmel, & Anouti, (2013) identified Institutional Framework as one the factors that pose limitation on the implementation of LCPs. Beneficiary sectors have no incentive to become more productive and will lobby government to maintain

the benefits indefinitely. Furthermore, most LCPs are not associated with an explicit fiscal cost (that is, in most cases the government foregoes revenue but does not incur an explicit expenditure), and are therefore easily disguised.

### **Local Content Legislation Documents**

The local content policies of Ghana and Nigeria that there were used for the research are reviewed in this session.

### **Local Content Legislations in Ghana**

The Local Content Legislations in Ghana are as follow;

#### **i. Petroleum Exploration and Production Decree, 1984**

Ackah and Mohammed, (2018) mentioned that this law was enacted in 1984, Section 23 of the Decree provided for the employment of Ghanaians and the preference for Ghanaian goods and services in the exploration and production of petroleum in Ghana.

#### **ii. Petroleum (Local Content and Local Participation in Petroleum Activities) Regulations, 2013 (LI 2204)**

This was aimed at developing local capacities in the petroleum industry's value chain for sustainable economic development. Local content refers to the use of Ghanaian local expertise, goods and services, people, businesses, and financing in oil and gas activities (Ackah & Mohammed, 2018).

#### **iii. Petroleum (Exploration and Production) Act 2016 (Act 919).**

Act 919 mandates that qualified Ghanaian citizens are to be given the opportunity of employment in all aspects of the petroleum industry. Section 61(1) of Act 919 further provides that Ghanaian firms are to be given preference in the supply chain of materials, equipment, machinery, and consumer goods (Ackah & Mohammed, 2018).



## Local Content Legislations in Nigeria

The Local Content Legislations in Nigeria are as follow;

### i. Nigerian Oil and Gas Industry Content Development Act, 2010

KPMG, (2010) revealed that The Nigerian Oil and Gas Industry Content Development Act (“the Act”) is designed to enhance the level of participation of Nigerians and Nigerian companies in the country's oil and gas industry. With the promulgation of the Act, the Government has clearly established its intention to increase indigenous participation in the industry in terms of human, material and economic resources.

### ii. Nigerian Content Development and Enforcement Bill

According to KPMG (2020) The Bill seeks to, among others, extend the application of the oil and gas local content principles and philosophy to the following key sectors of the economy - Information and Communications Technology, Power, Solid Minerals, and Construction.

## Empirical Literature Review

A study conducted by Atsrim , Atsrim, and Adam,( 2018) on the local content in the upstream petroleum sector of Ghana, identified that a challenge of the upstream petroleum is that projects are hugely capital intensive, hence there is difficulty of access and availability of funds for local companies in the sector. They argued that with such a high capital intensive industry, companies with less access to financing are unable to compete fairly. This is the exact same situation in Ghana. Atsrim , Atsrim, and Adam, (2018) opined that the Local Content Fund as proposed by the Petroleum (Exploration and Production) Act 919 2016 should be well resourced and managed by competent banking and

financial experts free of political Interference to ensure that local companies operating in the Oil and Gas industry are financially supported.

Another research conducted by Adedeji, Sidique, Rahman, & Law, (2016) on the role of local content policy in local value creation in Nigeria's oil industry: A structural equation modeling (SEM) approach revealed that Local Content Policy (LCP) has a positive and significant impact on increasing local value creation, vis-à-vis, increased local firms' participation and backward linkages development. The study also found that local firms' participation and backward linkages have positive and significant direct effects on job creation. The results also indicated that the interaction between Local Content Policy (LCP) and infrastructure is positive but marginal.

Acheampong, Ashong, & Svanikier, (2016) also conducted a study on the assessment of local-content policies in oil and gas producing countries. The study revealed that the formulation of local-content policies has the view of either being incentivizing or prescriptive. They argued that most resource-rich developing nations fall under the latter. Most of these countries see prescriptive rules as the most effective ways to compel companies operating along the value chain to act. However, their effectiveness does vary, and it does not follow that LCPs alone in any particular form are enough to drive the type of development governments need. The successful achievement of local-content directives and strategic drive as set by petroleum-producing developing countries depends critically on the extent to which the different stakeholders namely the host government, IOCs, local communities, and the supply chain manage expectations regarding what is achievable in the short, medium, and long term predicated on the host nation's socioeconomic vision and drive.



Mireftekhari (2013) conducted a research on local content strategy, solution for successful global oil and gas projects in emerging economies. The study opined that reliable local content development program or strategy should consist of the following agenda: training and skills development of local workforce, joint venture with local firms, local procurements, Industry collaboration, developing local education and training institutions and improving local small and medium scale enterprises.

### **Criticisms of the Local Content Policy in Nigeria**

In the study by Mushemeza and Okiira (2017), Nigeria has introduced several measures with the objective of increasing local value added, employment and ownership in the petroleum and industrial sector. The Nigerian Oil and Gas Industry Content Development Act were passed in 2010 and subsequently the Nigerian Content Development Monitoring Board was created in order to monitor and enforce the Act (Nordas et al. 2003). This framework has contributed to increasing ownership in Nigerian National Petroleum Corporation (NNPC, Nigeria's NOC) and employment of national labour in skilled, unskilled, professional and managerial positions. Moreover, International Oil Companies (IOCs) have been more active in promoting local content in Nigeria through independent skills development programmes. However, due to the fact that the objectives of the Local Content Act are quite ambitious, Nigeria has faced many challenges during implementation in terms of reaching the expected targets. Furthermore, Nigeria faces historic challenges such as corruption, weak internal governance and low capacities (Ovadia, 2014).

### **Criticisms of the Local Content Policy in Ghana**

According to Sarpong (2015), major initiative of a local content policy started in 2010 when Oil and Gas Companies were facing growing pressure from civil society organisations. The government then carried out stakeholder consultations to later draw a draft of the Local Content Policy.

A local content framework was put in place, which later translated into the 2013 Petroleum (Local content and Local Participation in Petroleum Activities) Regulations. This comprehensive legal agenda has been key for setting the oil industry ever since.

According to Andoh (2018), the Oil and Gas local content policy of Ghana is ambitious, has unrealistic targets, and unattainable within the timeframes specified. She added that there is inadequate technical and financial capacity by the locals. She again said there is difficulty in obtaining requisite international certifications to enable them operate in the industry.

### **Conceptual Review**

According to Adom, Agyem, and Husein, (2018), a conceptual framework is a structure which the researcher believes can best explain the natural progression of the phenomenon to be studied. It is linked with the concepts, empirical research and important theories used in promoting and systemizing the knowledge espoused by the researcher. They said it is the researcher's explanation of how the research problem would be explored. The conceptual framework presents an integrated way of looking at a problem under study. The conceptual framework offers many benefits to a research. For instance, it assists the researcher in identifying and constructing his/her worldview on the phenomenon to be investigated.

This research was conducted to do a content analysis of the LCP of Ghana and a comparison with the LCP of Nigeria, basically to ascertain the effectiveness of the LCP of Ghana. The problem of this study was deduced from the existing literature where the researcher identified how many countries in Africa who have found oil in commercial quantities could not benefit much from the oil resource. It has rather led to civil unrests and youth uprising in many parts. This was as a result of deprivation from development coupled with the pollution of the communities where the oil resource is explored and produced. These issues have led to the development LCP's by many countries. Therefore the researcher intended to find out how the LCP's have been beneficial to Ghana. In doing so compared the LCP of Nigeria to Ghana's LCP. This formed the basis of the research to be able to make meaningful recommendation as to how to improve the LCP of Ghana. This will help the citizens of Ghana to get the maximum benefit from the oil resource. This is illustrated in the diagram below.

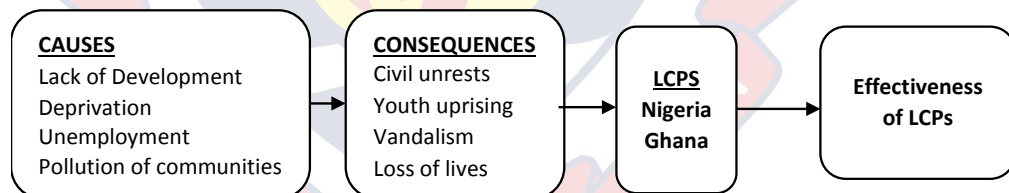


Figure 2. 1: A Conceptual Framework of the Study

## CHAPTER THREE

### RESEARCH METHODS

#### Introduction

This study is aimed at finding out the degree of variance between the Local Content Policy of Ghana and that of Nigeria, since they are close neighbours and Nigeria is also a leader in the upstream Petroleum activities.

This chapter is about the methodology used in conducting the study. This includes research design which gives reasons for some of the methodology used, the population and reason for conducting the research on that population, sample and sample procedures, data collection instruments and the reliability of using such instruments, the data collection methods and data analysis.

#### Research Design

The research is an exploratory research which was carried out in the upstream sector of the oil and gas industry in Ghana. A data of the local content policy of Ghana and Nigeria in the oil and gas sector and other relevant documents and papers were collected from secondary sources which formed the basis of the analysis. The local content policy of Ghana and Nigeria were broken down and categorized into four main areas: Local employment, local sourcing of goods and services, local training and technology transfer requirements.

Afterwards, the outcomes achieved by each country, were researched and analysed, pointing out constraints and or success factors mentioned by relevant authors.

The type of research was a basic research that critiqued the effectiveness of the local content policy of Ghana and making meaningful comparison with that of the standard in the West African sub-region which was Nigeria.

Nigeria was selected based on the following;

- i. **Commonality of the economic sector:** Ghana and Nigeria have a lot of trade agreements in the past and have done a lot of economic activities in common. The two neighbouring countries have also exchanged ideas in the employment sector where both have achieved remarkable success in their economic sectors. They face similar challenges as far as their economy is concern.
- ii. **Existence of local content policies or requirements:** The local content of Nigeria has over the years gone through a lot of changes and it is expected that it is more refined than that of Ghana's which is a bit new. Brand (2017) says Nigeria Oil and Gas industry is one of the oldest in Africa. It started in the 1930s when international oil companies began onshore exploration in the Niger River delta. However, commercial production did not start until the late 50s. Various negotiation have been done by the Nigerian government leading to the signing of major agreements giving power to the citizens to participate in the oil and gas industry over the years. In 1977 the national oil company Nigerian National Petroleum Corporation (NNPC) was established with the objective of managing concession bidding rounds, establishing joint ventures or production sharing agreements with international operators, and fostering local participation in the industry. These policies were a source of conflict both from foreign companies as well as from local institutions, such as the Chamber of Commerce (Ovadia, 2016).

iii. **Position of the country in relation to the global industry:**

According to the Nigerian National Petroleum Corporation (NNPC), Nigeria is ranked as Africa's largest producer of oil and the sixth largest oil producing country in the world. It has a maximum crude oil production capacity of 2.5 million barrels per day. Nigeria appears to have a greater potential for gas than oil. In terms of revenue, it has made the highest revenue from the petroleum industry as compared to other African countries.

**Population**

The target population for this study was the various stakeholders in exploration and production sector, also known as the upstream sector, of the oil and gas industry in Ghana. This is because the local content regulations directly target players in that sector. The estimated number of people within the population was about 411. This is because the number of registered companies in the industry as reported by ReportingOilandGas.org, (2017) 402 and nine other companies that it described as industry players. It was out of this number that the sample was selected.

The local content policy of Nigeria was also sourced to do a comparative analysis since Nigeria is a major player in the oil and gas industry in the West African sub-region.

**Sample and Sample Procedure**

The sample is a subset of the population. The sample areas for collecting the data for this research were some institutions in the upstream sector of Ghana. They are the Petroleum Commission, IOC and a local company operating in the upstream sector of Ghana. This is because the implementers of the local content



policy involve these intuitions. A total of five (5) people were interviewed, each representing a segment of the industry. These are regulators, policy makers, implementers and two local companies. The regulator was represented by the Petroleum Commission, the Policy makers was represented by the Ministry of Energy, The implementers was represented by the Ghana National Petroleum Company, and the Local Company was represented by Millennium Oil Services Ltd and Silica Oil Services Limited.

A secondary data was collected from the upstream sector of Nigeria Oil and Gas industry to make a comparative analysis with the LCP of Ghana.

According to Gay (1992), sampling is described as a process of selecting a number of individuals for a study in such a way that the individuals represent the larger group from which were selected and it is part of the population from which it is selected. Furthermore, Gay (1992) emphasises that it is important for a researcher to select a sample because the goodness of the sample determines the generalizability of the results.

Sampling technique that was used in selecting the sample was a judgmental one. This is because, the kind of information required is highly technical and could not have been gotten from any player in the industry. Therefore the above players of the industry based on need.

### **Data Collection Instruments**

The researcher used mainly two instruments in collecting the data. According to Biggam (2011) selecting techniques by which data are to be collected is just as important as choosing an appropriate research strategy. The aim of the research is to collect data in the form of a case study and employ the qualitative method as data collection technique.

Secondary data was collected through desk research and primary data was collected mainly through interviews. The desk research involved assembling policy and legislative documents on oil and gas as well as all relevant available publications.

### **Desk research**

This desk research was conducted by accessing on the internet, the local content policies of both Nigeria and Ghana and making relevant extracts from the two policies. The opinions of some credible institutions in the energy sector were also sourced from journals and other articles to understand the issues in making a good comparative analysis.

### **Interview**

An interview was conducted to get a primary data from the players in the upstream sector of the petroleum industry in Ghana. This was intended to seek the views of people on the implementation of the local content policy in Ghana. The researcher has seen the interview as the appropriate means of collecting qualitative data semi-structured interview questions were designed to give participants the chance to express themselves freely without strict limitations. However, the main aim of the researcher was to design the interview questions that would probe deeper information from the participants to cover the main research objectives.

Interviews are good because it is flexible and the interviewer can adjust the questions to suit the situation. It can also help to establish rapport and trust relationships, where the researcher can often obtain information that participants would provide on a questionnaire. The interview may also results



in more accurate and honest responses, than question since the interviewer can explain and clarify both the purpose of the research and individual questions.

However interview can be extremely costly, lengthy and time consuming and can be biased. It sometimes may be difficult accessing respondents if they are busy.

The interview guide was designed to collect a primary data on the views of some stakeholders in the upstream oil and gas sector, on the success of the LCP of Ghana.

The questions were categorized into three; Part A was to assess the background of the respondents, Part B to know their view on Local Participation in Oil and Gas in Ghana. Part C is to seek the views of the respondents on the Achievement of the LCP in Ghana. See Appendix A for the interview guide.

### **Data Analysis**

The interview responses will be presented for discussion, and analysis to find out view of the respondents in terms of the local participation in the oil and gas industry, and the achievements of the LCP.

The data shall be organised in the following thematic areas to make it easy for analysis.

- i. Employment requirements:** these shall include minimum local hire targets (in percentage terms), and/or approval required from relevant authorities to hire foreigners i.e. shortfalls of skilled workers created by the lack of capable local personnel.
- ii. Local sourcing of goods and services:** these shall include minimum targets (in percentage terms) of the goods and services purchased by the oil operators (usually measured in monetary terms). There shall be

attempts to identify supply bottlenecks, delivery delays, worse quality, etc.) when compared to the market-led foreign suppliers' capabilities.

- iii. **Local training requirements:** these shall include minimum monetary commitments (in absolute or percentage of revenues/profits terms) to firm-led or state-led oil industry-oriented employee-focused training programs. Also, they can include the mandatory provision of yearly training plans. Considering the long-term impact of these policies, as well as the fact that employee capability can be influenced by a variety of other reasons, which shall be measured mostly in terms of qualitative evaluations and conclusions made by relevant studies.
- iv. **Technology transfer requirements:** these shall include minimum monetary commitments (in absolute or percentage of revenues/profits terms) to firm-led or state-led oil industry-focused research and development programs. Also, it includes the mandatory participation in cooperation agreements with local firms, such as joint ventures or partnerships, aimed at improving the technological and business-specific know-how of those local companies.
- v. Capabilities improvement, their success to be measured in terms of increases in local businesses oil-related activity, and reduction of capacity gaps.

## CHAPTER FOUR

### RESULTS AND DISCUSSION

#### Introduction

The objective of the study is to analyse the local content policy of Ghana compared with Nigeria and to find out how it has been implemented since its inception. How successful a policy is depends on how well it is implemented, and how holistic it is. Local contents across the world in the oil and gas industry have become an important issue because most oil producing countries especially in the third world countries feel that they do not get their share of the oil resource.

This chapter presented data from the various aspects of the local content implementation over the years of its existence and an attempt was to do a comparative analysis with its close neighbour Nigeria.

Some IOCs have tried in their small way to train the local contractors in and also provide assistance in terms of procurement of goods and also in how to use modern technology in the oil and gas industry.

The data was presented and analysed according to the following thematic areas Employment requirements, Local sourcing of goods and services, Local training requirements, Technology transfer requirements and Capabilities improvement.

#### Local Participation in Oil and Gas

The researcher assessed the local participation in the oil and gas sector of Ghana by analysing the various players in the industry. These players are the Petroleum Commission, GNPC, Ministry of Energy and Local Independent Companies.

## **Petroleum Commission**

From the interview responses, the representative of the Petroleum Commission agreed that the extent of local participation is good enough, and he believes will still improve in the near future.

This position was also reechoed by the Ministry of Energy. The GNPC was neutral about the extent of local participation. The two representatives of the oil companies believe that the level of participation may be wide but the depth of participation is shallow.

All the respondents agreed that the LCP is good enough to ensure that Ghanaians benefit from the Oil and Gas Resource. The regulator was represented by the National Petroleum Commission (NPC), the Policy makers was represented by the Ministry of Energy, The implementers was represented by the Ghana National Petroleum Company (GNPC), and the Local Company was represented by Millennium Oil Services Ltd and Silica Oil Services Limited.

### **Achievement of the Oil and Gas LCP**

The researcher enquired from the respondents, their view about the achievement of the LCP in Ghana. This will help to help to assess what has to be done to improve upon its implementation.

#### **i. The Petroleum Commission**

According to the respondent representing the Petroleum Commission, the LCP in Ghana has helped to empower a lot of Ghanaians, to set up companies in the upstream sector to provide certain services to the big giants. These companies include the companies providing logistics, catering, Equipment and Technical

Supplies, General supplies, Crude oil pipes, Man power, Integrated Drilling Project Management etc.

**ii. GNPC**

The researcher gathered that, the respondent representing the GNPC, almost mentioned all that was said by the Petroleum Commission. He said the LCP in Ghana is a robust one that has helped many local companies to participate in the supply of goods and services to the Exploration and Production (E&P) companies. Though he couldn't mention the number of companies, he said the provisions in the LCP regulation passed in 2013, has helped to create room for local participation in the oil and gas industry. But the researcher gathered that the respondent said their main activities are to deal with E&P companies. This means Ghanaian companies who are not into E&P are left out in the production of crude oil.

**iii. Ministry of Energy**

The representative of the Ministry of Energy mentioned that the LCP has helped a lot of Ghanaian companies to do more in the upstream petroleum sector. The respondent could not provide numerical data to back his claims but believed that the policy has brought a great improvement in local participation.

The researcher could infer from his response that, his focus was much, dealing with the foreign giants who have the financial resource, to invest in the sector. This is a great threat to the implementation of the LCP. The LCP has to ensure that there is government intervention to local companies in terms of provision of technical and financial support.

#### iv. Local Companies

The two local companies when asked about the achievement of the LCP, they said the locals have been sidelined in the upstream oil and gas industry. They said the LCP favours the downstream more than the upstream. He mentioned that they are limited in terms of what they can do. They both felt government should provide some technical and financial support so that Ghanaian companies can even take up exploration and production. They jointly said the part the LCP that benefits Ghanaian companies is the option to partner with the foreign companies in joint venture agreements.

The researcher believes that much has not been achieved in terms of the objectives of the LCP of Ghana. More has to be done by government and all the stakeholders in the industry to ensure that there is enough support for the local companies to thrive in the upstream petroleum industry.

#### Local Content Expectation of Ghana

Amoako (2015) identified that, Oil companies shall as far as possible employ Ghanaians with the requisite expertise or qualifications at all levels. Ghanaians shall form 50% of management staff initially and increase to 80% after 5 years. Ghanaians shall form 30% of technical staff initially, increase to 85% after 5 years and 90% after 10 years. Ghanaians shall form 100% of other staff. This is summarised in the table below;



Table 4.1: Local employment requirements in Ghana

Employee Category	2014-2019	2019-2024	2024 onwards
Other staff	100%	100%	100%
Technical staff	30%	85%	90%
Management staff	50%	80%	80%

Source: Amoako-Tuffour, Aubynn, & Atta-Quayson, 2015

### Local Content Report of Ghana

According to Amoako (2015), data on employment is limited, in part because the oil companies have not been collating data in ways that are easily interpreted. Some data went as far back as a decade ago for jobs handed out to Ghanaians, and there were also instances of double counting, making the data less reliable. A provisional out-turn of employment data compiled by the Petroleum Commission is reported as follows: Total number of people employed in the upstream sector is estimated at 6,929. Out of which Ghanaian employees are 5,589, or 80%. Expatriates account for 1,340, or 20%. IOCs have employed about 3,616. Out of which 1,301 are expatriates, or 36%. And 2,315 are Ghanaians, or 64%. Indigenous Ghanaian registered companies have employed 1,973. Indirect & secondary employment is about six times the direct employment (*Petroleum Commission*) this is presented in the graph below;



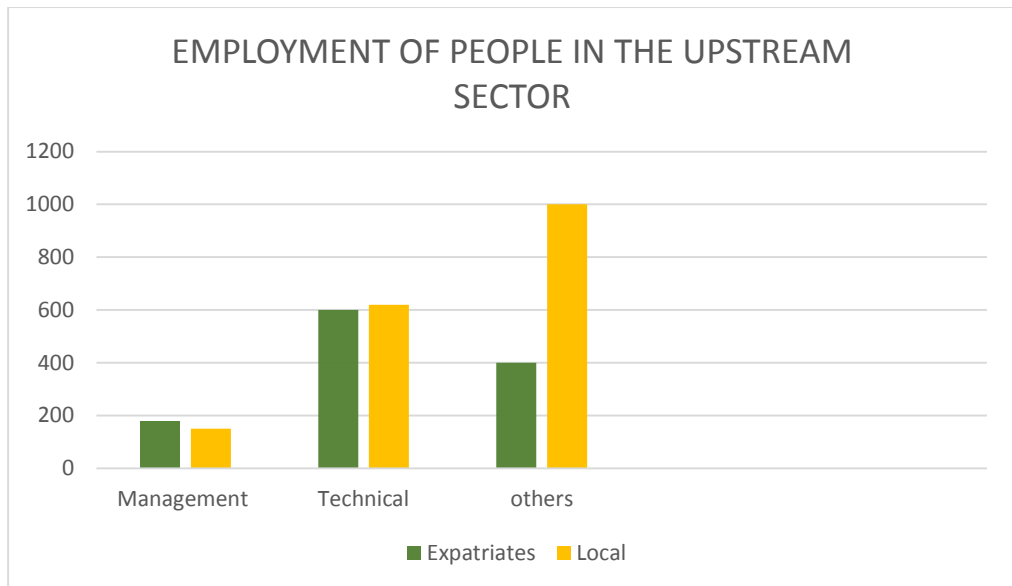


Figure 4.1: Employment figures of 41 registered foreign companies

Source: African Center for Economic Transformation, 2017.

From Figure 4.1 above the employment of expatriate management staff by the upstream sector is about 180 while locals are about 150. About 600 expatriate are employed in to the technical sector and 620 are locals. About 400 expatriates are in the other sectors while about 1000 are locals.

This in the view of the researcher is a great step in achieving the objectives of the LCP of Ghana as far as employment of local people in the upstream sector of the petroleum industry is concerned.

This is because the objective of the LCP is to employ 50% of Management local staff by 2019. This record shows that about 45% of them were employed as at 2015. The objective of the LCP is to get about 30% local technical staff employed by 2019 and the record above shows that about 50% have been employed as at 2015. The other staff should be made up of 100% locals but only 71% locals have been employed. This is represented in the graph below;

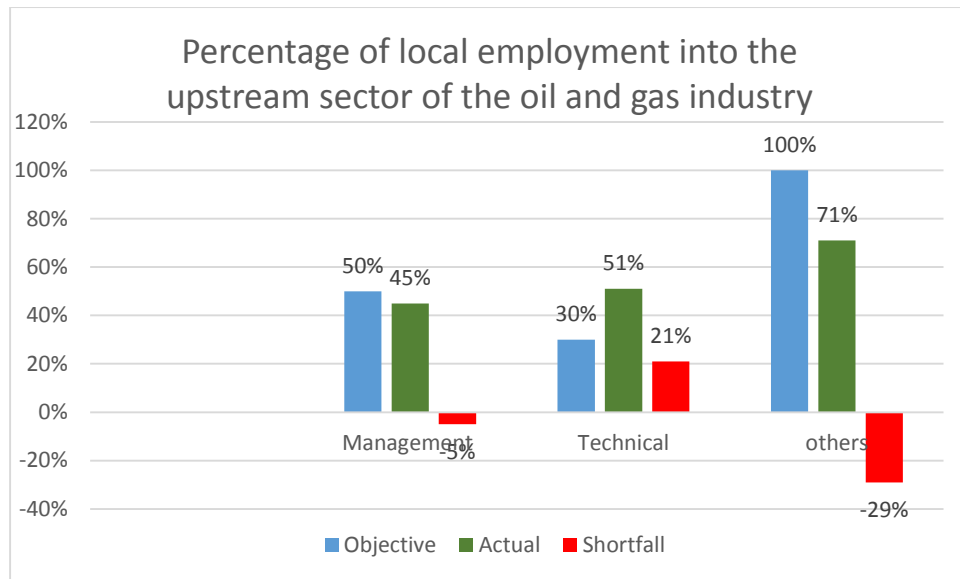


Figure 4.2: Percentage of local employment into the upstream sector of the oil and gas industry

Source: ACET 2015

From figure 2 above, the objectives of the LCP are being achieved even in the second year of implementation. About 5% less was achieved in the employment of the management staff, while about 21% more was achieved in the employment of technical staff. But the employment of other local staff has 29% shortfall.

### Local Content Expectations in Nigeria

In contrast, regarding the hire of nationals in Nigeria, requirements are very strong. Junior and intermediate staffs have to be 100% local. For management staff, the obligation is of 95% local. Furthermore, all foreign hires require an application and direct approval of the government. The operator must present an application for expatriate quota (assumed to be within 5%) to the Ministry of Internal Affairs, any other agency or Ministry of the Federal Government, only after getting approval for the Board regarding the application (Columbia Center of Sustainable Investment, 2014).

## Local Sourcing in Ghana

According to Brand (2017) as cited in by the Columbia Center of Sustainable Investment (2014) Minimum local content in the value of goods and services sourced, depending on their particular type. Overall, the policy mandates 10% at start, 50% after five years, and 60%-90% after 10 years of implementation. There is a price preference for local companies. During the contracts bidding phase, if a local supplier's bid price is less or equal to 10% higher than the lowest bidder's price, the contract shall be awarded to the local firm provided that it is "qualified" to do the job. In the same process, if two bids are equal, the contract must be awarded to the one with highest local.

Foreign suppliers can only provide goods/services through a joint venture, in which a minimum 10% local ownership is required. Some industries are reserved for local suppliers, including legal services, provision of insurance contracts, and financial services. However, exceptions can be granted in specific cases. Operator must hold a local bank account, and perform business transactions through it (Columbia Center of Sustainable Investment, 2014).

In the researcher's view, data on local sourcing of goods and services has been very scarce and available data from the Petroleum Commission, has it that over 150 local Ghanaian companies operating in the upstream sector, total contracts awarded to local companies total over \$600 million since 2009, two major fabrication companies, two piping and casing companies.

According to Brand (2017), a report suggests in 2015 the amount of contracts awarded to Ghanaian companies accounted to roughly 60% to 75% of the total. However, since they were mostly low-value, they represented a mere 5% of the

total price of all contracts (Ovadia, 2016) as This value falls short on the overall 10% initial requirement.

This means that local companies have been awarded more contracts in terms of the numbers, but has just about 5% of the total contracts awarded in 2015. This leaves the local companies not in the position to benefit fully from the supply of goods and services. Therefore a review of the local content policy would be necessary to raise the value of goods and services supplied and not just the number of contracts awarded. Additionally where there is the problem of local capacity to supply goods and services, there must be system structured to help raise the capacity of the local companies which should partly and jointly done by the IOC's and the GNPC to boost the capacity of local contractors.

### **Local Sourcing in Nigeria**

Operators and alliance partners must maintain a bidding process for acquiring goods and services which gives “full and fair” opportunity to Nigerian indigenous contractors and companies. Where bids are within 1% of each other at commercial stage, the bid containing the highest level of Nigerian content shall be selected provided the Nigerian content in the selected bid is at least 5% higher than its closest competitor. Where a Nigerian indigenous company has the capacity to execute the bidding job, the company will not be disqualified exclusively on the basis that it is not the lowest financial bidder, to the extent that the value does not exceed the lowest bid price by 10 percent. For all contracts in excess of US\$1,000,000, the operator must provide the advertisements, prequalification criteria, technical bid documents, technical evaluation criteria and the proposed bidders' lists, to the Board for approval (Columbia Center of Sustainable Investment, 2014).

Any operator should invest in or set up a facility, factory, production units or other operations within Nigeria in order to facilitate the production, manufacturing of goods or for providing a service that would otherwise be imported into Nigeria. The Minister will consult with its government regarding an appropriate fiscal framework and tax incentives for foreign and indigenous companies establishing such facilities. More particularly: all operators or contractors should only carry out fabrication and welding activities in the country. Operators must retain *legal services* from a Nigerian legal practitioner or a firm of Nigerian legal practitioners whose office is located in Nigeria. Contractors need to submit to the board a Legal Service Plan every six months describing the past and future use of legal services, the attached expenditure. Similarly operators or contractors must retain the services of Nigerian financial institutions except when the Board declares it impracticable. Contractors need to submit to the Board a Financial Service Plan every month describing the past and future use of financial services, and attached expenditure. All contractors must maintain a bank account in Nigeria and retain there a minimum of 10% of their oil and gas revenues (Columbia Center of Sustainable Investment, 2014).

#### **Nigeria's local sourcing report**

According to Imani Ghana (2018) in a paper presentation, reported that 10% of total oil production was by indigenes. They also revealed that Fabrication and most developed manufacturing area was 87% of total oil contract won by indigenous oil companies. But Brand (2017) revealed that another study suggests 90% of the goods and services used by operators were sourced from abroad.

According to ACET (2017), local procurement of goods and services between 2004 and 2010 increased from 5% to 35%, and to almost 70% by 2015. In 2004, goods and services were described as very low consumables. By 2015, local procurement had moved up into heavy industries and equipment manufacturing. In Ghana's mining sector, industry expenditure on local goods and services increased from 50.2% in 2013 to 73% in 2014.

### **Local Training requirement in Ghana**

Oil companies shall provide Annual Recruitment and Training Programme (ARTP) to the Local Content Committee (LCC).

According to the Columbia Center of Sustainable Investment (2014), where Ghanaians are not employed because of a lack of expertise, the contractor must ensure that "every reasonable effort" is made to provide training to Ghanaians, to the satisfaction of the Commission. The contractor must create a succession plan, whereby a Ghanaian understudies any employment position held by a non-Ghanaian, with a view to taking over that position within a timeframe agreed with the Commission. Secondment of National Petroleum Company staff to the company for all phases of operations, "under a mutually agreed secondment contract", to "include continuing education and short industry courses" if requested (Model Petroleum Contract). Ghanaians must be employed in all junior or middle level positions (which includes "foreman, supervisor, or any corresponding position designated as such").

### **Local Training Requirement in Nigeria**

Where Nigerians are not employed because of a lack of training, the operator needs to use every reasonable effort to supply such training locally according to the operator's Employment and Training Plan. For each of its operations, the



operator must submit to the Board a succession plan for any position not held by Nigerians that provides for Nigerians to understudy each incumbent expatriate for a maximum period of four years; at the end of the four years, the position will be occupied by a Nigerian.

Meanwhile the local content policy laws are less specific and mandate that operators provide a training plan with the objective of making it possible to increase local employment. These plans should anticipate the skill needs, precise project-specific training initiatives and provide cost estimates of implementation (Columbia Center of Sustainable Investment, 2014).

### **Technology transfer in Ghana**

In the view of the researcher, there is no clear prescription for technology transfer, but the following provision was made by the act.

“The Petroleum Commission shall in consultation with the National Development Planning Commission, relevant Ministries, Departments and Agencies identified by the Commission

- (a) Develop the national policy on technology transfer with respect to the petroleum industry, and
- (b) Publish the national policy in the Gazette and a newspaper of national circulation

A contractor, subcontractor, licensee, or other allied entity shall support and carry out a programme in accordance with the national plan on technology transfer and priorities for the promotion of technology transfer to Ghana in relation to the petroleum industry” (Columbia Center of Sustainable Investment, 2014).



### **Technology transfer in Nigeria**

In the view of the researcher, Nigeria's position is more definite as compared to the case of Ghana, in the sense that, the act prescribes what actions to be taken to transfer technology. This is stated follows.

“Each operator shall carry out a programme in accordance with the country's own plans and priorities, for the promotion of technology transfer to Nigeria in relation to its oil and gas activities.

The operator shall submit to the Board annually a plan, setting out a programme of planned initiatives aimed at promoting the effective transfer of technologies from the operator and alliance partners to Nigerian individuals and companies. The operator shall give full and effective support to technology transfer by encouraging and facilitating the formation of joint ventures, partnering and the development of licensing agreements between Nigerian and foreign contractors. The operator or project promoter shall submit a report to the Board annually describing its technology transfer initiatives and their results and the Minister shall make regulations setting targets on the number and type of such joint venture or alliances to be achieved for each project” (Columbia Center of Sustainable Investment, 2014).

### **Capacity Development in Ghana**

According to ACET (2015), government of Ghana and petroleum companies shall support local training and technical institutions to develop capacity of international standards to train Ghanaians.

According to IMANI Ghana (2018), there is about 200% increase in number of indigenous oil and gas service companies. Nonetheless Government and petroleum companies shall support local training and technical institutions to

develop capacity of international standards to train Ghanaians. GNPC has established a fund for capacity development through scholarships.

Tullow PLC has set up a scholarship fund that is awarded to students who want to study in Ghana and abroad in oil and gas, and to support the infrastructure development in the basic and secondary schools across the country.

### **Chapter Summary**

This chapter presented the analysis and discussion of the data. The data was to a large extent qualitative data, and some quantitative data. The chapter presented the requirements of the local content compared with the achievements of the local content since its implementation. The local content was broken down into employment requirements, Local sourcing of goods and services, Local training requirements, Technology transfer requirements and Capabilities improvement, in both Ghana and Nigeria. The table below summarises the performance of Ghana and Nigeria in the implementation of their Local Content policy implementation.

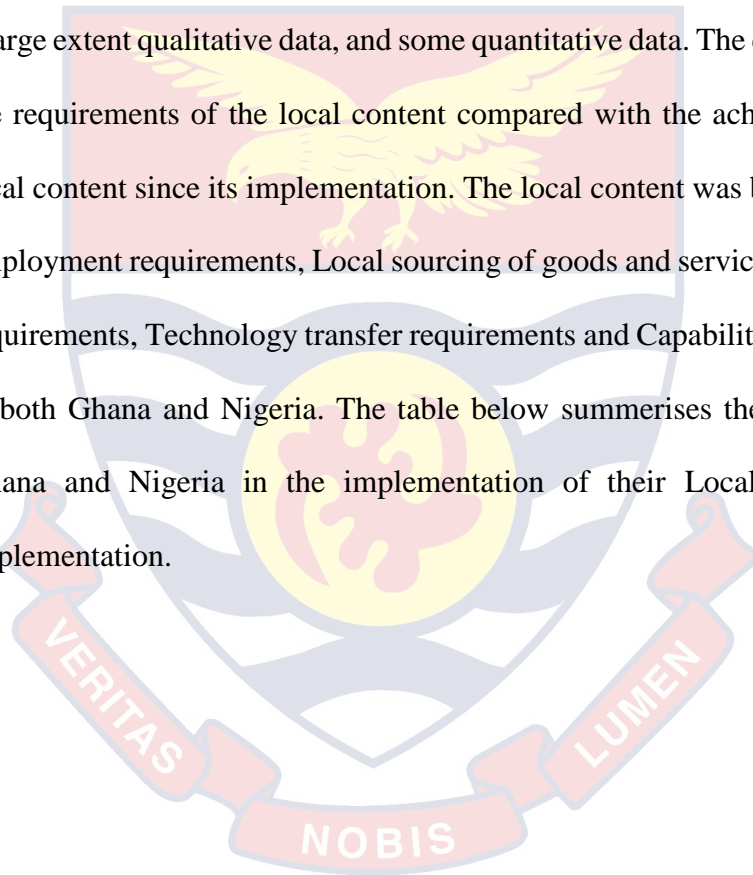


Table 4.2: Comparison of Local content policy of Ghana to Nigeria

Aspects of	Ghana	Nigeria	Comments
<b>the local Content</b>			
Employment requirement	Ghanaians shall form 50% of management staff initially and increase to 80% after 5 years. Shall form 30% of technical staff initially, increase to 85% after 5 years and 90% after 10 years. Shall form 100% of other staff.	Junior and intermediate staff have to be 100% local. For management staff, the obligation is of 95% local	Nigerians have a stronger position than Ghana
Local sourcing of Goods and services	Overall, the policy mandates 10% at start, 50% after five years, and 60%-90% after 10 years of implementation.	Bids of 1% of each other at commercial stage, Nigerian content shall be selected provided the bid is at least 5% higher than its closest competitor.	Ghana has a stronger position than Nigeria

Local training requirements	Oil companies shall provide Annual Recruitment and Training Programme (ARTP) to the Local Content Committee (LCC).	Employment and training plan shall be prepared and submitted to the Board	Similar requirement
Technology transfer	Shall be determined by the Petroleum commission and published in the gazette.	Oil companies shall submit to the Board annually a plan, a programme of transfer of technologies.	Ghana is better off than Nigeria
Capabilities improvement	Shall be supported by the Ghana government and the IOC	Information not available	

Source: Field Survey, 2019

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECCOMENDATIONS

#### Introduction

The general objective of the study is to analyse the local content policy of Ghana compared with Nigeria and to find out how it has been implemented since its inception.

The research questions were, what is the extent of local inclusion in the production and marketing of the oil and gas in Ghana? What is the achievement of oil and gas local content policy in Ghana? How operative is the Petroleum local content policy of Ghana, compared to other policies in Oil and Gas producing nations like Nigeria? How effective is the implementation of the local content policy in Ghana? Is the purpose of the local content policy been achieved?

#### Summary of Major Findings

The following are some of the answers to the research questions from the study. The first research question was

- a. **What is the extent of local inclusion in the production and marketing of the oil and gas in Ghana?**

The findings are that, local recruitment in Ghana over the years have been good, and may be exceeded in the near future by the overall numbers.

Meanwhile this is only in terms of unskilled labour force. But the number of people employed to occupy top management positions has fallen short of the requirement of the local content law.

**b. What is the achievement of oil and gas local content policy in Ghana?**

Due to unavailability of accurate data collection in the upstream sector, there is no limited information as to whether the local content policy has achieved its objectives or not. There has to be more data collection methods put in place by the policy makers to ensure that accurate data is used in assessing the objectives of the policy.

**c. How operative is the Petroleum local content policy of Ghana, compared to other policies in Oil and Gas producing nations like Nigeria?**

The local content policy of Ghana has certain systems put in place to enable it implement the local content policy as it is done in Nigeria. The Recruitment and Training Programme (ARTP) ensures how training is done. This is a form of support given to the locals to be able to compete with global giants. But this is unfortunately not being monitored by no other body to form a check on the implement.

**d. How effective is the implementation of the local content policy in Ghana?**

It has been effective in helping locals employed in the upstream sector but in terms of the contracts awarded to the locals, it has not helped in building the capacity of the locals to make them competitive in making the bids.

**e. Is the purpose of the local content policy been achieved?**

The purpose of the local content is being achieved gradually. There is more that has to be done in terms of proper data gathering, monitoring and training to enhance the capacity of the locals so that the policy objectives can be achieved.

## Conclusions

After the study was conducted, the following conclusions were drawn;

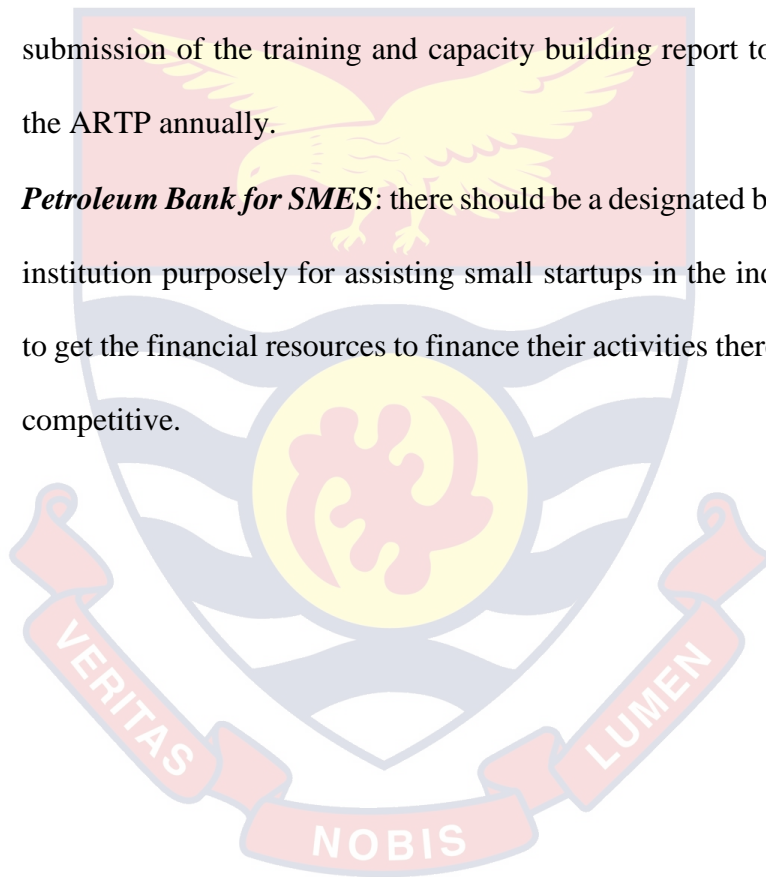
- **Limited Data:** There is limited data on the operations and achievement of the LCP. The policy within its own accord has not set up any agency responsible for data collection on its own activities making it difficult to measure or assess the effectiveness of the implementation of the LCP
- **Policy Implementing Monitoring Agency:** There is no agency equivalent to PIAC to monitor effectively the activities of the players in the upstream sector to ensure that they adhere to the provisions of the LCP and take legal actions where need be.
- **Technology Transfer Procedure:** There is no laid down procedure to ensure the smooth transfer of technology. The policy should be reviewed to make sure there is an amendment as to how the policy could spell out the transfer of technology.
- **Lack of Capacity for Competitive Bidding:** The local companies are lacking the capacity to make them globally competitive in making bid for award of contract to make local supplies. Most of them lack the requisite skills and techniques and the ability to deliver.
- **Lack of Financial Support:** The local companies are mostly not financially sound hence their inability to handle the work volume required of them.

## Recommendations

- **Petroleum Data Agency:** there should be a data collection agency to collect and analyse data relating to the petroleum activities in Ghana, so that these data can be compared with the objectives of the LCP to find out if there is progress being made or not in terms of the achievements of the LCP.



- ***Petroleum policy Monitoring Agency***: there should be an agency monitoring the players in the industry to ensure that the actors are adhering to the provisions and the requirements of the LCP.
- ***Standard BOT Agreement***: there should be a standard build Operate and transfer (BOT) agreement to make it easier for the smooth transfer of technology and other things that may be due to be transferred to the nation.
- ***Annual Training Report***: the LCP should be reviewed to enforce the submission of the training and capacity building report to be submitted to the ARTP annually.
- ***Petroleum Bank for SMES***: there should be a designated bank or a financial institution purposely for assisting small startups in the industry, to be able to get the financial resources to finance their activities thereby making them competitive.



## REFERENCES

- Acheampong, T., Ashong, M., & Svanikier, V. C. (2016). An Assessment of Local-Content Policies in Oil and Gas Producing Countries. *Journal of World Energy Law and Business*. doi:10.1093/jwelb/jww019
- Ackah, C., & Mohammed, A. S. (2018). *Local content law and practice The case of the oil and gas industry in Ghana*. Institute or the United Nations University. Accra: UNU-WIDER . Retrieved May 2020, from <https://www.wider.unu.edu/sites/default/files/Publications/Working-paper/PDF/wp2018-152.pdf>
- Adedeji, A. N., Sidique, S. F., Rahman, A. A., & Law, S. H. (2016). The role of local content policy in local value creation in Nigeria's oil industry: A structural equation modeling (SEM) approach. *ResourcesPolicy*, 49. Retrieved June 1, 2020, from <https://www.sciencedirect.com/science/article/pii/S0301420716300599>
- Adenikinju, A. (2018). *Local Content Development in the Nigerian Oil and Gas industry: A model for indigenisation*. Seplat Petroleum Development Company Plc. Seplat Petroleum Development Company Plc. Retrieved June 1, 2020, from [https://seplatpetroleum.com/media/1333/sep\\_5595\\_local-content.pdf](https://seplatpetroleum.com/media/1333/sep_5595_local-content.pdf)
- Adom, D., Agyem, J. A., & Husein, K. E. (2018, January). Theoretical and Conceptual Framework: Mandatory Ingredients of a Quality Research. *International Journal of Scientific Research*, 7(1).
- African Center for Economic Transformation. (2015). *Local Content and Value Addition in Ghana's Mineral, Oil, and Gas Sectors: Is Ghana Getting It Right?* African Center f Economic Transformation . Accra:

ACET. Retrieved August 04, 2020, from

<https://includeplatform.net/wp-content/uploads/2019/07/GTF-Local-Content-MOG-in-Ghana-SR-formatted.compressed.pdf>

African Center for Economic Transformation. (2017, July). *ACET*. Retrieved August 04, 2020 from ACET:

<http://acetforafrica.org/publication/comparative-study-on-local-content-and-value-addition-in-mineral-oil-and-gas-sectors-policies-legal-and-institutional-frameworks-trends-and-responses-in-selected-african-countries/>

Amoako-Tuffour, J., Aubynn, , T., & Atta-Quayson, , A. (2015). *Local Content and Value Addition in Ghana's Mineral, Oil, and Gas Sectors: Is Ghana Getting It Right? African Center for Economic Transformation*.

Andoh, B. (2018). *Is Ghana Ready for More Local Content? Lessons from Eight Comparator Countries in Five Sectors*. IMANI Center for Policy and Education, Accra.

Asamoah , J. (2012). *The Global Oil and Gas Bonanza: Africa's Share*. Accra: Joasa publications.

Asamoah, J. (2013). *Making the Oil and Gas Find in Ghana a Blessing*. Accra: Joasa Publicatins.

Atsrim , R. D., Atsrim, C. Y., & Adam, A. M. (2018, May). LOCAL CONTENT IN THE UPSTREAM PETROLEUM SECTOR OF GHANA. HOW WELL IS GHANA DOING SO FAR? *SSRN*. Retrieved June 2, 2020, from

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3185844](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3185844)

Brand, M. V. (2017, April). *Politecnico di Milano*. Retrieved June 12, 2020

from Politecnico di Milano:

[https://www.politesi.polimi.it/bitstream/10589/133781/1/2017\\_04\\_VinetBrand.pdf](https://www.politesi.polimi.it/bitstream/10589/133781/1/2017_04_VinetBrand.pdf)

Columbia Center of Sustainable Investment. (2014). *Local Content-Ghana Petroleum*.

Columbia Center on Sustainable Investment. (2014). *Local Content-Nigeria Petroleum*.

Gay, L. R., & Diel, P. L. (1992). *Research Methods for Business and Management*. New York, USA: Mc Milan Publishing Company.

Hamilton, D. I. (2011, June). Special Issue on “Africa-based Oil Exporting Companies:.” (J. S. Oboreh, Ed.) *AMERICAN REVIEW OF POLITICAL ECONOMY*, 9(1). Retrieved June 1, 2020, from [https://www.researchgate.net/publication/262676096\\_Oil\\_and\\_Gas\\_Companies\\_and\\_Community\\_Crises\\_in\\_the\\_Niger\\_Delta\\_Donald\\_I\\_Hamilton/link/0deec538667d06a6cf000000/download](https://www.researchgate.net/publication/262676096_Oil_and_Gas_Companies_and_Community_Crises_in_the_Niger_Delta_Donald_I_Hamilton/link/0deec538667d06a6cf000000/download)

International Petroleum Industry Environmental Conservation Association.

(2011). *Shutterstock.com*. Retrieved May 09, 2020 from

Shutterstock.com:

<http://www.engineersagainstopoverty.org/documentdownload.axd?documentresourceid=28>

KPMG. (2010). *Nigerian Oil and Gas Industry Content Development Act,*

2010. KPMG. Retrieved May 28, 2020, from

<https://assets.kpmg/content/dam/kpmg/ng/pdf/tax/nigerian-oil-and-gas-industry-content-development-act.pdf>

- KPMG. (2020). *Nigerian Local Content Update*. KPMG.
- Mireftekhari, S. P. (2013). *Local Content Strategy, solution for successful global oil and gas projects in emerging economies*. Norwegian University of Science and Technology, Department of production and Quality Engineering. Retrieved June 2, 2020, from [https://ntnuopen.ntnu.no/ntnu-xmlui/bitstream/handle/11250/266369/644230\\_FULLTEXT01.pdf?sequence=1&isAllowed=y](https://ntnuopen.ntnu.no/ntnu-xmlui/bitstream/handle/11250/266369/644230_FULLTEXT01.pdf?sequence=1&isAllowed=y)
- Mushemeza, D. E., & Okiira, J. (2017). Oil and Gas Local Content Development Strategy: the keys to success. *Advocates Coalition for development and Environment, No 38*.
- Nordas, H., Vatne , E., & Heum , P. (2003). The Upstream Petroleum Industry and Local Industrial Development - A Comparative Study. *Institute for Research in Economics and Business Administration*.
- Nwapi, C. (2015). “Defining the “Local” in Local Content Requirements in the Oil and Gas and Mining Sectors for Sustainable National and Subnational Economic Development in Developing Countries”. *Law and Development Conference*. New Orleans. Retrieved May 26, 2020, from <http://www.lawanddevelopment.net/img/2015papers/nwapi.pdf>
- Ovadia, J. S. (2014). Local Content and Natural Resource Governance: The Case of Angola and Nigeria. *Research gate*, 137-46.
- Ovadia, J. S. (2016). Local content policies and petro-development in Sub-Saharan Africa: A comparative analysis. *Elsevier*.
- Ovadia, J. S. (2016). Local content policies and petro-development in Sub-Saharan Africa: A comparative analysis. Elsevier. *Research Gate*.

Owede, V. M., & Alor, U. S. (2018). Local Content Policy and Entrepreneurs in the Nigerian Oil and Gas Industry: Determinants of Compliance and Implication for the Economy. *International Journal of Research and Innovation in Social Science*, 2(4). Retrieved June 1, 2020, from <https://www.rsisinternational.org/journals/ijriss/Digital-Library/volume-2-issue-4/68-78.pdf?x49905>

Petroleum Commission Ghana. (2015). *Petroleum Commission*. Retrieved July 16, 2020 from Petroleum Commission : <http://www.petrocom.gov.gh/exploration-history.html>

*ReportingOilandGas.org*. (2017, December). Retrieved August 08, 2020 from Oil Companies: <http://www.reportingoilandgas.org/oil-companies/>

Sarpong, G. (2015, December). GASARPONG. *4th Symposium of the Association of Environmental Law Lecturers in African Universities, Nairobi*. Nairobi. Retrieved September 14, 2018, from GASARPON: <http://www.gasarpongandco.com/wp-content/uploads/2016/10/eLOCAL-CONTENT-IN-THE-OIL-AND-GAS-SECTOR-IN-GHANA.pdf>

Tordo, S., Warner, M., Osmel, M. E., & Anouti, Y. (2013). *Local Content Policies in the Oil and Gas Sector*. Washington DC: The World Bank. doi:10.1596/978-0-8213-9931-6

## APPENDIX A

### INTERVIEW GUIDE

#### Part A: Background

1. What organisation are you representing?
2. What is your role in the organisation?

#### Part B: Local Participation in Oil and Gas

3. What is your view about the Local content Policy of Ghana?
4. In your opinion, are the goals and objectives achievable within the time frame set out in the legislation?
5. What is your view of the local participation in oil and gas activities

#### Part C: Achievement of the LCP

6. What is the role of your organisation in achieving the objectives of the LCP?
7. Do you think the LCP has achieved its objectives?
8. To what extent do you think the LCP has achieved its objectives

