

AIDE MEMOIRE
Ghana
Oil and Gas Capacity Building Project (P120005, IDA Credit 4847-GH)
Implementation Support Mission
August 27-31, 2012

Introduction and Acknowledgements

From August 27-31, 2012, a World Bank team¹ conducted an implementation support mission of the Oil and Gas Capacity Building Project (OGCBP). The team held discussions with 8 of the 11 beneficiary institutions (see Annex 1). The mission team would like to thank MoE and other agencies for their courtesies and cooperation. This Aide Memoire summarizes the key findings of the mission and agreed next steps.

Context

The Oil and Gas Capacity Building Project was approved by the Board of the World Bank on December 20, 2010. The Financing Agreement (Credit 4847-GH) was signed on April 11, 2011 and became effective on May 20, 2011. The objective of the project is to (i) improve public management and regulatory capacity while enhancing transparency; and (ii) strengthen local technical skills in Ghana's emerging oil and gas sector. Total project financing of \$38 million is allocated to seven project components and eleven recipient institutions.

Key Findings of the Mission

1. **Although disbursements are still slow, notable progress has been observed in moving the big equipment packages forward.** Total disbursements stand at US\$3.55 million as of July 31, 2012 with almost US\$2 million having been disbursed since the last World Bank mission in February 2012. Consultancies to develop bidding documents at GNPC, COTVET, and KNUST are at or near completion, paving the way for procurement of equipment valued at US\$7-9 million expected to be completed in the next 4-6 months. Key advisory and consulting assignments at MOE and PCG are either underway or in the final selection phase. Based on this progress, achievement of the PDO indicators still seems likely and the risk of a performance downgrade for the project has been reduced. The Bank is maintaining an overall rating of **Marginally Satisfactory** for the project.
2. **The project is likely to require reallocation of proceeds between the various components.** The equipment packages at EPA, KNUST and COTVET are estimated to cost significantly more than anticipated in the PAD. Offsetting this, the cost of implementing the data center is estimated to be significantly lower than the US\$10 million figure in the PAD. The Bank and the PCU have agreed to

¹ The World Bank team was comprised of David Santley (Team Leader), Eunice Yaa Brimfah Ackwerh (Senior Education Specialist), Adu-Gyamfi Abunyewa (Procurement Specialist), Smile Kwawukume (Senior Public Sector Specialist), Kofi Tsikata (Senior Communications Officer), and Gregoria Dawson-Amoah (Program Assistant).

work jointly on a reallocation schedule with the goal of finalizing it before the next implementation support mission expected in February 2013.

3. **EPA continues to experience considerable delay in finalizing a technical concept for the laboratory.** During the course of the Bank's mission, EPA confirmed their support for the turn-key, containerized solution that they presented during the last mission in February. But months have passed and time has obviously been spent on an alternative concept based on a pre-fab building that would have delayed implementation even further. Now that EPA's direction is set, it is vital that the bid documents be developed as soon as possible. Lack of progress on the laboratory poses a serious risk to the success of the project.
4. **The data management project has regained momentum and considerable progress is now being shown.** Modified shipping containers have been delivered to the Spintex Rd. site and are being outfitted as a temporary data center. Bids on the equipment needed to transcribe data will be received on October 1. Key training will be completed over the next 3-4 months with the goal of beginning copying and transcription operations by January 1. These are all positive developments, most importantly because the building refurbishment projects at Spintex and at the Petroleum Commission building are no longer on the critical path. To maintain momentum, the focus needs to be on preparing the Petroleum Commission to take over responsibility for the data center. The MOU defining the handover from GNPC to the Petroleum Commission should be finalized rapidly.
5. **The first steps in building the capacity of the Petroleum Commission are being taken but the needs are still enormous.** The Bank team believes the highest priority areas for capacity development include: (1) processing applications for field development plans and exploration licenses, (2) managing local content issues, (3) monitoring compliance with petroleum agreements, and (4) preparing to assume custody of the national data repository. Terms of reference for senior staff and advisors in these areas should be a matter of top priority.

Review of Project Implementation

The mission team assessed the implementation progress of each project component since the last Mission in February 2011.

Component A.1(a) – Resource Management MOE (US\$3.8 million). This component supports MoE as it builds capacity to provide sector policy direction and supervise the regulatory agencies and state-owned companies that report to the Minister.

Implementation progress: Implementation of this component is advancing well. Renovation of the conference room is complete. Consulting assignments for Tema Oil Refinery restructuring and the Gas Master Plan have been advertised and terms of reference are nearing finalization for consultants covering MoE IT strategy and Petroleum Directorate organizational effectiveness.

Component A.1(b) – Resource Management PCG (US\$4.0 million). This component supports the newly-formed Petroleum Commission to assume its role as industry regulator.

Implementation progress: The Petroleum Commission (PCG) is in the final stages of recruiting staff at the manager and officer level positions and 20 new staff are expected to start in September. Interviews for assistant officer and trainee positions are beginning. Headcount by year-end 2012 should be roughly 40. An expat advisor is in place and others are being recruited. PCG management is assessing priority areas for additional advisory support. The lease on the temporary office space has been extended through December. The consultant to design bidding documents for refurbishment of the permanent offices has been selected. Government has required PCG to obtain commercial bank finance for the purchase of the new building and this is causing delays. Assuming these problems are solved rapidly, PCG could be installed in new premises by the end of 2012. With permanent premises and staff, PCG can then finalize office equipment and training plans and revert to the PCU with additional needs.

Component A.2 – Data Management (US\$10.0 million). In cooperation with Norway, this component supports development of a National Data Repository (NDR) to store and manage Ghana's petroleum data.

Implementation progress: Significant progress has been observed in the implementation of this component. Six modified shipping containers have delivered and installed at the Spintex Rd. site. Four of the containers are being configured with shelving to serve as temporary data storage during refurbishment of the main building. Transfer of the data from the main building to the containers is expected to be complete by mid-September. The other two containers are being configured with the IT and office equipment needed to begin data transcription, quality control and copying operations, targeted to begin in January 2013. A contract has been issued for the out-of-production, legacy equipment needed to read the old data formats. The bid package for the modern tape drives and related hardware and software has been advertised and bids are due October 1. A third procurement package covering back-up generators has been advertised and bids are due by end of October 2012. Technical training to prepare data center staff for the transcription operations will be underway over the next 4 months. Preparing for the eventual transfer of the national data repository to PCG is an urgent priority. An MOU outlining the transition from GNPC to PCG was agreed as an action item during the Bank's last mission in February 2012 and is still not in place. Attention must be given to designing the space within the new PCG building for the data center. Recruitment and training of PCG staff should begin now since this will enable PCG staff to participate in the transcription operations about to get underway.

Component A.3 – Environmental Management (US\$4.0 mil.). This component is designed to support GoG in managing environmental aspects of petroleum development in accordance with international standards by strengthening capacity of the EPA.

Implementation progress: Progress on the laboratory is lacking but other elements of the EPA component are making some headway. During the course of the Bank's mission,

EPA confirmed their support for the turn-key, containerized solution that they presented during the last mission in February. But months have passed and time has obviously been spent on an alternative concept based on a pre-fab building. The Bank team believes the pre-fab approach would have been a serious setback on timing and could have introduced risk that the resulting facility would not have the environmental control attributes required for certification of the lab. Now that EPA has returned to the turn-key containerized solution, it is vital that bid documents be developed as soon as possible. A draft equipment list for the lab shows that costs could be higher than expected (US\$1.6 million). Bids on the marine vessel have been received and are under evaluation. Bids on the GIS package and computers are also under evaluation. EPA has tabled a proposal to hire a stand-by oil spill response and dispersant spraying service. The Bank will provide comments. With respect to advisory services, EPA plans to use the Norwegian program in lieu of the Bank project for the majority of their needs.

Component A.4 – Revenue Management (US\$1.0 mil.). This component is designed to support the petroleum revenue management functions that fall under MoFEP and GRA and to strengthen coordination with petroleum sector agencies under MoE.

Implementation progress: Discussions with MoFEP during the mission indicated a renewed seriousness to use the Bank project to support its revenue management functions. The revised work program tabled by MoFEP consists of in-country training and targeted overseas training plus consultancies to support certification of benchmark revenue estimates and development of procedures for implementation of the Petroleum Revenue Management Act. The Bank team endorsed this approach and suggested that the work plan be finalized for no objection. In September, six GRA staff will attend the petroleum measurement course in Texas and this will complete the GRA training plan for 2012. GRA needs support in developing its audit function and the Bank offered to help identify suitable consultants. The project is supporting a consultant to advise the Investment Advisory Committee regarding management of the petroleum funds.

Component A.5 – Sector Governance (US\$3.0 mil.). This component aims to strengthen the institutional arrangements for governance of the oil and gas sector, particularly through managing expectations, seeking feedback, building consensus, ensuring the supply of timely, reliable and accessible information, and strengthening transparency and accountability mechanisms.

Implementation progress: Implementation progress in this component is mixed. The consulting assignment with StrattComm for MoE communication strategy is delayed and the contract is being extended to year-end, a matter of concern to the Bank team considering this seemingly straightforward assignment. MoE is issuing quarterly brochures, although the Bank team believes the quality of these brochures could be improved. The tenancy agreement is being finalized with Ghana Technology University College for the Oil and Gas Information Resource Center. The Attorney General's Office has successfully implemented its training program, sending 7 attorneys on short courses. EOCO failed to submit training plans and is not currently receiving any support from the project.

Component B.1 – Vocational Support (US\$4.7 mil.). This component supports equipment purchases and curriculum development at vocational training schools to meet the development objective of enhancing the skills of local people for work in the oil and gas industry.

Implementation progress: This component has experienced delays over the past 6 months and efforts must be made to regain momentum. The consultant hired to develop equipment specifications for the bidding documents was unable to complete his work and the consultant working on KNUST laboratory equipment was recruited to complete the work. Specifications for some of the equipment packages are ready but others will take more time to complete. The PCU agreed to advertise whatever packages are in hand by September 15 and to launch a second procurement when the remaining specifications are ready. It was agreed that, since receipt of equipment is now approaching, COTVET should begin the training programs at the three institutions and mobilize the consultant for curriculum development.

Component B.2 – Support to KNUST (US\$6.0 mil.). This component supports establishment of petroleum engineering and chemical process engineering laboratories at KNUST.

Implementation progress: Significant progress has been observed on this component and both the new and refurbished laboratories are now expected to be in service by the beginning of the next academic year. The new petroleum engineering laboratory building has been roofed and is being painted. Construction is expected to be completed by end of November 2012. Layout design of the various designated laboratories, as well as the floor plan for the installation of laboratory furniture has been given to the contractor. The layout design consultant was also assigned responsibility to compile the specifications and estimated cost for the laboratory furniture. Bidding documents for the furniture and supporting power are being prepared for the Bank's no objection. The furniture and equipment packages are expected to be advertised by mid-October. The consultant working on the refurbishment of the existing chemical engineering laboratory has completed work on the design and preparation of the bidding documents. Tender evaluation is expected to be completed by the third week in September for the Bank's no objection. The contract is expected to be signed by the second week of October with completion of the work now expected by the end of May 2013. A consultant has submitted draft bidding documents for refurbishment of the existing chemical engineering laboratory and has also submitted a draft equipment list and specifications for the preparation of the bidding documents. In 2011, six (6) staff were sponsored to pursue Masters Degrees. Three (3) staff who completed one-year Masters programs in the UK are already back to teach courses in the coming academic year, and the College is going through the process of regularizing their tenure. The other three graduates studying in Norway and the USA are in their second year and one may go on to complete a PhD in 2016. In 2012, four (4) staff were sponsored (2 Masters and 2 PhD's). those pursuing masters programs will be back to teach courses in petroleum engineering in 2013, bringing the cumulative number of new faculty to five (5) and seven (7) in 2013 and 2014 respectively.

Financial Management and Disbursement

The present mission did not include a financial management review. The next review will be conducted during the mission planned for February 2013.

Issues Affecting the Pace of Implementation

- a. The PCU has identified a candidate for the long-vacant procurement specialist position. The Bank team believes this is a major breakthrough in moving the equipment packages forward.
- b. The extended presence of the Norwegian consultant has turned the data management component around. The Bank TTL will encourage Norwegian counterparts to keep the consultant fully engaged.
- c. The PCU has prepared a revised 2012 procurement plan. The Bank has provided comments.

Pending Actions and Agreed Next Steps

Based on the findings of the mission, the following actions steps were discussed and agreed:

Item	Action	Responsibility	Completed by
1.	Finalize project reallocation table	PCU/Bank	December 31
2.	Based on #1, prepare project restructuring documents	Bank	January 31, 2013
3.	Finalize MOU on transition of data center from GNPC to PCG	GNPC, PCG, PCU	September 30
4.	Send lab bid documents to Bank for No Objection	PCU/EPA	September 30
5.	Bank comments on EPA stand-by oil spill surveillance and dispersant spraying service	Bank	September 21
6.	Review procurement procedures for contractor for Petroleum Commission building refurbishment	Bank	September 21
7.	Finalize revised 2012 procurement plan	PCU	September 21
8.	Advertise 1 st batch of COTVET equipment	PCU/COTVET	September 30

Disclosure

The disclosure of this Aide Memoire has been discussed and agreed with MoE.

Annex 1
List of Agencies Contacted

Agency	Principal Representative(s)
Ministry of Energy	Alex Kyei, Project Coordinator OGCBP Samuel A. Afram, Project Manager OGCBP Edward Bawa, Director of Communications
EPA	Kojo Agbenor-Efunam, Coordinator OGCBP
GNPC	Thomas Manu, Director, Exploration & Production Ferdinand Aniwa, Manager Info Sys. Keith Harris, Consultant
Ghana Petroleum Commission	Dr. Juliet Twumasi-Anokye, Legal Advisor Nii Adzei-Akpor, Advisor
Ministry of Finance & Economic Planning	Dr. Alhassan Iddrisu, Director, Real Sector Unit
Ghana Revenue Authority	Mr. George Blankson, Commissioner-General Mr. Delali W.K. Klubi, Head, Petroleum Unit
COTVET	Dr. Baffour-Awuah, Executive Director Sampson D. Tetey, Coordinator OGCBP
KNUST	Dr Darkwa, Dr. Baah Ennum, College of Engineering