# GHANA WON'T MEET TARGET FOR LOCAL CONTENT QUOTA IN OIL AND GAS SECTOR BY DEADLINE

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A careful study of Ghana's petroleum sector by ghanabusinessnews.com shows that the country will miss its local content target with the deadline set for 2020.

The country's inability to meet its target by next year is mainly due to improper execution of the local content policy which aims at opening up space for Ghanaians to participate adequately in the oil and gas sector.

In 2010, the government unveiled the local content and local participation policy which sought to achieve a 90 per cent Ghanaian content and participation across the value chain of the petroleum sector within a space of 10 years.

The policy was not backed by legislation until November 2013 when Parliament passed the Local Content and Local Participation Regulations (LI 2204).

As the deadline for the local content target draws closer, local industry players say the country is woefully behind target.

**Business challenges**

The Deputy Chief Executive Officer (CEO) of the Sekondi-Takoradi Chamber of Commerce and Industry (STCCI), Mr. Benjamin Nii Kpani Addy, told ghanabusinessnews.com in an interview: "we are nowhere near our desire as far as local content is concerned."

He said while the policy did not have enough support mechanisms, the country maintains a "backward" regulatory regime for local businesses in the sector, making it difficult to engender any meaningful participation.

He cited for example that, the need for start-up businesses to obtain a tax clearance certificate before they could bid for contracts in the sector was a major hindrance to local content realization.

He said since start-up businesses may not have any tax record, when a tax clearance application is made to the Ghana Revenue Authority (GRA), the GRA examines the profit potentials of the business and then estimates a tax amount which is payable before the clearance certificate is issued.

"So you begin paying taxes even before you conduct any business. It's a worry", he said, adding that, after passing through these hurdles, the International Oil Companies (IOCs) would also demand years of experience from the local company before the latter is considered for a contract.

Mr. Addy said there should be a deliberate effort by government to create what he called "local champions" in the petroleum sector if Ghana wants to dominate the sector.

He said tax exemptions and other supportive mechanisms should be embedded in the local content policy so as to achieve the impact the country desires in the sector.

Mr. Daniel Kwakye, a Leading Member on Local Content at the Association of Ghana Industries (AGI), said Ghana would also have to deal with the issue of standardization if it intends to make any headway on its local content realization.

He explained that the industry requires workers and businesses to obtain certain international standard certifications before they are offered jobs but the country has not paid much attention to this issue.

Mr. Kwakye said the country's reliance on the Ghana Standards Authority (GSA) to ensure standards compliance in the sector was a flawed approach because the GSA has not been accredited by the requisite international institutions whose standards were being applied in the sector – that, he said, has been one of the setbacks for local businesses in their quest to secure jobs in the sector.

Even with the few contracts secured by local companies, the Western Regional Chairman of the Ghana National Chamber of Commerce and Industry (GNCCI), Mr. Stephan Abass Miezan, says the impact has not translated to the larger local business community because only few people were getting all the contracts.

He explained that the few local companies that first entered the sector have opened several other related businesses and were capitalizing on their relationship with the IOCs to win contracts for their related businesses which in a way, was stifling the larger local business community.

**Labour issues**

But, not only businesses are decrying the situation. Persons on the labour front also have concerns.

The Deputy General Secretary of the General Transport, Petroleum and Chemical Workers Union (GTPCWU), Mr. Francis Sallah, said jobs that should be done by Ghanaians per the local content regulations, were still being handled by foreigners.

He said his outfit has also compiled several cases where there have been deliberate attempts by foreign nationals to deprive Ghanaian workers working in IOCs from rising to top managerial positions.

“Once they see that you’ve acquired enough knowledge to head a particular department, they either transfer you or find a way of sacking you,” he said.

“We report these cases but to what extent? Our authorities pretend they’re solving it but in the end, nothing happens. For me, I think the Petroleum Commission lacks the power to crack the whip,” he said.

Mr. Sallah also complained about the huge salary differential between expatriates and their Ghanaian counterparts, saying that it was a disincentive to Ghanaian workers.

“We should stop deceiving ourselves. We are far from achieving our local content objectives. If we really want to achieve it, those in charge especially, the Petroleum Commission must take bold steps to crack the whip,” he maintained.

**Training gap**

However, ghanabusinessnews.com can confirm that the problem transcends these labour and business challenges. It also touches on the training efforts put in by the state to get its human resource ready for the sector.

In 2012, the Jubilee Partners, operators of the Jubilee Field, in collaboration with the Government of Ghana, set up the Enterprise Development Center (EDC) in Takoradi to build the capacity of local businesses and make them competitive in the oil and gas sector.

The center, which provided three-months training to local businesses free of charge, was scheduled to be handed over to the Government of Ghana by the Jubilee Partners after three years.

However, when it was handed over to government in 2015, the state could not sustain its operations and the center has since folded up, leaving many local businesses in the lurch.

Similarly, the Jubilee Partners in collaboration with the government established the Jubilee Technical Training Center (JTTC) at the Takoradi Technical University in 2013 to build the technical expertise of Ghanaians to enable them to take up jobs in the sector.

The center runs six months programmes in welding, mechanical, electricals and instrumentation after which these technicians are issued with the City and Guilds certificates.

Data sighted by ghanabuisnessnews.com however shows that since its inception in 2013 till July 2019, the center has produced only 36 technicians due to the high fees charged.

Each of the six-month programmes costs GH¢10,000 (approx. $1,845) , an amount which many Ghanaians may struggle to afford as 10 per cent of the country's population is reported to be living in extreme poverty, according to the 2018 World Poverty Clock report.

For this reason, the center has over the years pre-occupied itself with refresher training as some of the oil companies including Modec and Yinson Production occasionally send their workers there for refreshers.

The Manager of JTTC, Dr. John Bentil, who took charge of the center barely a year ago, admits that the high fees was affecting patronage of the center but said his outfit was devising ways to get people enrolled onto the programs on scholarships.

Meanwhile, the Petroleum Commission (PC), which is charged with the implementation of the local content policy has declined to respond to our queries after an official request was sent to it by this reporter.

After one month of several assurances, the Local Content Manager of the PC, Mr. Kwadwo Asare Kyei, retreated, saying his outfit would be unable to grant the request.

Though there have been few evidences of progress in Ghana's local content effort which include the indigenization of the Ghana National Gas Company and the recent collaboration between Exxon Mobile and Ghana Oil on the drilling of oil in Deep Water Cape Three Point, the local content dream is clearly far from realization.

By Marlvin-James Dadzie