THE BROOKINGS INSTITUTION

EAST AFRICA'S OIL AND GAS BOOM - PROMISE AND PERIL

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Welcoming Remarks:

MWANGI KIMENYI
Senior Fellow and Director, Africa Growth Initiative
The Brookings Institution

PAUL O'BRIEN
Vice President, Policy and Campaigns
Oxfam America

PANEL 1: PROTECTING RIGHTS, PROTECTING THE ENVIRONMENT, PREVENTING CONFLICT

Moderator:

MARIA RAMOS
Senior Program Advisor
Oxfam America

Panelists:

IKAL ANGELEI
Executive Director
Friends of Lake Turkana (Kenya)

BENNETT FREEMAN
Senior Vice President, Calvert Asset Management Trustee
Institute for Human Rights and Business

EMILY GREENSPAN
Senior Policy Advisor
Oxfam America

PETER VEIT
Acting Director, Governance Center of Excellence
World Resources Institute

SANDY STASH
Vice President, Safety, Sustainability and External Affairs
Tullow Oil

PANEL 2: TRANSFORMATIVE WEALTH, TRANSFORMING ECONOMIES?

Moderator:

IAN GARY
Senior Program Advisor
Oxfam America

Panelists:

ADRIANO NUVUNGA
Executive Director
Center for Public Integrity (Mozambique)

GODBER TUMUSHABE
Former Executive Director
Advocates Coalition for Development and Environment (Uganda)

PROSPER NGOWI
Professor of Economics
Mzumbe University (Tanzania)

CHARLES WANGUHU
Coordinator
Kenya CSO Platform on Oil and Gas

MOHAMMAD AMIN ADAM
Executive Director
African Center for Energy Policy (Ghana)

PANEL 3: SUPPORTING THE WAY FORWARD – BUSINESS AND POLICY RESPONSES TO CHALLENGES AND OPPORTUNITIES

Introductory Remarks:

STROBE TALBOTT
President, The Brookings Institution

Moderator:

MWANGI S. KIMENYI
Director, Africa Growth Initiative
Senior Fellow, Global Economy and Development

Panelists:

RICARDO SOARES DE OLIVEIRA
Lecturer, African Politics
Oxford University

AMBASSADOR CARLOS PASCUAL
Special Envoy and Coordinator for International Energy Affairs
U.S. Department of State

SIMON THOMPSON
Chairman, Tullow Oil

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P R O C E E D I N G S

MR. KIMENYI: We are about to commence, so if you could take your seats. Thank you very much for joining us for this event. My name is Mwangi Kimenyi. I am a senior fellow here at Brookings, and also, the director of the Africa Growth Initiative, and I would like to take this opportunity to welcome you all for joining us.

SPEAKER: We can't hear you.

MR. KIMENYI: We can't? So I have to repeat that, huh?

Okay, so I am Mwangi Kimenyi. I am a senior fellow here at Brookings, and also, the director of the Africa Growth Initiative. And I would like to take this opportunity to welcome you all to this event which we think is a very important one for our continent on this issue of oil and gas.

Our president, the president of the Brookings Institution, Strobe Talbott, will be welcoming you again later, so I will not talk much, because he will be coming here formally this afternoon to welcome you, which shows you the importance of this type of discussion that we're holding here.

The Africa Growth Initiative here at the Brookings Institution is quite focused -- okay, before I tell that story, this is a public event, so everything that you do or say is recorded. We also are webcast. We are webcasting this event, and for our webcast viewers, we have hash tag followers on #AfricaOilGas. It's over there. Africa oil gas -- that's the hash tag, so please note that. It's a public event.

So, at the Africa Growth Initiative here at Brookings, we are very focused, among other things, on the management of natural resources. And we are doing quite a bit of work on -- based on several issues pertaining to natural resource management.

So, the way we do this is like -- we would like to get this -- an informed debate. We do not want just to take one site. We would like to get a balance assessment based on as much as possible, evidence-based research. So, we work with partners, a lot of them -- many of them are here on the continent trying to understand the problems and the issues pertaining to the management of natural resources.

As we know, natural resources in Africa have been actually very bad. Okay? Endowments have not worked well. I am from Kenya, and I like to say that God loves my country so much that he hid the oil from us for 50 years (Laughter). So, God hid the oil from us for 50 years, because I can't imagine what would have happened if we had discovered the oil in the 1960s, not because we had bad people; the people are the same. That's a constant. People are the same.

What matters is the quality of institutions. And I think that's very important, looking at where we are going ahead. So, I'm looking forward to very informative discussions today, and I think we are here to gain. And we look forward for (Inaudible) from you, also. So, please, feel free at Brookings, the time that we are going to spend here, and we again, thank you very much.

I'm going to introduce -- ask my colleague from Oxfam -- again, let me thank Oxfam. We are doing this as a joint event, actually. It's done in corroboration with Oxfam. Oxfam does a lot of work on natural resource management, so thank you very much, the team from Oxfam for working with us, and we had a very good experience with you. So, we look forward. So, Paul, come and say a few words. And just as Paul comes, for panelists, when you come here, and even for all the audience, please put off your cell phone, because it interferes with the communication. Paul?

MR. O'BRIEN: Okay. Can you hear this? Is it on?

(Discussion off the record)

MR. O'BRIEN: Okay. So those of you who know me, will know that I'm very shy and retiring and will have real difficult reaching the back of the room (Laughter). Okay?

Well, thanks, Mwangi. It's an honor for Oxfam to be co-hosting this event with you. This is an amazing moment. When I think of the East Africa Oil and Gas Boom, I think that civil society organizations, and I mean that writ large -- I mean the foundations, the think tanks, the academic institutions, the investment advisors are going to have a real challenge in terms of heart, head and muscle.

So I'm going to tell you a little bit about what I mean by that. When I first went to the region, it was 1993. It was Kenya. I was working as an organizer in the slums in Nairobi, and I thought what I was witnessing was the dawn of meritocratic politics in the region. I was wrong.

I didn't spend four years in the late '90s in Uganda. And like many donors and all the internationals, I looked at President Museveni and I thought I was witnessing someone who would lead his country towards prosperity and democratic freedom, and he would know when to go home. And we all know how that went.

The last time I left the region, which was in 2007, I thought it had reached a tipping point; that it was going to finally end extreme poverty. The data tells me I was wrong again. Mozambique rests at second to last in the human development index. Eighty percent of Mozambicans and Tanzanians live on less than $2 a day. Two-thirds of Kenyans and Ugandans face the same fate.

And so, now we stand here, and they have discovered untold wealth in terms of oil and gas, and we have a moment. The numbers are staggering. Mozambique could make in revenues, $10 billion a year for the next 40 years. The region, the four countries we're here to talk about, is going to invest $7 billion over the next five years.

The finds that they've already discovered are almost without compare; a hundred and 30 trillion cubic feet of gas in the last three years. Two billion barrels of oil. So, this is the moment. And the question is, is the region going to use these resources to achieve something very different from the past, or is this another false dawn?

Oxfam has been working on this issue for more than 10 years. We don't believe that resources are necessarily a curse for countries. Ian Gary, Keith Slack and their colleagues have been working off a theory of change for more than a decade, which is actually pretty simple. It goes like this: With enough transparency, the right to know, and enough citizen voice, the right to decide, we can bend government investments towards poverty reduction and protect rights. That's it.

So, how is it going? Well, the genius of transparency, of course, is how passive aggressive it is. Its motives are so benign that everybody -- corporations, governments, everyone loves transparency until it gets to the point where you are starting to talk about the redistribution of power and resources from the haves to the have-nots. And then, things change.

So, for example, Oxfam worked for years to get legislation passed which would -- and in 2010, that legislation was passed. We were part of the Publish What You Pay coalition that would make the deals struck by corporations more transparent. Corporations loved voluntary guidelines, but when it got to the point of legislation that would actually threatened their competitive advantage with those who weren't held to the same standards, they sued the Security and Exchange Commission.

It's the same with Citizen Voice. We have been watching the growth of civil society, capacity building and voice all around the region in East Africa. It's all very positive from governments and others, until it isn't.

In Tanzania -- I was in London about two months ago at the Open Governor Partnership, and I saw President Kikwete speak very eloquently and compellingly about how he embraced civil society and transparency without a hint of irony, when only three weeks beforehand, he had closed, or his government had closed two newspapers for publishing the salaries of government budgets.

In 2013, we saw multi-party elections in Kenya which were very different to what we saw in 1992, but as soon as the new government got into power, what did they do? They tried to pass a law that would prevent local civil society organizations from taking international money, essentially ending a lot of the advocacy they were doing.

That law didn't pass, but what did they pass? A law in January that may push the free press out of existence.

In Uganda, here's a tweet we got from the Minister from Internal Affairs last week: CSOs should put Ugandan interest first and be opposed to retrogressive foreign ideas and innovations. And when you ask what Ugandan interests are, the next tweet makes it clear. CSOs should carry out their advocacy roles through recognized government channels and institutions.

What does all this tell me about transparency and civil society of voice? It tells me that we're getting close. It tells me that we are starting to be very politically relevant to the future of these flows. And so, I think the challenge for all of us is three-fold. It's about heart, head and muscle.

What do I mean by that? I think we collectively are going to have to show a different kind of courage as we get to more and more political relevance. We're now asking grassroots organizations and local organizations to engage in serious advocacy around redistributing power from the haves to the have-nots. We're asking them to show political courage, and we, those of us who believe that Citizen Voice matters are going to have to stand alongside them -- that's a very different proposition if you're a funder or an international NGO than it used to be.

Second: We're going to have to get creative. The idea that people living in poverty are sitting around waiting for transparent data about budget spreadsheets to change their lives is a fantasy. We are going to have to get creative about how to use technology, data, new and better ideas to connect people to all of this new transparency to make it politically salient.

We've got great examples of that. The Oil for Agriculture campaign in Ghana harnessed a lot of civil society activism and got the government, through grassroots activism to make a commitment to spend money on small holder farmers. There are growing examples, and we're going to have to get very creative about using them and leveraging them.

And finally, we're going to have to recognize that at the end of the day, if you want local institutions who will lead developments to gain real muscle than like muscles, we're going to have to use them. We cannot circumvent the local institutions that will deliver development in the long-term.

If there ever was a time that development thought it was about transferring technology and resources from the affluent countries to the less affluent countries with better widgets and more money, those days are done. What this conference tells us is that the future of East Africa lies with its people and its own natural resources. But we want to be relevant as civil society organizations to their journey, then we're going to have to show the heart to be with them when the politics get rough, the brain to help give some ideas that will help connect the grassroots movements to this broad political discussion, and we're going to have to help strengthen, not undermine the muscle of the local institutions that will ultimately drive development in the region.

I have been wrong about a lot of things in East Africa, but I am not wrong about this. The future of East Africa is going to be determined by its own people as they take on power and politics in the region.

Thank you. (Applause)

Okay. I have the pleasure -- shall I introduce Maria?

(Discussion off the record)

MR. O'BRIEN: Okay, we're going to deal with the sound system. Not everybody likes shouting, like me (Laughter). And while I still have the shouting and I am shouting, let me just introduce the moderator, who I think will introduce the next panel.

So, it's one of my own colleagues, and I'm delighted to introduce her, Maria. Maria Ramos, will you come up and take the podium here? I think you're over to the very right. Maria joined us not too long ago at Oxfam, and we were absolutely delighted. She has more than 15 years of experience in this sector, working in Angola on the oil sector with the Open Society Institute.

She's worked in Ecuador on the Chevron issue, which will be familiar to many of you. She's worked on mining in Guatemala. She has deep experience in both the sector and in the rights agenda that citizens have wanted to engage on this front. I am particularly proud that Maria was tasked with creating a center for strategic support from Oxfam America to the 90 countries that engage.

The problem that we have is that every country that Maria goes to and says, would you like to engage on extractive industries agenda says yes. And so, we're now up to 20 and counting. And even though she is a super human, she is only one person with a small amount of resources. So, a little bit, victims of our success, and I'm sure you'll hear now why we are in demand in this area.

So, Maria, with that, if you could introduce the panel that will be speaking?

(Discussion off the record)

MR. O'BRIEN: Oh, they'll introduce them in a minute. Okay.

(Discussion off the record)

MS. RAMOS: Thank you, Paul for that -- can you hear me? Yeah? In the back? Cheaper seats? Yeah? We are, indeed, very pleased to be here today, and very pleased to be co-hosting with the Brookings Institution. This event is a month in the making. And I'm also that eight trans-Atlantic flights later, our colleagues from Africa are also here, safely.

It’s no coincidence that we sequenced this conversation on human rights, environment and conflict first. For us, for Oxfam, we see these issues, these two panels as interconnected. Human rights impacts, environmental impacts, community’s right to decide if and how a project goes forward; interconnected with issues around revenue; understanding how much money is coming in, how much money should be coming in from extraction projects, and how these revenues are invested in pro-poor development.

But where the public discourse on East Africa’s oil boom is largely centered around the ease and speed at which these resources are coming to market to Asia, to India, to China, and how revenues will be generated, and in some instances, borrowing and spending against future revenues that at the very least are seven or eight years down the line -- for us, this conversation must start at the beginning -- at the beginning of the project cycle.

Ensuring that communities are properly consulted, that they can give or withhold consent for a project without coercion; that this is done throughout the life of the project, not just during the EIA process; that both men and women equally partake in decision making processes. Issues are in resettlement, environmental impacts, compensation, land titling. We know that if we don't get this right at the beginning, this will only result in or exacerbate conflict.

And at the crux of this is governance -- good governance. And good governance is not just about technical capacity, the savvy, but it’s about political will. The political will to ensure that citizens’ rights are protected, that the revenues will benefit the entire country, not just a few in power.

So, joining us today -- my esteemed panelist is Ikal Angelei. She is the executive director of Friends of Lake Turkana in Kenya, Bennett Freeman who is senior president for Calvert Asset Management and is a trustee with the Institute for Human Rights and Business, Emily Greenspan, who is senior policy advisor for Oxfam America, Peter Veit, who is acting director for governance, Center of Excellence at World Resources Institute, and Sandy Stash, who is the vice president of safety, sustainability and external affairs at Tullow.

And I've been asked to be very strict about your time, seven minutes, so that we can have enough time for conversation. So with that, thank you so much for being here. And Ikal, I'll turn it over to you.

MS. ANGELEI: Thank you very much. My name is Ikal Angelei. I am the director of Friends of Lake Turkana. We are a community trust in the Turkana Basin who focuses on natural resources and environmental justice. Our biggest mission is to ensure social, economic and environmental justice for local communities.

And Turkana is in the northwestern part of Kenya. We border Southern Sudan, Southern Ethiopia and parts of Uganda. It's a dry area, mainly known for its draughts. It makes the international media for draught, famine and sometimes conflict.

In 2010, for the first time, we started being known for oil finds, and it brought a lot of expectations, as is rightly -- it should. In an area that has suffered marginalization for years by the central government, we are now enjoying a different sense of interest. We have a 4 percent women's literacy level. We have a 94 percent poverty level. We have an 87 percent illiteracy level.

So, the sort of environment where this oil has been found is rare, where communities take part of in the decision making process is a little different, where their information -- the information they have is very little in comparison to what the central government knows.

So, one of the people who are working -- the companies working in the region is Tullow in the oil exploration. We have the EHRC and we have CEPSA, which a Spanish company linked to Total, all doing the exploration, but now, Tullow is the big company because a lot of its finds are commercially viable.

We are struggling with sort of a system of governance that moving from a centralized system to (Inaudible) system of government. We got a new constitution in 2010. And so, grappling with the implementation of these legislations. The land is being explored. So while the oil un-dies, it belongs to government. The land that the oil is on is community land. Unfortunately, it is one of the legislations that has not been passed into an act.

So, we're grabbling with the fact that how is work going on on land that has no legislation that governs the land? And this, I think, is a quagmire that boat companies, local communities are suffering from. So it’s an issue within national government. These are the sort of problems in terms of where the compensation -- if the land that Tullow is working on is destroyed for one reason or another -- a spill; grazing land is taken from local communities, how are we going to deal with the compensation angle when we do not have legislation that governs the same land? So we are struggling with that.

As I said earlier, it’s an area where there’s conflict. Information from government trickles down very slowly, and sometimes does not get to local communities, which creates environment for conflict. And as I said -- you know, an area where we have access to arms in the region. We need to start working towards a space where the conversation is had, not only on a national level, but allows inclusivity of the local communities.

We're seeing this in Nigeria where local communities who felt excluded from the conversation really have nothing to lose. And they're the people who would then create the conflict. And this is a conversation that has to be had. It does not need to be had by government bringing security personnel to secure the oil wells. The government of Kenya has not given security to the local communities in the region. But now, with oil, the government of Kenya is giving security to the oil companies.

What does that say for the citizens in the region? It means that you're not entitled to security, but the oil wells are entitled to security. And this is something that is critical and has to be discussed at a national and at a local level.

Again, issues around revenue. Right now, we have nothing concrete that indicates how much revenue goes to national government and how much goes to the local communities and to the local government. We are struggling with that, because the local communities are feeling that -- we've been detached from government. So, we always made the joke that we're coming from Turkana and going to Kenya.

And for this local community -- for us to say it's a national asset, it is time that a deliberate effort is made to bring the local communities in the Turkana region to the level that they feel they are on the same playing field as the rest of the country, for you to ask them that there is need for -- so revenues have to be shown to be really good to make a deliberate effort to increase their livelihoods.

As I said, with a 97 percent -- 94 to 97 percent poverty level and 87 percent illiteracy level, how do you expect such communities to say, we want to be -- we are on the same playing field? How do you expect them to feel that? This is a national resource, and for years, there has never been a national resource that has been brought to bring some social-economic transformation to these communities.

So for me, as a representative of the local community, I think it is time that, one: The companies working in the region have to recognize that the political economy of the region is different. We're not on the same playing field. So, what national government perceives is not what the local community perceives. And it is time to make sure that they get it right.

We cannot continuously put ourselves behind government has said. No. The national government may have said, but you're working within a region where communities need to be part of the conversation, and they have to be on the table. So companies have to push forth the local communities' inclusivity on the discussion table, and not just always hide behind the barriers of the national government has said. Thank you.

MS. RAMOS: Thank you, Ikal. (Applause)

Bennett?

MR. FREEMAN: Thank you, Maria, and good morning. Thank you very much both to Oxfam and to Brookings for convening this timely conference today.

As Maria alluded in her introduction of me along with the other panelists, I'll speak briefly from two perspectives. First, from my day job with Calvert Investments, and secondly, as a trustee and director of the Institute for Human Rights and Business in connection with the Nairobi process that our organization has gotten underway in recent months.

First, from the Calvert perspective. I want to be very clear that we're all here focusing on the development of oil and gas resources in East Africa because we share a desire to see the people of those countries -- not just the governments, not just the oil companies, the people of those countries escape the resource curse which has been such a plague to not only other countries in Africa, but to all many countries elsewhere around the world.

And certainly, there are important lessons to learn, but also a range of players who have interests at stake here. And while it is absolutely appropriate that

NGOs led under the umbrella of the Publish What you Pay Coalition have led the charge here for revenue transparency, whether through multi-stakeholder initiatives like EITI, legislation such as Dodd-Frank 1504 and its counterpart in Europe, we hope Canada and elsewhere, that investors, responsible investors also share a stake in the prudent and transparent accountable management of these oil and gas resources.

That's why Calvert has seized the chance the last several years to mobilize a broad and deep-based coalition of investors of all sizes and shapes, and not just based in the United States, and not just traditional so-called sustainable and responsible investors to support Dodd-Frank 1504.

And the reason is, is not just that we care about East Africa and other countries escaping, avoiding if possible, the resource course, but because we see material interests at stake in the disclosure of the data that we're going to be getting sooner rather than later, we hope here, in terms of what companies are doing with those revenue payments -- those taxes, those royalties, signing bonuses, and so forth.

They will give us an absolutely critical insight into the political, legal, reputational and operational risks that companies in which we invest or may choose to invest or not will be dealing with -- have to be dealing with in the context of both established and new emerging oil and gas ventures alike. So, that's why responsible investors have planted our flag together with NGOs, international CSOs regionally and locally on behalf of revenue transparency and accountability.

And that's where the Institute for Human Rights and Business comes in. While lending support to transparent and accountable revenue management and the role and voice of local communities. In Kenya in particular, the institute is set up -- the Nairobi process, with local NGO and CSO partners to take a rights based approach to the development of these oil and gas resources in Kenya, in particular.

And the hope, the expectation, the imperative is that Kenya can become a model among East African countries to take a rights-based approach and avoid some of the excesses here that have been all too apparent elsewhere in Africa and around the world. And so the institute has been putting forward a series of internationally agreed human rights principles, the guiding principles -- UN guiding principles on business and human rights and other standards, such as the voluntary principles on security and human rights as templates to help guide government at different levels in Kenya, to help give a template to NGOs and CSOs, local communities to hold the government and companies accountable for how security forces may be deployed and may operate.

And Ikal made, you know, the most incisive point five minutes ago, that it is absolutely critical that security focus not just on oil and gas installations; not just security for the companies, but first and foremost and fundamentally, for local communities. And the institute is working very hard to develop awareness of the voluntary principles and their operational utility for companies, communities, government and security forces alike.

Also, at the same time, working with local communities and NGOs at the national level on other difficult issues that come into play here, like for example, land rights. So, we're very hopeful at the institute that we can play a role here working with in-country NGOs and CSOs to help ensure that there’s this rights-based approach as inevitable conflicts arise, as Kenya’s oil and gas resources are developed.

Let me just close with a theme that I think is just critically important here, which is not only the diversity of interests at stake here, whether for local communities, civil society, governments, companies, investors, but the absolute imperative of finding points of convergence; of converging interest among the actors, and a willingness to come together and define points of consensus even among -- even in the context of inevitable conflict that will lead us to the same goal.

And that goal is for East Africa, Kenya, the other countries of the region, Uganda, Tanzania to try to escape this curse. We share a stake. Let's find those points of convergence even amidst the conflict, and I really look forward to the discussion on the panel and the rest of the day to hear how we're going to do it together. Thank you. (Applause)

MS. RAMOS: Thanks, Bennett. Emily?

MS. GREENSPAN: Thanks, Maria.

So, as Maria mentioned, I work on Oxfam America's Extractive Industry's team, and I lead our research on issues of local community participation and decision making around oil, gas and mining projects. And this is an issue I've been working on for about 10 years now, beginning in Peru, looking at issues of consultation with indigenous communities around hydrocarbon blocks in the Amazon.

And you know, one issue in particular that I focus on quite a bit is the issue of free, prior and informed consent, which we really see as the gold standard for community engagement and participation around extractive projects. So, what is free, prior and informed consent, or FPIC? It's the idea that indigenous and local communities must be adequately informed about extractive projects in a timely manner, and importantly, given the opportunity to approve or reject these projects prior to the commencement of operations.

This is not a one-off process. As Maria mentioned at the beginning, it applies to every phase of project development. And Oxfam has just produced a paper which is available to all of you here with the Center for Public Interest Law in Ghana which looks at FPIC in the African context.

And one thing that I think is really exciting and interesting about looking at this issue in the African context is that you know, we've seen it -- the issue talked about in Latin American and other regions for decades in the context of the indigenous rights movements. And as Oxfam, we recognize that FPIC is protected in law; in an international law for indigenous communities. But we're also seeing that it's emerging in Africa as a standard for all extractives industry projects, regardless of the type of community that's impacted.

And one of the key things that I've noted in the last few years and highlighted in the paper is that we're seeing regional institutions in Africa embracing the concept and talking about it as applicable to all local communities.

So, just a few examples. The economic community of West African states issued a mining directive which actually applies to both the mining and the oil sector in 2009. And this directive provides principles for harmonizing mining regulatory regimes in West Africa, and it is binding on states. They issued this directive in 2009, and there's an important article which actually calls on states to ensure that companies obtain FPIC pre-exploration, and prior to each subsequent phase of mining and post-mining operations.

We also saw in 2012, statements from both the Pan-African parliament and the African Commission on Human and People's Rights calling on states to ensure FPIC in decision making around natural resource projects.

And then finally, the Africa mining vision -- although the report itself that came out in 2009 talks about participation of communities more broadly, when we see in 2011 the implementation action plan for the vision, there is a specific reference to states ensuring protocols to protect FPIC. So, this is something that's been kind of exciting and interesting for me, seeing the initial background coming from indigenous rights, and seeing the concept owned differently in the African context.

I also think you know, another point that we talk about it in the paper is that you know, companies are recognizing that there's a business case for a consent. There's a way -- you know, as a way to mitigate risk of social conflicts around projects. And companies that don't enable communities to participate in decision making face real commercial risks, as Bennett was noting.

And this is not a new phenomenon in Africa. We've seen in Nigeria, that they lost up to 800,000 barrels a day as a result of violence and conflict in the Niger Delta. That was in 2005. We saw that you know, Tullow experienced a stoppage just in October of last year as a result of local protests. We also saw last year in Mtwara, Tanzania, local protests and violence around location of a gas processing facility.

So, this is something that you know, companies, I think are quite aware of. And I wanted to also note that Oxfam, actually, in 2012, we issued a report that's called the Community Consent Index, and this is a report that -- this is the second version of the report which will be updated next year looking at company positions on this issue, and where are companies standing.

And we've seen that out of the 28 oil, gas and mining companies that we've reviewed, 20 have publicly incorporated, either directly or indirectly, general concepts of either FPIC -- the idea of community support of projects, or the idea that companies need a social license to operate.

We saw five companies that have explicit FPIC policies, and we saw an additional eight that had either indirect or qualified commitment. So for example, a company might say that they have adopted an approach consistent with international standards which outline consented principles. So, there is some movement, and we're hoping that we'll see much more of that next year. I think companies are beginning to understand the business case.

And so you know, finally just a couple of suggestions -- I think you know, first, for companies, that companies should be aware that this FPIC trend is coming; that it's different, the way that Africa is looking at it, and if they want to get ahead of the curve, that they should start putting this Paul FPIC -- policies into place now, and starting to discuss and really think through implementation strategies for how to make this work.

I also think, you know, donors should raise this issue with governments and encourage them to take concrete actions to enshrine FPIC in their national laws. This is both you know, for the protection of human rights in the context of oil development, and also, to promote a stable operating environment. And I think that we are seeing examples like Kenya, where there's real live opportunities now; a lot of legislation being discussed, and I hope that we'll be able to take advantage of that and ensure that FPIC is protected in the new legislation.

SPEAKER: Yay.

(Applause)

MS. RAMOS: Thanks, Emily. Peter?

MR. VEIT: Good morning, everybody. I'm going to thank Oxfam and Brookings for the opportunity to speak. I'm delighted to be here. I've been given five minutes --

MS. RAMOS: Seven.

MR. VEIT: Oh, I've been given seven minutes. Oh, great (Laughter).

WRI works on safeguards, because we think safeguards are an important and useful tool for addressing social and environmentally related conflicts. We work on a small number of safeguards, and given the attention and the expertise that's here on the panel as well as in the room on transparency issues, what I thought I'd do is focus a little bit of attention on land safeguards.

It's an issue that many of the panelists have already talked about, but I think it might be useful to add a little bit more information on that. So, I've got seven minutes. I want to make four points.

The first is that the international safeguards, the international norms around land rights are rapidly changing. We have very strong World Bank safeguards on land. We have very strong IFC performance standards on land, but particularly focused around compensation issues. They are very weak on land rights.

And so, there is a movement right now to try to reform those safeguards to try to strengthen community land rights specifically, and I want to put a shout out to the FAO voluntary guidelines that were passed in 2012. Those are rapidly becoming norms. They talk about legitimate ten year holders. And I think those, coupled with the interest of developing a land target in the post 2015 MBGs might provide some additional momentum to reform the international safeguard standards. So that's the first point.

The second point is that of these three countries or the four countries in East Africa, the land laws are actually quite good. If you look at Mozambique, Tanzania, Uganda, they are three out of the seven countries in all of Africa that recognize fully customary tenure arrangements without them having to be registered and formalized by the state. That's very unique in Africa.

We have a community land rights bill that's being discussed in parliament. We'll have to wait to see what that looks like in Kenya, but we're very optimistic that that will be quite strong as well. So, we work in an area where the land laws are quite strong.

If you look at the petroleum bills, however, our third point -- my third point is, we have much more -- we have a bit of a problem with the petroleum loss with regard to land rights. If you read, for example, the two petroleum bills that were recently passed in Uganda, they subordinate community land rights to petroleum rights. And let me give you some examples of this.

Emily was talking about FPIC. FPIC in Uganda is only for used and occupied land. It's the land that's actually -- it's homestead. It's the land that's farmed. It's not the common property; that area that is not considered used and occupied by many countries in Africa.

If communities want to build or if an individual wants to erect a building on his land, he now has to get written approval from companies in order to erect a building on -- or a structure on his property. He's allowed or she's allowed to use their land, farming and agriculture, but only insofar as it doesn't interfere with petroleum operations.

Now, all of that, of course, is necessary for petroleum rights to be exercised. But I think the balance between petroleum rights and land rights is not quite there, and the subordination of land rights is a particularly important issue.

The fourth and last point I wanted to make is to talk a little bit about the practice around land rights. And here again, we have some problems of implementation. So that partly, there's a contradiction between some of the laws in the East African countries, but also, we have a real challenge around practice.

And let me focus on two issues here, and then I'll finish up. We know land values are increasing in the oil areas significantly, and within months at a time. The number of land transactions that are taking place in the oil regions in all of these countries in East Africa is skyrocketing, and it's usually resulting in local people losing their land and elites taking that land.

Now, all of this is under the guise of willing seller, willing buyer, but it's hardly willing seller willing buyer in the way that we know it. There's a lot of pressure. There's a lot of concern about whether you're going to get any compensation whatsoever for the land. So there's a real need to look at how these land transactions take place, how to create transparency around these land transactions, and how to ensure effective compensation.

The last point I wanted to make is just a point that Godber talked to me about just a couple of days ago, and that is, land is being expropriated for pipelines and for refineries, for example, in Uganda. Compensation is based not so much on market value; it's based on government valued land. And a lot of times, there's a real delay in when compensation is paid, and in that period of time land values increase.

So the amount of compensation that is provided the landholders is significantly lower than market value. So, we have a lot of challenges with regard to land issues. And let me finish there. (Applause)

MS. RAMOS: Thanks, Peter. And last but not least, Sandy?

MR. STASH: Yes. Thank you. I'd like to also thank Brookings and Oxfam for the invitation.

I'm actually fairly new to both Tullow Oil and Sub-Saharan Africa, and I've been with the company just at about three months. And I'm sort of specifically brought in to take a new position that had not existed before in Tullow; at least at the level that I was brought in at, and that is to cover safety sustainability and external affairs issues for the company.

I think importantly, and I think it says something about the company, brought in at a very, very senior level to provide not only the support to the business, but the challenge when needed inside the company. I was actually pretty thoughtful in deciding what I was going to do next, and I will tell you, it was not only the strategy of Tullow Oil that attracted me to the company, but also, its values.

And I think specifically, and there's been a lot said on it already, the position that the company took on transparency I think was both right and bold, and it gave me the confidence to take the role that I did with the company.

To be clear, and I think I echo a lot of what the other panelists have already said, we do not under estimate the challenges of the success that we've had in East Africa, and I think specifically and recently in Kenya. And as I sort of enter my new role, I come at it with just a couple of general themes, and I think maybe a number of other panelists have also shared these.

And the first is, I come at it with a general theme that the discussions that we have need to be multi-lateral. And Bennett, I quite liked your point about points of convergence, because I think there's something critical and thematically in the way the company needs to approach our business generally, but also, specifically, the challenges in East Africa.

Secondly, on the ground, yes, there is a need to -- I've oftentimes heard it say educate or explain our business to the people that we're impacting. But I think there's secondly and more importantly, a need to engage. And I think that's actually a really important distinction that I oftentimes point out to my colleagues, which is educate and explain is kind of one direction. Engage is two directions. And I think again, particularly as we expand our business, that is going to be critical to our ability to be successful.

Thirdly, in a general theme, it isn't -- and it's interesting in our business, when you shift from exploration to development, and the Kenya -- and particularly in the Turkana region of Kenya, there is a potential for a large development in a place that is very, very remote. There needs to be, I think, a shift also in the company from -- for lack of a better word, sort of a cost of doing model -- cost of doing business model to one more of long-term investment. And that's certainly -- And by that I mean not only financially, but long-term investment in the mutual benefit that this industry can and should bring to the region.

Specifically, and I will be anxious to have further discussions, not just in this panel, but longer term with everyone one on, as we look at Kenya, our footprint is increasing. And as our footprint increases, our engagement needs to increase. And we have a clear understanding that needs to be at all levels of government, and I know even just in some brief conversations I had with some of the panelists, I think we need to be thoughtful that that include all stakeholders in society, including civil society and women, actually. And I think I learned a few things yesterday, actually, thank you, that called for some missings that we may have in our current engagement approach.

Secondly, we need to do the traditional social investment, but we also need to look at investment in the longer term. And I think it starts to get at some of the harder subjects. And Peter, you sort of inferred I think, to one of them, which is the impacts on people and land. And I'll add, water management, I think is going to be a critical issue for us in Kenya, and I think we need to think of that in the broadest possible terms.

And finally, and I think equally importantly, and we've certainly seen this in sort of our early days of expanding our opportunities in Turkana, we do need to help with building capacity, and we've had some, I think -- and by the way, this is both in capacity building for local businesses that can benefit from our activities, and also, from the local people that will ultimately be the employees for the expansion and activity.

And I think we've had some good experiences in Ghana, and I think we need to be thoughtful and figure out how to transplant some of the successes and some of the learnings to our activities in Kenya. So I'll close with that, and look forward to further discussion.

MS. RAMOS: Thank you, Sandy. (Applause)

So, I will use my moderator privilege and ask a few questions before opening it up to you. Ikal, you mentioned the issue of security and how government is providing security to companies, not to communities.

Bennett, you mentioned the voluntary principles. The voluntary principles are of course, voluntary. They're not binding. So, how do we ensure that companies are compliant with the VPs? How do we give confidence to communities in Turkana and elsewhere that there will be compliance?

MR. FREEMAN: Do you want to go first?

(Discussion off the record)

MR. FREEMAN: (Laughter) Okay, thank you. So, I was involved in the development of the voluntary principles on behalf of the State Department at the end of the Clinton administration, and I think it’s fair to say that there still is not full transparency and accountability around company implementation of the voluntary principles, despite some considerable progress and efforts the last several years, in particular.

The voluntary principles are governed through a plenary internationally and it will probably take a couple of more years for there to be sufficient progress here on transparency reporting. That said, and this is really my key point, both given my perspective on the VPs, but also, the Institute on Human Rights and Business’ point, is that nonetheless, there is immediate scope right now on the ground in Kenya for implementation of the VPs, and there should be an expectation on the part of local communities, CSOs, NGOs that companies, and not to put Sandy on the spot, but companies obviously, including Tullow, should be not only implementing the voluntary principles, but also, consulting with local communities and the government as they do. And also, finding a way to report on them.

And I can tell you that just because there isn't any mandatory reporting of the implementation of the voluntary principles at the global level doesn't mean that a number of companies haven't reported on implementation through their operations globally and on the national and even sometimes, local levels.

So, I would put to the side the problems in the voluntary principles process globally and focus on what we can do immediately now in Kenya on the ground and elsewhere in East Africa and around the world, and look to Tullow, I hope, to take some leadership here.

MS. ANGELEI: Just to add onto that, a lot of the times when we have engaged in the oil issues, the discussion has been that the agreement is between Tullow and the government. And I think Tullow has a stake to actually put it forward to government that it is government's responsibility to provide security for its people, whether we are having conflicts or raise between tribal communities. That is one part.

But it is the responsibility and obligation of the government to provide security for its people. A lot of the times now, we're seeing not only are the official security personnel being taken up by the companies, but also, local police reservists, actually being again pulled in by company; so company being able to discuss with government and saying, if Tullow in this case, should actually put it as leverage to government and say, as we are engaging, as we would like to do business, we would like to make sure that among the issues, the social issues that we are dealing with, that there is sufficient security around -- not only for us, but for also the residents in the region.

MS. RAMOS: Sandy, did you want to comment on that?

MS. STASH: I mean, it was actually a conversation that came up at our board a couple of months ago in voluntary principle. And I guess what I can offer is this is, particularly in the Kenya context, a conversation we should continue.

Because we, and I think someone referenced it earlier, had an incident and continued to manage some smaller -- lesser incidents, but incidents nonetheless. And I think it's just a conversation that we should continue to have to get it right, because we are a signatory to the voluntary principles. And clearly, we want to be sure we're connecting all the dots there in the Turkana region. So I would offer that.

MS. RAMOS: Emily? So you talked about community consultation, community consent, and for East Africa and certainly for Africa as a whole there are lots of lessons to be drawn particularly from Latin American. So, I wondered if you could comment on that; on implementing ethic.

MS. GREENSPAN: Yeah, great. And also, one thing I should have mentioned, too, to be sure that I don't paint too rosy a picture talking about company commitments to FPIC and our community consent index. There's still quite a long way to go in terms of implementation.

And I wish I had more positive examples to draw from, from the African experience about implementation of FPIC, but one that really struck me and one that we've actually documented in a report that Oxfam put it from controversy to consensus in 2012 is a consultation process that was implemented by the Ministry of Hydrocarbons in Bolivia. I think that's quite interesting, because ideally, it should be the government that's implementing these processes.

I wouldn't say it's by no means too late once the company comes in, but the earlier the better. Even pre-bidding process would be the ideal. In this context, the block was hydrocarbon block on indigenous lands in Bolivia that was going to be impacting Guarani communities. And one thing that was quite interesting is, the consultation process did not get off to a good start.

There was quite a bit of resistance from communities. But the thing that I think was positive about the experience is that the ministry was quiet open to their suggestions. So for example, the community came back and said, these maps are out of date. We need more updated information.

They wanted an adjusted timeline. They said in order to be able to -- the Guarani leaders, in order to have time to go back to their grass roots communities and appropriately engage with them, they needed a new timeline. And they wanted to do a field inspection with the government. So, they wanted to be sure that they were able to take government representatives and show them areas of particular socio environmental -- that were particularly sensitive in social or environmental conditions.

So, I think one thing that was to the government's credit is that they adopted the new timeline, and they responded to each of these demands, and they were able to reach written agreements. And they've been able to uphold those agreements. And it hasn't been an always smooth and perfect road, but the consultation engagement continues, and the agreements are still binding in Bolivia. This was just a few years back in 2010. So, I think it's a good example of how things might actually go forward.

MS. RAMOS: Did you want to comment on that?

(No response heard)

MS. RAMOS: So Peter, you mentioned this issue of subordination of land rights, contradiction of laws. There's certainly a sequencing issue in East Africa, in that one the one hand, we have questions about regulations, legislation. And on the other one, operations are moving forward.

To put it in a context, in Mozambique, the World Bank approved last year, a $50 million technical assistance loan to strengthen government capacity to manage the sector. This, in the context of concessions being doled out without a national cadastre, issues are on resettlement, compensation, questions about the legality of the land title given in the north to the new L&G project -- that's the implant. So, given the sequencing challenge, what's the lesson for donors and for operators?

MR. VEIT: Thanks. So, one point I think that is worth repeating, and that is that in Mozambique, in Tanzania and Uganda, customary land rights are recognized without registration, without getting a certificate. You don't need a piece of paper to claim the rights to your land. So it's a default position, essentially.

One of the interesting things about much of Africa, which I think differs with Latin American and Asia is that there are a systematic separation of property rights regimes between and high value natural resources. Now, around the world, subsurface natural resources are usually severed from land rights. But in Africa, it goes even further and they sever surface natural resource rights, as well.

So, you have a really complicated, overlapping land and natural resource rights regime. So, you can have -- a community can have rights, trophy hunting concession can be put on that. A logging concession could be put on that. A mining concession could be put on that. A petroleum concession could be put on that.

So it creates these huge, complicated, overlapping land and natural resource rights, which the laws do not address very carefully and very effectively. But they do create a hierarchy, and it's pretty consistent with the value of the natural resources. And it's pretty consistent that they all subordinate community land rights, despite the recognition and law for customary tenure arrangements. So, that's, I think a really important point to make.

The other point that I'd like to make, then, is that part of the problem of course, is that we don't have cadastres in a lot of countries. Land administrations are incredibly weak around Africa, and I think in part, that's done --

(Discussion off the record)

MR. VEIT: Excuse me (Laughter)? I'll let you say it. Done for lots of reasons, I think.

This is increasingly a problem for a lot of companies. Companies rely on governments, providing them land that is vacant, idle and unclaimed. Well, there's no such thing as vacant, unclaimed, idle land in Africa. All land is claimed. Right?

So, as communities recognize their land rights, as communities take action on their land rights, the costs to companies of dealing with contested land is skyrocketing. So, no company wants contested land. What I think is really needed, and we're working with a number of land rights organizations right now to create a global platform on community land rights.

And think of it as a first order title search. So, a company can look to see whether, in fact, the land that's being offered to them by governments is indeed, uncontested. So it's, we hope, a real opportunity for companies to go into the negotiations with governments and have a better understanding of who claims that land.

MS. RAMOS: Thanks, Peter. So, Sandy, I'm glad you mentioned women and extraction. We know that the impacts of extraction are gendered; that because of the roles in the household and the communities, women bear the brunt of the social environmental impacts, and certainly sexual exploitation.

Is this something that Tullow is looking at in its operation?

MS. STASH: I mean, clearly, it's -- we're involved in very active engagement with communities. And I think specifically, hopefully answering your question -- but I think my learning in some conversations over the last couple of days, and this is going to sound pretty simple, but you know, I think something we need to be more thoughtful about is, in those engagements, making sure that we're doing them at a time of day that women can participate, and if need culturally parallel to some of the conversations we're having with the leaders of the community.

So you know, I think -- I mean, clearly, our outreach and our engagement needs to be very broad. And I think we need to, you know, again, with advice from many of you, figure out the best way to do that, to be sure that we're actively engaging with women.

MS. RAMOS: We're happy to help (Laughter). Okay, on that note, we will open it up to questions from the audience. We'll take three at a time.

And I'm wondering, are there any government representatives here today? Okay. We'll take questions from you. Okay, we'll start here. This lady right here.

MR. KIA: Thank you very much. My name is Joseph Kia and I'm from Kenya.

I think the issue that I'd like to touch on is what I think Emily has suggested, FPIC. I think you'd agree with me -- these particular proposals (Inaudible) international law, and international law tends to be -- doesn't have, you know, in most cases, what you call legal penetration.

But I was suggesting that that could be complemented with what you call the aboriginal title doctrine. What that says is that the fact that the land was taken or colonized -- the aboriginal titles still hold. It is a common law doctrine, and I know like in Kenya, our court hasn't attended. So, I would suggest somehow, maybe also we need to invest on that.

And maybe land in Turkana, that issue can be raised. Because what is going to happen -- I think I was talking to Ikal, is that this community land -- it used to be trust land. Land that was held by the local government on trust -- I mean, on the behalf of the resident. But then in Kenya, we haven't defined what resident means, because I can move from one location and move to Turkana, and obviously, I'll be a part of -- you know, part of that ownership. And basically, that is already happening.

So, I would suggest that these (Inaudible) should be combined with these dot -- it's very difficult to do it. And I know aboriginal -- these are huge, or a lot of jurisprudence that are done in Australia, you know, (Inaudible) case where the indigenous in Australia are able to really get their land rights.

I know South Africa has really attained it, but I know in Kenya for specifically, our court hasn't done it, because there's a case that was brought on by Ogeick, and the courts said that they would entertain those -- you know, these aboriginal title doctrines. Thank you.

MS. RAMOS: Thank you.

MS. SEGERO: Good morning, ladies and gentlemen. My name is Rosemary Segero. I'm a president of a profit and a non-profit organization called Hope for Tomorrow. We focus on conflict resolution and violence prevention. I'm from Kenya, but I'm based here in Washington, D.C. Thank you so much for Brookings Institute and for your wonderful speakers, especially Sandy mentioning women.

What I wanted to give an idea -- not an idea -- is since we focus on conflicts and resolution, all the companies are going there for minerals to extract, to get money or to make money. Looking at the local people, how do you empower them? Do basic things for these people -- clinics, schools, women's access to power, to cook with power? African women have carried fire wood on their heads.

What are you going to do with these people on the ground? Are you just going to make money and get out or get people to fight? Because at the end of the day, when conflicts and violence comes, you will be the victims. So, how do we make this not happen? The young people who are the victims -- you need to empower them, create jobs for them, make them a livelihood.

In those countries, you are extracting minerals. This is their land. Don't ask what will the government do and they are -- you found people living there. You need to make a change into their lives. Coming to the profit -- I'm a profit (Inaudible), so I focus on what would small and medium companies -- how do you work with small and local businesses in Kenya to make money, too? To make their life? Not only to make money and get out of there.

You need to work with civil societies, small businesses. So, how do we collaborate with you people? Thank you so much, Sandy, for women a part of my (Inaudible). Since I was born and raised in Africa, they need empowerment. They need a life to live. Thank you so much.

MR. DOWNEY: Hi, thanks. Richard Downey from Center for Strategic and International Studies.

It seems one of the big problems is that in communities where the big discoveries of oil and gas take place is managing the wholly unrealistic expectations of communities who expect a bonanza tomorrow when as we know that the revenues are perhaps not so immediate at all. I'm interested in the panel's perspectives on how those expectations can be managed, maybe from government side, from companies and also, civil society and communities themselves.

(Discussion off the record)

MS. GREENSPAN: So thanks for that question. I fully agree. I think you know, it's an international concept. It's a process, but it very much needs to be owned and incorporated in national legislation in the way that's most appropriate for that particular context.

And I think you know, it's interesting to think -- I think I mentioned earlier, in terms of jurisprudence, that is where the legal protection lies for aboriginal indigenous communities. So, you know, whether it be national laws in the northern territory of Australia or whether -- or the Philippines, or whether it be in sort of international protections like findings of the Inter-American Court Commission of Human Rights, or you know, cases in Kenya, actually, the Endorois case.

All of those findings were specifically linked to indigenous rights. And even the Africa Condition on Human and People's Rights, when they made their decision in 2009 on the Endorois, a community that had been displaced from a natural protected area; and in that finding, they did make a specific reference to FPIC. But it was really based on the findings of the Inter-Americans or drawing from the jurisprudence of the Inter-American Court of Human Rights and talking about the Endorois as peoples, indigenous peoples.

And I think there's an interesting question there in Kenya of how, you know, now that there is so much legislation being discussed, you know, how does the country want to think about those protections? Because one route would be to go for the indigenous protections. You could think of the Turkana as indigenous to -- the African Commission on Human People's Rights as labeled the Turkana has indigenous.

But there's a lot of questions there in terms of you know, is that the way the Turkana want to be viewed? The question of you know, self identification, marginalization, land dependence from an international standpoint? Then that might be one way to go.

But another -- you know, there might be another approach that civil society and communities feel we want something that goes farther than that, even. We want to say in our national laws, we want something that protects all communities that are affected by oil and mining projects. And I think that that's why, you know, I thought it was important to mention some of the international standards and policies that are coming out in the African context, because that's where we're seeing that go. But these are, you know, political and difficult questions that the country will have to grapple with.

MR. VEIT: Mm-hmm. Which question (Laughter)?

So, this issue of indigenous territories is an interesting one in Africa. So, the kinds of international protections afforded to indigenous people separate and distinct from the rights that communities that are not indigenous hold -- there's this distinction international law between indigenous people and communities, which I think is a bit of a problem.

Because who is indigenous in Africa? I would argue that many people are indigenous in Africa. And so, I understand why indigenous people in Latin American want to maintain the distinction between them and other communities, but it is a real problem in Africa, because I believe that communities don't get the added protections they ought to in a lot of cases.

I am following with great interest the community land rights bill that -- we have a November of last year draft that we've been reviewing. And what's interesting in Kenya is that when you passed your new Constitution, which was very progressive on land rights, immediately, a whole series of laws were passed consistent with the Constitution except the community lands bill, which is the transformation of trust land to community lands. And I think I'm nervous, what the implications of this pause is. And so, I think there is a real need to try to make that law consistent with the principles that have guided community land rights in the other countries in East Africa.

Let me just say one other point regarding expectations, maybe a little bit, and benefit sharing, and maybe the implications for CSR. CSR is not the -- in my opinion, CSR is not what communities should be spending their time focusing on. It delegitimizes the state.

You know, all of these companies pay huge royalties and fees and taxes. And I recall the debate and the discussion that's been taking place in Uganda about revenue sharing. And you know, most of the oil areas are in the Bunyoro area, and they initially I think, asked for 50 percent.

So, that was pretty clear early on that no cultural institution was going to get 50 percent of the revenue. And I think the public finance bill now calls for 7 percent of the royalties to go to oil producing local governments. That's interesting, but it's unclear how that's going to be passed down. In Nigeria, there's a 19 -- oh, no, a 13 percent derivation that goes to the governors straight off the top. And it hasn't resulted, as everybody knows, in a lot.

Interesting. If you look at the mineral law in Uganda, it says land holders get 3 percent of the royalties. Not local governments, but land holders get 3 percent of the royalties, which is making a connection then, between land rights and mineral rights. It would be nice to see something like that in the petroleum bill. Thank you.

(Discussion off the record)

MS. RAMOS: We are years down the road from seeing any of the revenues from this project. So on this issue of managing expectations, if anybody else wants to comment?

SPEAKER: I would, but Ikal might have the more -- a more genuine perspective, if you want to go first.

MS. ANGELEI: The reality is on the ground, as I said, rightly so after the announcement that everybody expects. I mean, one of the proposals on the table is 30,000 shillings per household per month.

Again, a lot of it is -- I blame it both on company and government, because they raised the expectations. The announcements made within the basin was the -- the Lokitar basin is just one basin. It's not the entire Turkana. So, that announcement made -- of course, some people look at share price. Some people look at how the news is heating the Internet. I mean, everybody these days, even (Inaudible) have cell phones which have access to Internet.

And so, they see this information and it really creates this sense of big, big stuff coming to them. So when a government official is saying this land is going to be transformed in the next five years, land speculation is going on. So, areas that ideally were -- you'd get land just to graze, no one cared about the cost. They're now going for 200,000 Kenya shillings for a 50 by 50 piece of land.

So, you're seeing this. And so, it is the responsibility of government, but I guess it's something that the companies have to make realistic. I know. I understand it's a business and you have to make your shareholders happy. But again, the impacts will come down to governments, and again, going down to the rest.

And in terms of, again, I echo with Peter, the discussions around CSR versus CSI on a personal note. We have seen this, where government stops its role. We had draught in Turkana in the last few weeks. Tullow gave out 20 million shillings. Is it Tullow's business to give 20 million shillings for feeding programs in the country, or is it government's role to take care of the preparedness of a draught system?

So again, as companies look for social contracts, are we going above and beyond in making government -- you know, taking away the responsibility of government from you know, taking care of its citizens? So it's a big discussion that has to be had between CSR versus Community Social Investment that looks at the long-term of communities.

MR. FREEMAN: Yeah. I would add a couple of points. I mean, first, this theme of government versus company roles is so important, and it's finally now coming into focus. And I've been among those -- you know, among many others who, for a number of years, have looked to companies to play larger roles together with government and civil society in addressing a lot the sustainable development and human rights issues.

But that said, we've gotten to the point now where too often, companies are the default key that we press to solve every problem. I've really felt that, at the risk of putting forward a theorem that demands for corporate responsibility tend to rise in inverse proportion to government irresponsibility. And we've really got to redress that balance.

Now, in terms of the expectations issue, and Peter appropriately alluded to Nigeria, where any of us who have been to the Delta know that there's no more dramatic and tragic example in Africa, or for that matter the world, of dashed expectations. My view -- you know, again, I'm far less interested in my view than Ikal's view and those of you from East Africa.

But for what it's worth, based on some experience working with different actors -- governments, NGOs, companies, investors, that if there is any key, and there really isn't, but if there is anything approaching a key to managing expectations, it's transparency, and particularly transparency in this case not only around land rights and acquisition, but also, transparency around revenue management and ultimately, distribution itself.

Not to put too much weight on the Extractive Industry Transparency Initiative, the EITI, but it has been playing an increasingly important role in a number of countries in Africa and elsewhere in mobilizing civil society as part of its multi-stakeholder process to give -- to ensure that kind of transparency. I had the chance just two weeks ago to meet with the head of the EITI Secretariat in Monrovia, and was very encouraged by his and his team's efforts in Liberia to bring about that kind of transparency through engagement of local communities and civil society in that country, that itself is now beginning to look to the prospect of some oil revenues that are beginning to come in.

So, if there's any solution, I think it's that. And it's the kind of transparency, though, that has to be coupled by leadership from government; not just companies, leadership by government to say we're going to be transparent in the revenues we're going to receive. We expect companies reciprocally to be transparent in the revenues that they pay, and that they'll be a role, a big voice for civil society at the table, but whether through the EITI process, through representative democracy, through parliament, and in determining ultimately, where those revenues are going to go.

I think that's our best -- not our only hope, but our best hope. But it's going to take leadership by government to ensure that kind of transparency to manage expectations for the long run.

MS. RAMOS: All right. The age of technology. We have a question from Twitter from Shecanti. Good governance and transparency are essential. Do we really believe this can be achieved before the extraction frenzy begins? I'll let you marinate on that.

So, we'll take a couple more audience questions, succinct, please. Over there, over here and -- over here. Alda? Okay.

MS. SOLOMON: Thank you. My name is Alda Solomon from Mozambique. I work for the Center for Environmental Research and Advocacy, and I have a question for Peter and Sandy.

Yeah, I was pleased to hear that Peter is working now on a governance center for excellence, and I'm wondering what that is and what are you really trying to achieve (Laughter)? Because for us, many of the problems that we are facing are related to governance. So, I would like to hear your comments about that.

My organization is monitoring the licensing process of the Anadarko gas project in Palma, (Inaudible) northern of Mozambique, and we are also providing the affected communities with legal assistance. And what we have realized is that despite being a country where the legal framework is famous for being good, and we would expect that these resources would form a basis for the country to jump up from its poverty position, what we see is that we have a public private consortium against the rights and interests of communities.

The company and the government have joined hands and closed their land deal over -- to occupy over 25,000 hectors of land for the infrastructures related to the L&G project. So, our -- my question is, you know, what are the windows of hope that we have to really see good governance taking place, if everything that we have until now is not sufficient to ensure that?

Is there any space for the business sector to really comply with the, you know, international and legal norms related to social and environmental responsibility? And is there any space for our governments to really, you know, conduct themselves in accordance with the principles of good governance? Thank you.

MS. RAMOS: Okay, another late question. Michael? We'll go over there.

MR. JARVIS: Thank you. Michael Jarvis, Governance for Extractor's Team at the World Bank Institute.

I just wanted to pick up on Bennett and Ikal's comments on -- I full agree that transparency is sort of the starting point, and from the licensing through to the contracting to the revenues and even how those revenues are spent. But really, it seems to be the heart of what the issues of this panel are addressing is process and how you get that right.

And my worry is that too much of it from voluntary principles, et cetera, either at the global level or maybe trickling down to the national level say through an MSG of EITI -- but really, we're not getting these processes happening effectively engaging local government in say, the Turkana region.

I wonder if any have thoughts on processes they are seeing where that is maybe happening to a more sub-regional or local level, and how we can try and build that into -- across these countries for East Africa. Thank you.

MS. RAMOS: Okay, we'll take one final question. This gentleman in the back.

(Discussion off the record)

MR. NAM: Thank you, Chair. My name is Alfred Nam from the Uganda Embassy in Washington. My apologies for Ambassador Wonekha who could not join us at this session.

Mine is just a comment about the land issues. I have heard comments about complexities of the land, legalities of ownership, values attached to it, resentment issues. Those just indicate to you how land in Africa is complex. So, as we mention efforts which are under way, we should really appreciate what governments are doing to accord the communities that are affected by these discoveries.

I think it's only fair that we go into detail, because mentioning it here and just discussing it as if it is a passing item is really not giving it enough attention. I also heard a representative of Tullow make quite a number of comments on Kenya. Of course, Kenya has made discoveries and we appreciate -- it's a sister country.

But I would have loved to hear more of the experiences of Tullow in Uganda, where they have been for more years, and they have confronted land issues. They have confronted issues of social investment. They have confronted, for a number of years, and I wanted to hear more about that. Thank you.

MS. RAMOS: Thank you. Okay? Who wants to start?

MR. VEIT: So, boy these are simple questions (Laughter). So, WRI, our governance center has focused its attention on two sets of rights. We focus on procedure rights, and in particular, the rights that are codified in Principle 10 of the Rio Declaration, which are the rights of access to information; the rights of access to participation and the rights of access to justice.

We deal with other issues, but we think those are important -- particularly important, so we focused our attention on them. And we spent a lot of time on comprehensive issues such as national FOIAs or Freedom of Information Acts, but we also spend a lot of time thinking about transparency provisions in sector laws, whether they're petroleum laws or forestry laws or whatever.

Uganda has a FOIA from 2005, I believe. Some of the provisions, I think, in the petroleum bill contradict it, but we'll see. There are some cases in court right now, as well. I did want to make one point, though, and WRI has a history of working with civil society, and we spend quite a bit of time helping and supporting public interest law groups. And it's great to see a number of groups here that are sort of -- fit that bill.

But I worry -- and I want to maybe come back to some of the things that Bennett said -- I worry that we put too much focus and too much hope on citizens and civil society organizations to holding the state accountable. You know, they're just one set of actors, and they can only do so much. And you know, people talk a lot about public participation, but you can't really scale public participation. You can't really scale an institutionalized public participation.

Where do you see a direct democracy? You don't. I, for example, think we should be spending more of our time working with the parliaments, making sure MPs perform their fundamental representation roles, which they don't. Why don't we spend more time thinking about how the electoral laws push MPs to be beholden to political parties, rather than to their own constituents? That's a way to institutionalize public participation.

So, I think it's not to argue that public participation isn't important, but in a functioning democracy, public participation is really important for minority positions, usually. All right? So, I think there are ways that we need to think more creatively about how to push for fundamental democratic principles beyond just issues of public participation and citizen engagement, because there are limitations to that. So, let me just stop there.

MS. RAMOS: Okay, yeah.

MR. FREEMAN: Look, I agree that the civil society participation is difficult to scale. I nonetheless, think it's absolutely critically important, particularly at the local community regional level in a region like Turkana where the resources are actually being developed.

That said, there are some emerging examples, if not models yet, of developing the political will and the institutional capacity of legislators in Africa and elsewhere around the world to deal with these very issues. That's been a focus of one of the organizations I've also been involved with, namely the Revenue Watch Institute, which has been undertaking over the years, some training programs on exactly these issues with legislators as to the mechanics, economics, politics, if you will, as well, of revenue transparency and management.

So, we need to move down that road, as well. I don't think it's a choice of one or the other. I think we need both the civil society participation, and frankly, mobilization, but also, building that political will in institutional capacity for legislators and representative government as a whole.

MS. RAMOS: Ikal?

MS. ANGELEI: Just to add on to what Peter was saying. I think, just -- and Sandy may agree with me. Leslie is over there.

Looking at the Kenyan context, our legislators, their focus has been on things they know: Revenue, employment and personal contracts -- contracts that benefit them, because they don't understand anything else. They don't understand the impact on land. They don't understand how much water is going to be needed to actually extract the oil. They don't understand the impact to the environment.

And so you know, the processes, as the World Bank Institute had mentioned, it's how do you also give them that institutional capacity so that they can engage in the processes? Because if they don't understand the processes, trust me, when the energy bill goes into parliament, they're going to pass it if they're not going to -- if they will be absent from parliament. That's another thing. They may be absent because they don't understand the context as to what they're going to be discussing.

So, there is need, as we engage in parliament, to actually give them the context of the natural resources that they are talking about. Because the only three things they were going to mention is revenue, contracts for themselves to benefit and employment for the local community, because that's all they know.

MS. RAMOS: Sandy, did you want to --

MS. STASH: Well, I mean, just to -- Ikal said, we understand that it is more complicated than that. But as a private company, it's important that we engage on all levels. So, I think we just need to be part of that conversation, to make it clear that there are issues broader than -- you know, than what may immediately be taken up by parliament.

MS. RAMOS: Okay. We'll take one more closing question from the audience, and so you'd better make it good. (Laughter)

(Discussion off the record)

MR. VEIT: Okay, bring it on. We want a real humdinger (Laughter).

MS. MAY: Well, thank you very much for that pressure. (Laughter) Channing May from Global Financial Integrity.

And I'm just curious about your thoughts. Recently, the OECD has passed their country by country tax reporting. We've talked a lot about transparency. Do you think this is going to have an effect, not so much on the countries that we've been discussing, but more on the oil companies in requiring more transparency in their dealings in the countries?

MS. RAMOS: So we'll look at the issue of contract transparency certainly in the second panel.

MS. MAY: Yeah, okay.

MS. RAMOS: So, maybe we'll just hold that question for the second panel, and maybe the lady right behind you. Here is your chance.

MS. DEBRUKER: Wow, yeah, pressure. Okay. My name is Lene DeBruker. I work with global rights in the natural resources and human rights program.

One of our country offices is in Uganda, and so I just came back from a two week trip there. And what struck me and what we haven't really touched on here is that in general, the speed at which the government wants the oil out, which is yesterday (Laughter) -- they want this quicker, faster and cheaper.

And there is a struggle, both within -- you know, whether you talk to ministries in Kampala or the local government, or if you even talk to the oil companies themselves -- and I had the privilege of speaking with you know, your colleagues at

Tullow. But there is just a -- there is a gap. There is this serious gap between what we're talking about here and between the commercial drivers of the industry.

And so, I really would love to hear a bit about how do we bring this discussion into that commercial discussion. You can speak with people at the Ministry of Finance who look as if I have two heads when I speak about social conflict having an impact on their bottom line. You can speak with people at Tullow -- it's a pretty senior manager who sits there and says, wow, I'm so glad you came here. Because you know what? You should really speak with the head of Tullow here, and you can tell them just how important these social issues are. Yeah, and great. Okay. We'll have a chat with him. We'd love to help you.

But until we really bring this conversation into the business conversation, until we have some very clear ideas to say, dear government -- yeah, if we can't actually register the land that the companies need to do, to enter construction next year in Uganda, then we have a big problem on our hands. You have one woman in Kampala who registers titles.

If you look at the number of titles that will need to be registered and that one woman, she can't do everything. And maybe actually -- you know, you don't even have -- you have a shell of local government that doesn't have the capacity to do what it needs to do. You have land rights that yes, okay, maybe in theory you don't need to register customary land.

But the Tullow stakeholder engagement people, they have to walk up to people. And they say yes, dear sir. We know you have lived on this land for generations and generations, but --

MS. RAMOS: I think we hear you.

MS. DEBRUKER: Yeah.

MS. RAMOS: Absolutely hear you. And I will just add to that, to the inherent power dynamics within government and within, for example, the Ministry of Environment, vis-à-vis the Ministry of Petroleum.

So, comments on that?

MS. STASH: There is pressure in the system to move quickly, without a doubt. And trust me, that's something that is a very regular conversation inside the company. And I actually think there's probably something this industry can learn from mining in this regard, because I do think -- and I think that's been a shift, certainly in the 20 or so years I've been doing this to sort of build some of that into the front end.

But that's not something that a company can do -- one company or the industry can do unilaterally. And I think it is something that we need to work with government and civil society to be sure that we're building in the front end. Because at the end of the day, the value from these projects will not be extracted if we run into problems that we could have otherwise mitigated just for taking our time. So, I think it's just something we need to continue to talk about.

MS. RAMOS: Absolutely. Anybody else?

MS. GREENSPAN: Maybe I'll just note also that there's a section in the Africa FPIC report that talks just about this. And for our civil society groups -- you know, the idea of this report was really to provide a tool for civil society groups that want to advocate to their governments or companies on these issues.

And so, we have a section. There's been quite a few studies -- quantitative studies recently coming out documenting the costs of social conflict. It's a bit trendy, but if you need some data points, we have some of that in the report, and some citations that will hopefully be useful for advocacy.

MS. RAMOS: Okay. On that note, thank you all so much for being here

(Applause). Thank you for your questions. We invite you to break for coffee in the Somers Room across the hall, and we will resume at promptly 11:05.

(Recess)

MR. GARY: Well we are -- we are going to get started now. If we could -- yeah, if we could get started now. Our second Panel is on the issue of --

SPEAKER: Excuse me everyone. We are going to be starting.

MR. GARY: Wow. If I didn't have Jen, I don't know what I would do. So, thank you, everybody, and I think we are all very stimulated by the first Panel, the coffee and the conversation at the break. Now, I want to invite you on a shilling safari. Our Follow the Money Tour of East Africa, and looking at some of the issues that are being raised by the incoming oil and gas wealth in the countries that we are focusing on.

We have a great lineup of people who are on the ground dealing with these issues in real time. In Mozambique, Tanzania, Kenya, Uganda, and also to have a perspective of a country that relatively, recently started producing oil, Ghana, to share some lessons with us about the challenges that Ghana has faced, but also some of the achievements since they started producing oil in 2010.

I think as was reflected in Oxfam's, Vice President's speech, Paul O'Brien, there's a big leap between transparency and accountability, but transparency is a huge first step. The change normative framework, globally, from today to 10 years ago is profound, especially around transparency. Ten years ago when I called out there with a report called Bottom of the Barrel with Professor Terry Lynn Karl of Stanford, there really wasn't an EITI. There wasn't a Dodd-Frank Law, there wasn't EU Law, there wasn't an Open Contracting Partnership, there wasn't an Open Government Partnership.

So, instead of just starting to raise issues, we now have a plethora of initiatives, and the challenge is making this a Transparency Industrial Complex, which I sometimes call it, something that’s useful on the ground to people.

So we will be discussing both these frameworks, both globally and nationally, but what other steps need to be taken to really walk that last mile, so that the revenues that the revenues that are generated, the billions of dollars that are coming into the system in these countries will actually have an effect on the lives of the people.

Without further ado, I want to start with my Panelists. I'd like to invite Prosper Ngowi, who is a Professor of Economics from Mzumbe University in Tanzania, to give some reflections on Tanzania.

MR. NGOWI: Thank you. Specifically I'll be talking about options that exist for planning the expected, I'm saying expected because it's yet to start flowing. The expected natural resources of the news, and into poverty reduction in Tanzania. We are talking in the context of a country that has just discovered a colossal amount of commercial quantities of natural gas in Southern Tanzania, Mtwara, Lindi, and partly a coast region in Tanzania, and the operations are starting, to some extent, but then we are yet to see them in use.

We are expecting to see natural gas, and possibly oil revenues coming into the system maybe some 7 or 10 years from now. But then, 7, 10 years from now are not really so far away, it's good really to start -- we are putting things in place very early. So, again, we are talking the context where it's a country where out of -- you know, about, about 33 percent of its 47.7 million people are poor, you know, are living in poverty. More than 4 million people are extreme poverty.

But then, it's a country, where, for the past 50 years, you know, because natural gas, it's not the first natural resource that we are having. For the past 40 years we have been having natural resources in terms gold, in terms of, you know, gemstones like tanzanite, in terms of, you know, diamond. You name it, all of it. But then, still poor.

So we are saying, are we going to miss it again this time around with gas? And if we do it, for sure, we are going to be the laughing stock of the world. And I think not only the country, but also those of us who are supposed to be advising the country to be helping the country in various ways.

So, we are talking again in this context where we have huge expectations on what should be done with the money. And we are -- you know, a number of the decisions are yet to be done in as far as I understand. You know, I have done a number of pieces on oil and gas economy, as to whether Tanzania is ready to be oil and gas economy. Whether we have plans and systems in place to make sure that when the money starts coming, we are really going to use it properly.

We have seen -- you have seen from our friends in Ghana, somehow, they have started using their oil money. Of course, still the question is, is the money being used properly? So in Tanzanian context, I will zero in on the options that exist for using the money for poverty reduction. You know, in your proper away.

So, we would say, not really, we would expect the money to be invested, part of it of course, to be invested. You know, part of it will be consumed, part of it will saved. You know, the typical macroeconomic equation. But then the money that will be consumed, you would expect it to be consumed in a proper way, you know, part of it. Like investing in human resource development, that is investing in education, investing in health.

This debate is not really new, but then what is new is, most of the debates that are coming up in Tanzania on how to use money for human capital development, really, we are not really zeroing into a proper education, into proper health services, you know. Investing in schools. Investing in research and development. Investing in health systems. Investing in education in kind of, you know, vocational training, because I think most of us who are here, at least, the way I understand that then most of my friends from Africa maybe wouldn't have been here, had it not been investment in your education, yeah.

Whether it's the education of ourselves or our parents, maybe wouldn't have been here. So we see education, investment in education to be among the good news of escaping poverty, at individual level, at household level, but also at the country level. And you know, when I talk about oil and gas money, it's money that is not like any other money, it's very peculiar among -- type of money. You know, it's the amount of money that will come with a lot of volatility, as we have had, you know, it's amount of money that is coming from very finite resources that will not be until forever, because on that, it didn't come to stay forever.

So, if it is not well spent then, you know, we are meant to -- you know, to suffer forever again. So, on top of using the money on proper investment in terms of human capital development, other options that exist would be now investing in proper infrastructure.

Again, the debate of investing oil and gas money in infrastructure is there, but then it's too general in my view. You know, infrastructure, yes, could be roads, could be railways, could ports could be airports, could be Internet facility, those are both infrastructure, you know, soft and hard infrastructure. But really there is little focus, little discussion this causes, on proper infrastructure, like in rural roads, rural roads that will connect households, smallholder farmers to markets.

You know, that will connect them to service provision points, to hospitals, et cetera, et cetera. We have a number of stories of women who are unable to go hospital to deliver, just because of bad roads. Just because of the bridges that do not exist, you know, those kinds of thinking, I think -- I think are not yet there.

We are not thinking of investment in roads, we mainly think of, you know, those huge roads, those huge ports and airports, you know, and then we forget what I think would be the basics. Again, infrastructure could include electricity, but then when we are discussion investment infrastructure, we think mainly electricity to power the industries, and factories. It's okay, but again, we hardly talk about rural electrification, you know.

Thinking of the role of rural electrification and how it could really unlock a lot of potentials for the economy to grow, a lot of potentials for poverty reduction, you know, cannot be overemphasized. No. There are a lot of young men and women, especially the child, girl, who is unable to go to school, or goes to school but then cannot read just because there isn't electricity in her village.

And this could be really one of the things that could emancipate them, that could transform their lives if there is investment of part of the oil and gas money into the infrastructure like rural electrification. You know, it would go into irrigation, dams, et cetera, et cetera. Those who are in agriculture, would understand part of the challenges that most farmers, smallholder farmers are facing, and Oxfam knows this very much.

It's, you know, lack of irrigation, irrigation systems, and all this. So, to what to what extent will we invest this money to kind of provide the irrigation systems, dams and all this, markets that are pro-poor? You know, so I think part of good decisions should be made exactly now. And our worries are, are we really making those decisions? The decision-makers, are they thinking ahead? Or, will they wait until when the crash is upon, and then they start thinking, and I think it will be too late.

Again, maybe to wind up, again, you know, we have been thinking of a -- you know, using the money in a proper way through distribution and redistribution. Now that we expect that the government, at least, would have some cash, you know, the petro-dollar. It can afford really doing some exemptions on the taxation of goods and services, which are being consumed by the poor. That is called the proper succession.

We are discussing a little bit on issues of subsidies, subsidizing goods and services that are consumed by the poor, you know those kinds of things. And I'm told the time is up, but there will be discussion, I'm sure. Thank you.

MR. GARY: Thank you very much, Prosper. I'm going a little bit south on our safari, I want to invite Adriano Nuvunga, who is the Executive Director of the Centre for Public Integrity in Mozambique. Thank you much -- very much, Adriano.

MR. NUVUNGA: Morning everyone. My name is Adriano Nuvunga, from the Centre for Public Integrity. I'm going to share with you a few ideas on the developments of public sector in Mozambique.

According to conventional wisdom Mozambique is experiencing a gas boom, and the sector is growing fast but expectations are growing faster. Of course, world-class reserves were announced by Anadarko, American -- U.S. company; and ANI, Italian company that put Mozambique -- although there is not yet a third party confirmation of the reserves, but reports put Mozambique amongst the top 15 countries in terms of reserves only. But this gas is found almost in the middle of nowhere in the north of Mozambique, border with Tanzania, and because there is no high demand on gas, domestic, for natural gas, the only viable option for Mozambique is LNG to be exported for the Asian markets.

This brings me to the issue of timings, and scale of -- scale of exports given that the quantities of reserves, it is high, the issue now is when can this gas be exported. And optimistic scenarios, they say that if the first train is exported by the 2020s it will be an extraordinary achievement given that -- I mean this gas is found in one of the poorest parts, and literally middle of nowhere, in the Northern Mozambique.

So the challenges are high; and the issues of how much can be exported. I mean, most of the estimates are based on a 10 trains -- LNG facilities, but this seems to be unrealistic. There are no independent analysis of how much can be done, but the estimates of 10 LNG facilities, that would put Mozambique as the second-most expensive energy project in the world; this, it is not realistic. So some of the -- some of the projections which are based on 10 LNG facilities, tend not to be realistic, we think, based on the information that is circulating from the industry in Maputo, that there will be not more than two LNG facilities by 2020s.

The issue now, is it a good deal for Mozambique? Everyone look at it as a game-changer for a poor, aid-dependent country. And it seems that, yes, the statistics of macroeconomic growth, obviously, they will increase, but how much will that benefit the people of the country? Considering that LNG, it's high tech type of industry. We think that there will be massive jobs in the face of development, but when it comes to the -- how this workforce will be -- where they will be absorbed in the face of deposit implementation, that is not realistic.

So we -- for us, we look at it as a project that will give jobs in the beginning, but because of the low capacity in the workforce of Mozambique, and combined with the high tech type of projects, it seems that even the very basic spinoffs that other countries have benefited off, Mozambique will not, will not benefit of that.

So we think that Mozambique will only benefit in terms of revenues for government, but how much will be going for government? Looking at the current contracts that we have access to and we analyzed them, all these contracts, they are reloaded from the government perspective. So it will be money coming for government but very late -- at late stage in terms of (inaudible).

So, there are really high risks here in terms of -- so it is big opportunity but with high risks of corruption. Government have put in place a number of anti-corruption reforms, but considering Mozambique is -- it has a dominant party system with a strong economic and political elite that controls and dominates the sector, there are really serious challenges, the extent to which that will be, I would say, a proper development arm.

So natural gas finds in Northern Mozambique, really high opportunity for development of the country, but in terms of timing, even the best scenario, there won't be money for government before 2020s. And even there, for the people in the rural area to benefit, it won't be before 2030s because they said contracts are so reloaded from government -- from the government perspective.

Transparency and accountability, including public institutions, are key to ensure that they -- to ensure that everything will go in the right -- in the right direction. So huge opportunity with risks in the middle, and with some uncertainty as to what extent transparency and accountability will be in play. Thank you.

MR. GARY: Thank you very much, Adriano. I would like to invite to Charles Waguhu, who is the Kenya Civil Society Platform on Oil and Gas Coordinator, to give some remarks on Kenya. I know, Charles, that we heard a fair amount about Kenya in the first Panel, but mostly from the perspective of the issues on the ground in Turkana. So maybe looking at some of the transparency issues and the financial issues, as they are playing out in Kenya would be great.

MR. WAGUHU: Okay. Thanks, Ian. I will try not to be too repetitive. I'm very honored to speak on this panel, which seems to be the black suit panel, because a lot of our countries are sort of in the red, and we are happy to get in the black.

So, Kenya is undergoing several constitutional -- several transitions. Not only constitutional but economic and political as well. Due to time, I've sort of limit myself to sort of two transitions. So the first transition is the constitutional transition. Kenyans overwhelmingly voted for a very progressive constitution in 2010, which, one of the key things under that was devolution. So we are currently going through the fast -- fat lot -- fast lot of county governments, and with that there's a sort of -- there's several growing pains as these nascent county governments try to deliver on the promise of the devolution.

Similarly, at the national level, the shift from the parliamentary to a presidential system, has also sort of faced some challenges in sort of -- in sort of people transiting to the new order. For example, the budget-making role of parliament still seems to be in its nascent stages as well. Similarly, the Constitution of 2010 gives broad provisions on public participation for citizens of Kenya. This has not been applied so far in a uniformed manner.

The second transition I'd like to talk about is a political transition. After the last election we were -- we were seen to have moved to what we are calling the Digital Age, and we elected a sort of -- a relatively young President. I say relatively young, because the previous transition was from a 78-year-old to 70-year-old, and now we've moved from an 80-year-old to a 50-odd-old, so I mean, it's a significant shift, so. But with that they were elected on a platform of youth, and we do understand.

I mean, with our youth bulge it's a significant challenge. To put that in context, in 2003 Kenya implemented a free primary education system, and now we are seeing a lot of those -- those sort of 1.3 million students who joined primary education then, are now joining the workforce to an economy which is not delivering anything close to that in terms of jobs.

Another -- in terms of political transition as well, we have moved now to our second coalition government, and the inherent challenges, as we all know, of coalition governments. At this point as well, I'd like to sort of highlight one key gap as well. As Kenya shifted from a focus on regulation at the Line Ministry level to more professional and independent regulatory bodies.

And we are finding that, you know, some of these organizations who are tasked with key regulatory roles, like NEMA, and Energy Regulatory Commission are still very, very, very young institutions who are still sort of trying to find their feet, and not only in the budgetary aspect, but also sort of being de-linked from their Line Ministries. So that is a significant challenge, I mean, for companies operating in the sector.

Let's go to, sort of, the implications of the constitutional transition on the oil finds. Firstly, the constitution has a provision on access to information that stipulates that oil citizens have access to information held by government. This so far has not been achieved. Similarly, all natural resource contracts have to be ratified by parliament. So since 2010 this, again, has not been significantly achieved as we are moving forward.

The Constitution, also, in Article 201, prioritized -- prioritizes expenditure for any revenue that is received, and it stipulates that expenditure shall promote the equitable development of the country including by making special provision for marginalized groups and areas. You will find that a lot of the areas where the finds are being found now, are largely marginalized groups in those areas.

Similarly, the Constitution has an impact on oil policy as we move forward, so legislation that is going through, for example, the Energy Bill, should include the transparency provision, as well as local content to enhance equity in the host communities. And I think technical-assistant projects that are going on towards the government, should take cognizance of this as they are not operating in a vacuum, as the Constitution is, sort of, the leading document.

I will say that the implications of the finds -- I mean the oil finds, it changes the face of development in Kenya. I'll try not to repeat what Ikal mentioned in terms of the traditional geography of development; but the majority of the development has been from the coast towards the west along the railway line. Sort of 10 kilometers each side of the railway lines is where traditional development has happened. Again, the oil finds are not in those areas, with exception of the block on Lake Victoria.

Similarly, so a shift will have to be made in terms of allocation of resources to these areas. I mean we are already seeing that initially with the big talk of infrastructure around the finds in the LAPSSET Project, which is a transport corridor from the Coast, linking South Sudan and Ethiopia as well. But it's important that infrastructure -- it's not only infrastructure that goes in, but infrastructure that’s followed by services. A lot of these areas which have not traditionally had access to any services.

The oil finds also has interesting regional dynamics. The Ilemi Triangle in the North Turkana, sort of borders South Sudan, and is sort of a contested area. So, I mean, there's a possibility there of sort of future conflict around any concessions issue there.

Similarly, offshore, the border, Kenya's border with Somalia will have a similar challenge in terms of concessions. So I think at this early juncture, just like our brothers in West Africa have done, there has -- to start some discussions around joint development of resources in contested areas.

Lastly, I'll go to my pet project. The Civil Society Platform on Oil and Gas seeks to give a collective civil society voice on oil and gas issues. And so therefore, I mean, civil society is open for constructive engagement, in developing our policy options, in community engagements, in promoting transparency, not only at the national level, but at the county level as well, and a lot of our members are already engaging at the county level.

And sort of lastly, I mean, it is crucial that this space is maintained. I won't sort of repeat what Paul mentioned in his opening remarks, that we are seeing a closing civil society space, where civil society is sort of seen as abrasive. So, I mean, I must say that civil society is open for engagement, even if it involves some of us dusting our coats. Thank you.

MR. GARY: Thank you very much, Charles. I'd like to turn to Godber Tumushabe in Uganda. Uganda will inevitably have to export its oil, but its oil isn't refined through Kenya. But Godber, you've been working on these oil issues for a number of years in Uganda, and so I'd like you to share your reflections.

MR. TUMUSHABE: Yeah. Thank you, Ian. And thank you, Brookings and Oxfam for the invitation. Just to put my presentation in context, for some of you who may not know Uganda very well. Uganda is a country that is almost half the size of California. Its population is only 3 million less than the population of California. So you're really talking of a fairly heavily populated country with the second-highest growth rates, population growth rates in the world, and one of the highest fertility rates. I think it's measured at 7.2 children per mother.

In macroeconomic terms the economists tell us that we've made very, very tremendous progress over the last two decades. Impressive economic growth rates estimated at an average of 5 percent, a stable inflation, but also declining infant mortality and maternal mortality, and increased the school environment. So in macroeconomic terms, you can say this is a country that is really on the move.

In microeconomic terms I think you see major, major challenges in terms of low primary school completion rates, currently estimated at about 23 percent, low transition rates, a sick health delivery system, because the health system is really sick. And a declining agriculture sector and worsening youth unemployment. I think that current statistics show that out of every 100 youth, 83 are unemployed.

So that is the nature of Uganda's economy, essentially progress but also challenges. So comes into the oil, and I think I want to reiterate the point that Prosper made, that the discovery of oil is really not the only thing -- the only good thing that has happened to many of these countries, including Uganda. I think one of the British Prime Minister, Winston Churchill, called Uganda the power of Africa, because can go anywhere in that country and you'll find water flowing, things growing without having to worry about so much.

So this is a country that is naturally rich, but I think the discovery of oil definitely becomes a game-changer. The oil estimates -- they estimated the reserves are currently at about 3.5 billion barrels -- barrels estimated to bring in about $2 billion per year; $2 billion is slightly half than Uganda's budget for 2011, '12. But also more than the amount of foreign aid that came into Uganda in 2010 which is estimated at $1.7 billion.

So, this is really huge inflows. I should mention that the key players now in Uganda are the three major companies, Tullow Oil; CNOOC, China; and Total, France. Now of course, with China playing in a country like Uganda is a serious game changer, in terms of the way the industry operates and how it is run.

But let me mention that that is the opportunity and I think -- I want to make sure that from me, I will really -- I think we need to talk -- stop talking about this whole idea of the resource cost, because there is no -- there is no resource that can be a cost. I think resource is an opportunity, what is a cost is the governance.

How that resource is governed and managed, is what we should be calling the resource cost, and I think that's where Uganda finds itself in terms of having major, major problems. That Uganda is one country around this world, where, for 50 years, for half-a-century of independence, we haven't been able to have a successful and peaceful transition of power. From one president to another, or from one political party to another.

It has either been (inaudible), or our current President has -- for the last 28 years, has been able to succeed himself, and we are still going on. Secondly, let me say that there is this -- in most of -- in the discourse on oil there's also a profound naivety that the -- when you put the laws in place you fix the problem. And I think that, yes, the laws are good, but they are just a small equation in the calculus that oil governance is about.

So there is quite a lot of effort put, whether from the citizens, from the government, from the development partners, that you need to deal with the laws. Yes, well and good, but the laws, you have countries around this -- around the African Continent, including Uganda, where we say, "You have laws, but you have -- you don't have the Rule of Law. You have constitutions but you don't have constitutionalism, and that's a fundamentally different field in how you play.

Finally, the biggest danger of countries like Uganda is that -- is like, they have -- they are experiencing democratic reversals, and how oil comes in and aid and facilitates that reversal is a major problem. I think the colleague, Charles, talked about the -- what's best for civil society. In Uganda we are seeing some -- the enactment of the -- the most progressive pieces of legislation, again, this is civil liberties, and you can outline many of them and on media, public order management.

There is a proposed legislation today about NGOs which is already in the wax, and I think that is one of the most draconian energy oil legislation you can find in the world. So it is very easy for us to talk, including for Government to say, "Oh, there is the open government initiative, there's this initiative, and there's the other one." And then we keep quiet about some of these -- some of these processes that are going on, and governments are always happy to be able to move, especially when they know people are keeping quiet.

Let me end by suggesting about three things that really we need to focus on as part of the discourse. One is that in Uganda you have to -- whether you like it or not, you have to deal with the -- managing the politics of transition. That is going to be very important on whether that oil benefits Ugandans or not.

Secondly, safeguarding the space for civil society, because in societies where citizens are not civically empowered, you are really dealing with civil society as potential vehicles for participation and engagement. Thirdly, there's a Public Finance Bill that is currently being formulated, and I think institutions like The World Bank can play a major role to make sure that the appropriate safeguards and transparency and accountability provisions are in place.

And fourth, I would say that -- I would want to see companies like Tullow, Tullow Oil and others move away from corporate social responsibility as a public relations exercise. I think Tullow in Uganda has introduced a very good program on students' scholarships, which is good; but I think the idea of companies, serious companies going in villages and building one classroom, and this classroom. I think it's totally unacceptable. You want to be able to go and make an investment that makes a transformative influence on the society. And I think companies are not yet ready to move in that direction.

Finally, I think that we need to be able to invest in small organizations that help communities to organize. We have a program that is supported by the Global Green Grants, world -- best organization. You know, where you are able to get small organizations of -- you know, civic organizations, opinion leaders that are able to help influence and manage -- and include participation. So, thank you very much.

MR. GARY: Thank you very much, Godber. And I think your reflections really help us connect the human rights discussions with the transparency discussions, and that without rights to expression, and rights to association, the transparency movement will fall flat in many countries.

With that I'd like to turn to Mohammad Amin Adam, he is he Executive Director of the African Center for Energy Policy. Formerly the Coordinator of the Ghana Civil Society Platform on Oil and Gas. Ghana discovered oil about seven years ago, and has now significant experience both positive and not so positive to share with countries in East Africa, and other parts of the world. So, Mr. Adam, I invite you.

MR. ADAM: Thank you, Ian. And let me take it from where you end it. Having been bombarded with challenging cases, you know, from some of our colleague countries from Africa, I would like to come on a positive note about what is happening in Ghana. But I'll also take the opportunity the draw some lessons from Ghana which I believe would help in deepening the process in East Africa, as you begin the processes of developing the policies and the appropriate legislations to manage your oil and gas resources for the benefit of the people.

As you already know, Ghana discovered oil in commercial quantities in 2007, and to date more than 70 million barrels of oil have been exported from the Jubilee fields. Oil is significant for Ghana for so many reasons. Even though production levels are modest, on average daily production of 100,000 barrels still means a lot of Ghana. Even though expected revenues from oil for 2014 will constitute about 1.2 percent of GDP, oil is still very relevant and significant for Ghana's development.

And these are some of the reasons why it is significant for Ghana's development. In 2013 Ghana became a net exporter of oil, exporting about $2.6 billion worth of oil, against $2.3 billion of oil imports. And oil, indeed, has overtaken cocoa as the second largest export commodity of our country.

Secondly, in three years the Government of Ghana has spent USD 2 billion as its share of oil revenues, and this money is being applied to various development interventions in the country. Secondly, again, these revenues that we have received so far, is about 70 percent of the facility Ghana is getting from China, the China Development Bank loan of USD 3 billion, for which Ghana collateralized the loan against our future oil revenues. Disbursements are slow even though Ghana continues to pay a commitment fee of 1 percent on the undrawn balance.

And Ghana is again, compelled to sell its share of oil to China. This is why I think that oil is significant for Ghana. If we are able to manage these resources efficiently, and according to plan, we should be able to transform our economic and give real development to our people.

And so, as a result of the potential for transforming our country with oil, we were determined, as a country, since the discovery of oil, to avoid the chaos that prevented many resource-led countries from transforming their resource world into tangible development outcomes. And so to date we have made some important progress, as far as oil governance is concerned.

The Petroleum Revenue Management Law has been put in place, with a sensitive transparency provision and accountability mechanisms, including the establishment of what we call the Public Interest and Accountability Committee, which is a citizen-based committee, exercising independent oversight on the management of oil revenues.

We already have put in place the Petroleum Commission by an Act of Parliament, an independent regulator to regulate the operations of oil companies including our national oil company. Local counter regulations were essentially passed in

2013 which seeks to integrate the oil sector with the non-oil sector of our country. Covering issues such as local employment opportunities, equity participation, and domestic oil spending.

But let me say that, different players have contributed to this positive development in our country. For instance, civil society organizations are pushed for transparency including the committee that I talked about, which is one of the unique features of our oil development. The World Bank also ensured that public discussions were held around proposals for managing oil revenues throughout the country.

And let me also mention the company, Star Oil and Kosmos Energy, indeed, published their contracts before the government did the disclosure of the contracts. And these are positive contributions other players have made according -- apart from what the Government of Ghana has done. But in spite of this development, important challenges remain, which are likely to disturb Ghana's determination to break away from the curse.

For instance, on the upstream side, there is no requirement in Ghana for open and competitive bidding process for oil concessions. And oil concessions are awarded through an administrative process, largely dominated by the political class. There is also no requirement for mandatory contract disclosure.

Indeed, there is no requirement for the disclosure of beneficial ownership information. Ghana is still faced with poor institutional capacity to hold oil companies to their fiscal obligations. Oil companies conduct self-assessment for the purpose of determining their tax liability, and government just accept that, you know, for the purpose of determining how much taxes these companies will have to pay.

On the downstream side we have had problems managing our oil revenues. We are spending more of the oil revenues on oil and gas infrastructure, at the expense of social and economic investment. We are spreading the oil money too thin over so many projects, and most of these projects have already suffered time overruns and cost overruns, and so value for money contributions are ignored, and this doesn't amount to efficiency of spending the money. Citizens do not participate in decisions on priority setting, and therefore government is using political considerations, you know, not guided by any development plan or any investment management plan to decide where to spend the money. And so 10 years on it is not likely we can show anything tangible, what oil revenues would have done for our country.

Mr. Chairman, ladies and gentlemen, I have a few observations to make, very important observations, there is absolutely significant political space in Ghana for civil society engagement with government. However this, you know, space literally faces some challenges, very important risk. One, the quality of the laws around oil has been weakened by too many discretionary powers given to ministers. And secondly, there is emerging collusion between the majority and minority side in parliament, you know, as far as oil contracts are concerned.

And we have seen recent contracts approved without debate, with silence from both sides of the parliamentary divide. Let me draw some lessons from Ghana for our colleagues in East Africa. Number one, Ghana's laws are good in setting up oversight institutions, but these institutions are not funded. Two, there is incentive for vested interest to emerge at the early stage of oil development, and these interests are often perpetrated by the use of discretionary powers, especially the powers that are uncontrolled, you know.

Three, in order to meet the expectations of communities, who are becoming impatient about the promise of oil, the temptation to embark on inefficient spending and ad hoc spending is very high. And finally, oil contracts that are signed before the discovery of oil or gas, should give way to more progressive contracts after discovery. Because once the risk profile is assumed to have reduced there is sufficient ground to negotiate high fiscal terms to generate more revenues for the development of the countries. And so on this note, I want to thank you for your attention.

MR. GARY: Thank you very much, Amin, and I know that at this point, with the time remaining, we are only going to scratch the surface of the complex issues that exist in the value chain that we talk about from the licensing process to contracts, to collection of revenues to budgeting and expenditure of those revenues, but I think there are few key issues that I'd like to start off with along these lines.

One issue that I think would be good for this audience, and Washington, for you to address, is the role of donors themselves. The role of The World Bank, the role of the IMF, the role bilateral donors. If you could comment on what is working in terms of their interventions in the oil and gas sector, what isn't working, and what would you like to see them do?

And related to that question is the sole issue of capacity building, and when somebody says capacity building it usually has a strong and profound narcoleptic effect on me, but I think it's an important question that we have to address. Looking at these problems as -- as many of you said, are political problems that are approached with technocratic solutions and capacity-building solutions from donors.

For example, training MPs who then go back to parliament and are whipped in line by the ruling party. Sending people to Norway from government who then have to return to Chad to do their work. Training journalists who then go back to their newspapers, whose editors and owners say we don’t want to touch this issue because we will lose advertising from the government. Or training government workers for the creation; for example, the Petroleum Tax Auditing Authority, who then leave to work for

KPMG, and advise companies on how to understand our game, the tax system in a particular country.

So there are all sorts of questions around capacity building, but I think everybody agrees that these issues are important. So if I could ask each of the panels to touch on the role of the IFIs and donors, and then address this issue of capacity building, and what sort of capacity building might actually work. And maybe, Adriano, you can go first.

MR. NUVUNGA: Thank you very much. I think the role of donors and IfIs, it is fundamental in a number of reasons. One, is that they have their support and the engagement with government, comes with a number of good principles, such as transparency, and participation, mainly of civil society.

However, in our experience in Mozambique, Mozambique itself, highly aid-dependent country. We used to have a group of donors that support -- that have budget support, and international financial institutions such as the bank, and IFCs and the likes.

While the like-minded donors that support, regional budget support, have been critical and supportive of a moral -- good governance oriented, and who are ready to take a higher stand on that, with the discovery of gas. Here, we start to see different dynamics. I mean, they reduce their voice on the other hand, while on the other, from the government perspective, because they see that in the near future, they will have gas, then this attitude to raise their voice.

But looking particularly at international financial institutions, while there have been fundamental in supporting -- in pushing for transparency, but when it comes to projects where they are directly involved, they have been disappointing. In the sense that the same standards such as transparency, take an example of making information publicly available, then that does not apply.

And also in terms of principle such as human rights. One of the key projects that we have now, be it in the field of gas and in the field of heavy (inaudible) that are now active. They are there with the participation of the international finance institutions, IFC, and African Development Bank, but these projects have been violating human rights, these projects have not been acting by example in terms of paying taxes, all these projects, they are involved in different schemes of avoiding tax to government.

So I think while they are important, but also there's a need for them to be transparent and playing for the standards that they advocate. Thank you.

MR. GARY: Anybody else want to comment on this question? Godber?

MR. TUMUSHABE: My response, Ian, would be that, first of all we have to also understand who are the donors, because they -- the donors is not a homogenous group. So I think for a country like Uganda, you can talk of The World Bank, it has its own influence because of their lending arrangements it has with government. You can talk of the U.S. and the U.K., I think those are the donors that put a lot of money in governments, so when you talk about influence you're talking about actually three donors, and then you -- then, of course, on the other side you have China. None of us understand how China does its business with Government of Uganda, so I may not be qualified to comment on that.

Having said that, I think the kind of support that the donors can make, I think it's what -- what they have been giving in terms of the -- improving capacity of governments, in terms of the management, which is undertaken cost side. But I think where donors have not been helpful, is really on the governance side, and the human rights side. In the sense that the donors sometimes concentrate so much on the supply side, and I think Peter mentioned about, you know, training for parliamentarians, training for the judiciary. It's like, yeah, if you train judges then you've solved the problem, but then the judges are not recruited with one of the anti-corruption agencies, the Inspector General -- the Inspectorate of Government.

For about five years it didn't have the officials to be able to hear the corruption cases, but then you say we are supporting the IGG. The most recent one is really on the human rights. I'm sure some of you may have followed the whole issue to do with Anti-Homosexuality Legislation in Uganda. Now, if you consider the amount of man-hours that donors and Government of Uganda have spent on that issue alone, and just -- not to say that it is not important, but only to say that the donors have failed to understand that actually this problem is only a part of a bigger problem of retrogression, in terms of human rights respect and in terms of governance, and then we divert the entire discussion.

So I think that the donors can be understanding by understanding the context within which they are operating, and work with the local constituencies to actually broaden the scope of -- the horizon of thinking and the way they address issues. But sometimes, like this issue, it was just dealt within the embassies, and it ended there. And I think that can be distorting in terms of how we push the agenda.

MR. GARY: Yeah, Amin, I was wondering if you could comment on this question in Ghana. Obviously, The World Bank, Norway, and many others have been assisting the Government of Ghana to deal with the oil sector. Have those had an impact? And what have you seen that's worked?

MR. ADAM: Thank you, Ian. I think that the support from donors has made some progress, significant impact on Ghana's oil and gas development. I mean, as I mentioned in my opening remarks, citizens in Ghana would not have had the opportunity to discuss the proposals for managing oil revenues, but for the trigger in The

World Bank arrangement with Ghana for a facility, that compelled government to go around the country to hold the discussions, and so that was very positive.

I also know of a $38 million support from The World Bank which was given to Ghana, a concessionary facility, to support capacity building of institutions that have mandate in the oil and gas sector. The Norwegian Government is supporting the development of the new Petroleum Exploration and Production Law in Ghana. And so there is no doubt that there is support coming from the donors, which are very relevant to the development of the industry.

Well, having said this, I think that what we need the donor community to do for Ghana, is technical capacity, and I believe for the rest of resource-led countries in Africa. Technical capacity to determine the extent of accumulation of these reserves, of the resources that we have in the soil. Because if you do that, you have added value to our resources and we are in the position to negotiate better terms, you know, and generate more revenues for our people, you know.

Another thing I think we need to do, is to support us to develop and reform our tax systems, because there are so much leakages in our tax -- you know, tax revenues are coming from the extractive industries. I mean, elicit financial flows, what we call capital flight, and some of the donors, including the bilateral donors, are also contributing to this problem.

I mean, the United Kingdom Government announced a public registry, for instance, for the discloser of beneficial ownership information, so that we can be able to track the owners behind these, you know, contracts that we are signing with the investors, in order to track them for tax purposes and ensure that they do not use, you know, unorthodox means through transfer pricing, in capitalization, and what have you, to take the capital that should come to develop our people, out of the country.

I am disappointed in the U.S., because when I read the action plan of the U.S. on the Open Government Partnership, I only -- I saw a mention of the U.S. intention to promote the disclosure of beneficial information, but there is no commitment in terms of actionable commitment to ensuring that there is a policy or a legislation that will ensure beneficial ownership information is disclosed. And so we need support, technical support, but we also need commitment from our donors. You know, especially at the bilateral level, you know, to ensuring that you take the necessary steps, such as the Dodd-Frank Legislation, such as the EU, and ensuring that the loopholes are blocked from your side of the equation.

MR. GARY: Thank you very much, Amin. I think the issues around taxes are very important, and sometimes get overlooked in the focus on payments and contract disclosure. And I was interested in, Prosper, your comment on, perhaps, this resource wealth would allow Tanzania to revise its tax regime so that it's more pro-poor, and that there's less of a focus on consumption taxes than other types of taxes.

So I'd be interested in hearing more about your thoughts there, but in general to the Panel, before you spend the revenues you have to collect it. And so what's the capacity in your various government to actually monitor petroleum contracts to audit production costs under these agreements?

And also, do you think that as oil and gas revenues roll in, governments will make less of an effort on non-resourced taxation? And there was a recent IMF research paper that showed a correlation between natural resource wealth and lower-than-average collection of non-resource taxes. So is this is a -- is this an issue and a concern for you as well? So, I'd open it up to the Panel. Prosper?

MR. NGOWI: I thank you. When it comes to capacity, at least what has been done in Tanzania, I've just finished their study for (inaudible), on the assessment of the capacity that exist for the country to be oil and gas economy, specifically looking at the education that is needed, that exists, and the gaps. For sure, there are huge, huge gaps, and huge needs for capacity building. In terms of, you know, people that will be needed for this industry at various levels; at the government, at decision-making, you know, in terms of policies, in terms of laws, in terms of procurement and, you know, the gaps are extremely huge.

And as Adriano said, of course when it comes to demand for labor, mainly they would be demanded in those first years of development, but after a while when the industry supplies us, we don't need so many people inside, because it's highly capital intensive. But now for what I think is extremely critical, at very early stages, our capacity to make correct decisions, you know. Correct decisions, for example, on fiscal issues, yeah, on tax rates, on tax systems, for oil and gas. Other Tanzania revenue authority, for example, we don't have the capacity for, you know, extractive taxation generally, but then taxation of oil and gas specifically.

It's an area that is really lacking. You know, we did some studies the last two years, and we produced the report called, One Billion Dollar Question, showing how much money we have not been able to collect from the mining sector, and specifically gold. And gold is something that we have been dancing with for the past 50 years. Now here comes this new kid in the block, oil, we don't know how the industry looks like. So taxation is a real issue, so I would say if donors, if development partners, would like to contribute partly will be building capacity on how to properly tax this specific resource.

Otherwise, we'll suffer stop a lot of, you know, illicit capital flight, illicit -- you know, those kinds of things, and all the revenues that I'm talking here should be used for proper development. It will be a distant dream. Yes.

MR. GARY: Yeah, Charles.

MR. WAGUHU: Yeah. I think the Kenya Revenue Authority has been one of -- sort of the more outstanding Kenyan institutions, but even then it has faced challenges around transfer pricing, and of multinationals, for example, in the horticultural sector. So I mean, this is a worry for us as we move towards oil revenues. Thanks.

MR. TUMUSHABE: Yeah, I think I could add, just to the credit of donors. I think the donors in Uganda have supported quite significantly to the Uganda Revenue Authority, and I think, to be honest, Uganda Revenue Authority is one of those institutions in Uganda that you feel. You know, it's functioning, you know, in terms of -- the way they have improved. Even for some of us who pay taxes, you feel like, yeah, it is much easier for you to pay your tax, but sometimes you can have difficulties with these institutions.

So I think that's something that I think the donors have done, and I think the commitment is really commendable, but also I think to credit Tullow Oil, that last year they published the amount -- the monies that they have paid to government.

Which I think is incredible, because on the government side, you really don't see much coming out, and I think by publishing that information, I think Tullow presents the challenge to government, you know, also to be open. So I think it's a good practice that could help, you know, government to be disciplined in the way it discloses information to citizens, but also head up in terms of actually taxing some of the revenues that are accrued.

MR. GARY: Amin, this question in Ghana. Does Ghana have the capacity to actually monitor and collect the revenues that are owed under these agreements? And if part of the problem lies outside of Ghana, and the systemic problems around a global tax system, what are the most pressing challenges for Ghana in that regard?

MR. ADAM: Thank you. I mean, as I indicated earlier, our tax authorities do not have the capacity to hold oil companies to their, you know, tax obligations in terms, first of all, their ability to undertake cost audit, I mean, for tax purposes. And so the oil companies are allowed to do self assessment, and what the government then takes to determine how much the companies paid to the government.

You know, we have been talking about the need for government to support the composite burden of our revenue agencies in order for them to undertake serious cost audit of the operations of the company, so they can be able to realistically determine. But apart from that, our own law is not adequate. Our laws are not adequate because their petroleum income tax law, for instance, with governance, you know, taxation in the petroleum industry, does not provide for something like capital gain tax.

And therefore, in spite of the many transfer of ownership, you know, that we have seen in Ghana, Tullow acquired EO Group, you know, PetroSA acquired Sabre, Ophir acquired Tap Oil's stake in the Accra, you know, Block. And there have not been any payment of capital gain tax to the government because our law does not provide for that. You know, out law also promotes thin capitalization, you know, because when you go and take a loan to finance your project, and more companies are financing their projects with debt financing instead of equity, our law recognizes interest expenses as petroleum cost.

And therefore, the more debt financing, the lesser and lesser the revenue base becomes, and therefore government is unable to get revenues to develop their country. But as I said, we just don’t need support to build the capacity of our revenue agencies, but we also need international commitment, because the issue of taxes are global issues.

I mean, it affects every country. Even the EU is complaining they are losing tax revenues. I believe in the U.S. you are losing tax revenues, you know, through capital flight -- illicit financial flows. So let's have global commitment to addressing these issues, in order to save the developing countries more.

MR. GARY: Thank you. And with that we are going to open up to Q&A with our audience. I'd like to remind you to keep your questions or your comments short. If you have a long comment, hold it for lunch. And let's see, we'll take three, starting with Robert.

MR. HUNJA: Thank you very much. I'll be very brief. My name is Robert Hunja; I work at the World Bank Institute. And thank you, Ian, for soliciting some advice to people like us who are so-called, donors. First of all, I want to thank my brothers. I'm from Kenya. I'm very proud to see you guys there doing what you're doing. Clearly you're doing well to represent your citizens.

I know there are challenges, and I want to just mention one of them. In 2006 and I left the Bank and went back to Kenya to be the Director of Public Procurement in the Ministry of Finance, okay. And one of the pieces of work we did was to and understand the networks that enable a really, I would say, very corrupt procurement arrangement to continue, and one of the things that really struck was the connections between the political class and the business class, and the networks that support them. So the bank class, and the lawyers, and everybody else that goes to keep this machinery going, yeah.

And we were really struck by not only how well capacitated they are but how motivated they are. When you look at the other side, of people trying to kind of change these systems, they usually stand alone, it's you guys, in your little outfits. It's, you know, some citizens trying to kind of, you know, run around shouting. And one of the things I would like us to think a little bit about, is if we genuinely and very sophisticatedly understand the other side, and when you talk not just regular procurement, or you're talking oil and gas, the magnitude of the problem is really huge.

How can we work with you to help you connect with others and strengthen your capacity to network, to share information on intelligence? To be able to push the issues that you need to push? Because I think until we begin to balance the capacity in the networks on the other side, a lot of these issues you've -- you raised will continue to plagues us. So, thank you very much.

MR. GARY: Thank you. And not to exacerbate the regional disparities, I'll go to the back of the room. Naomi, if you could choose somebody back there.

MS. MOYO: Hi. My names Mujobu Moyo from the Center for Global Development. My question is on public investment in infrastructure, and this actually goes to mostly, Prosper.

You mentioned that one of the ways that we could use natural gas revenues, is to invest in public investment infrastructure. But public infrastructure investment is not a new phenomenon in Africa, and especially in Sub-Saharan Africa, and we've seen in the past that most of the public infrastructure projects have suffered from low efficiency, particularly in East Africa, Tanzania performs pretty badly.

There's been a recent paper by the IMF that has put together a Public Investment Management Index, and after Burundi, Tanzania is, you know, back there holding the tail. What do you think could be done differently to not repeat the same mistakes?

MR. GARY: Thank you. And we'll take Phillip in the front.

MR. DANIEL: Thank you, Ian. I won't stand up, so I don't block the view. My name Philip Daniel from Fiscal Affairs at the IMF. My question relates to your earlier remark about capacity building, Ian, with which I have some sympathy. And I'm interested in what can be done to ration the scarce capacity that actually exists? Or to put it a different way, to reduce the demands on capacity rather than consistently focusing on it from the supply side.

I give just two examples. All the countries in East Africa represented here, have chosen contractual systems for oil and gas rather than tax and royalty systems. There's nothing necessarily wrong with that, many good, positive things, but it's led to an evolution where every contract is different, and every contract has to be separately administered. Is there a part of the reform to that?

The second is, that there is an almost gut reaction when there is an accountability or transparency problem to say, "Let's set up an independent commission, a regulatory authority." The countries are littered with them. Does that not add to the demands on capacity? And does it not remove decision-making further away from the elected and the accountable representatives of the people?

MR. GARY: Okay. So we'll start with that set. Prosper, why don't we start with you, because there was a question directed to you around public investment. And how could Tanzania, and perhaps other countries in the region, avoid the problems of lack of efficiency and public investment that have plagues these countries in the past? What needs to happen?

MR. NGOWI: Thank you. Thank you, Moyo, for a good question. You know, I'll be very general because since specifically, the reasons for this public -- inefficiency in these public investments, maybe I could know exactly what kind of solution to offer. But broadly speaking, I can just guess, you know, I had been the person on the ground doing -- knowing exactly how part of this, is the public investments are tendered and all this. I think a proper tendering process, a proper procurement process could be part of the -- a part of the solution, you know.

Having really, genuinely competitive tendering, I think it could be part of the problem -- part of the solution. And I'm talking this with some example from, I would say, best practices from the Millennium Challenge Account for the U.S. You know, Tanzania has just accomplished one, and we are hoping to get a second one. And I was partly involved in making evaluation of such project, and I think partly, partly there were projects that went relatively well. You know, road projects, infrastructure projects, in terms of, you know, electricity, power, water, and part of the attributions as to why they went well, you know, a procurement process that was more, you know, open, transparent and all this, and I'm not sure exactly the specific examples that Moyo was saying, but I know a public procurement, it's a problem.

But also there are problems that are associated with disbursement of funds. But, yes, contract has been signed, and then (inaudible) is passed two, three, four, five months later. You know, inflation has gone up, and all these sorts, there is really no proper accomplishment on time, on budget, and the specifications. But then there are also some problems associated with vested interest. You know, where I am the player and I'm also the referee. I'm giving the tender, and I'm evaluating the tender because my company is involved. You know, those kind of issues.

So, corruption in a nut set -- in a nutshell. So I think, broadly speaking, when it comes to, there's a public interest -- public investment, those could be part of the -- you know, part of the big problem. So that I think it's related to what the colleague was speaking about, what Robert, I think, spoke about, you know, procurement, as to what could be done -- what the donors could be doing differently.

And I think the whole thing about it, you know, you put in conditions because at times you are giving funds to fund some of the infrastructure. You know, if you give it on an open check, kind of, then they use it exactly the way they want. So I think you could put some conditionality on how the funds that you're giving should be spent. You know, the anticorruption science and all kinds of things.

But at the end of the day really, whether we have laws and regulations really, I think that state of mind, you know, those who believe in God, they say they fear for God. Maybe should be the solution, you know. There was a -- somebody once told me, "Maybe you have to wipe out a whole generation in order to get things going."

MR. GARY: I hope that's not the solution. Robert had, basically, a question about how groups like The World Bank and others could coordinate and network and share intelligence more with civil society groups around these kinds of procurement issues. Nothing that there's absolutely no lack of capacity on the side of the lawyers, the bankers, the consultants, and their collaborators, and government, and those who are trying to extract linkages, as it were. Do you have any thoughts on how that might happen? Charles?

MR. WAGUHU: Yeah. I think that intervention was very critical. And I think one way of it, and sadly, what happens is a lot of these are sort of developed relationships. So I mean, if we could find a way, I'm not sure we are able to institutionalize some of these sort personal relationships that you develop that help you, but I think in terms of constructive engagement, I think it's providing those opportunity -- the networking opportunities involve sort of a level of inclusion of civil society in constructive engagement.

So just, I think, sort of moving beyond the box ticking, or sort of, you know, consultation agreements, to more sort of networking arrangements based on issues that are coming, arising. I'm not sure (inaudible).

MR. GARY: Thanks. Yeah, Godber.

MR. TUMUSHABE: On Charles' point, I think Robert, the point you are raising, is so fundamental, in the sense that as you've mentioned that the networks that are involved in these kinds of corrupt deals, are very sophisticated, and I think that the only way you do -- you actually engage them and deal with them is that you have to develop almost equal sophistication on the other side. Because just working with Government of Uganda in a number of projects and processes, we've learnt over time, that public officials will only give you audience if you have something to offer on the table.

It's not just enough to go there and say you -- you go there and complain, you're unsatisfied, but even don't know what you're satisfied about. So, we've learnt that actually for Africans civil society organizations, like these seated around the table here; you have to develop certain levels of technical and analytical competencies to be able to match the skills and the expertise on the other side.

So, if there's anything that we need to do even in times of dealing with these complex issues, I think it's for organizations -- our organizations must be able to invest in building that analytical capability, and there's no shortcut. Because the issues that we are dealing with are very complex, or if we don't deal with that analytical competence, then we can only be activist organizations who are going to always say, "Oh, World Bank, don't come here, you are a problem, you are this and that." Yeah.

MR. GARY: Yes, Adriano?

MR. NUVUNGA: Thank you very much. My organization, it's an anti-corruption civil society organization. We have developed an electronic system that traces the interest, economic interest of the political people in the country. So, you can access what are the economic interests of my President right away from your laptops. Just log in, put his name, you will find everything --

MR. GARY: And then who shows up at your house? Somebody shows up at your house?

MR. NUVUNGA: Yes. And our expectations where that -- after having delineated all this, we would engage constructively with the business people, for them to understand that it is in their interest, and of the society, that there is a level playing field. But the response was not satisfactory. So it seems that it is in the interest of the private sector, that there is no proper transparency. The current system, it enables key interests to prevail.

So it is not an issue of capacity, but whether the private sector currently will be receptive to such interest. Because private sector, structurally, it is still small, so I don't believe -- no, I have no answer to this, but just to put on the table to be considered.

MR. GARY: Thanks. Amin, you wanted to say something, and if you had some thoughts about Philip's question around rationing scarce capacity, and given the example of some contractual arrangements may be, to make a bad pun, more taxing on the government than others?

MR. ADAM: Yeah. First of all, what I think is going to happen to Africa is that with the discovery of natural resources, the influence of our donor partners is going to go down, because our governments are getting the new leverage to call the shots. And most of them may not be interested in committing to some of the transparency principles that are being promoted by the international community, the IFIs, and the donors generally.

Apart from that, because of the discovery of this new world, some of the donors are scaling down their support, because they want to move from countries with discoveries to countries that are more poor. You know, to support their efforts of development. And so the influence is going to go down, but the skill down -- in their support is also going to reduce opportunities for civil society activism.

And so, what I think we need to do, is how we can refocus our support on building, not just civil society organizations, because the discourse is being reduced, a convenient relationship between organized civil society like ours and government. And so the larger citizenry are left out of the discussion. And so, how can we focus our support, to reaching out to the larger citizenry. For instance, some of the information that have already been disclosed by government, how do we get that information to the larger citizenry?

Through social media, information technology, forums and communities, so that beyond the organized civil society, the larger citizenry are asking questions, relevant questions, "How much are we earning from our contracts? Where are we spending the money? What is it delivering terms of quality of service?" And so if the World Bank Institute is to work with us to build that critical mass of holding to account duty bearers, including us, who are leaders of organized civil society, I think that would be very progressive in ensuring that we do the right thing.

But coming to the different contractual relationships, I think that the issue should be reduced to parliamentary capacity. Because for most of our countries, our constitutions give parliament the power to ratify the contracts that we sign. And I do not think the power of ratification is just gymnastic; it is to allow the representatives of the people, and through the people, to decide whether the terms they negotiated on our behalf as primary owners of the resources, are in the best interest of our country.

But we know that parliament doesn’t receive as much support as government does. And so, if we have to ration existing capacity we need to look at parliamentary capacity, I think it's very important. In my country, for instance, in Ghana, I am increasingly losing confidence in parliament, and not just me, many, many people in Ghana are losing confidence in parliament. But how do we blame parliament?

They are not given enough budget. Committees cannot sit. When they want to do public hearings they cannot fund it, and international organizations have to fund it. A Public Interest and Accountability Committee has been set up to exercise independent oversight, no budget has been given to them. Revenue watch and GIZ have to buy office furniture for them. This is serious. And I think that until we ration that capacity and rechannel it to burden the capacity of parliament who are the true representatives of the people.

I mean, what has happened in Ghana is worrying also because government is now rationing contracts through parliament because government wants to escape the process which it has started itself. Government has begun consultations on a new petroleum exploration and production deal, which is much more progressive because it is proposing a competitive and open bidding process. It's proposing contract transparency, it's proposing disclosure of beneficial ownership information, and we don’t understand why a government that has begun a process of passing a progressive law should rush contracts to parliament ahead of that law.

If you have a stronger parliament they will put a stop to that. The Right to Information Law has been pending in parliament for only God knows how long. Why will they pass that law? A law that will be used to check their abuses, and so I think that we need to repurpose that capacity to parliamentary support, but also what I said earlier, to burden the capacity of the larger citizenry to appreciate the kind of information that goes out there, and to use that information as leverage to demand accountability of our duty bearers.

MR. GARY: Thank you, Amin. And on that note, unfortunately, we are going to have to close for lunch. I'd like to remind everybody that we have to be back in this room at 1:15 for the President of Brookings, as well as Ambassador Pascual, and the Chairman of Tullow Oil, and well as Ricardo Soares de Oliveira from Oxford University.

So please join me in thanking the Panel. I thought it was excellent.

(Recess)

MR. TALBOTT: Let me first introduce myself. I'm Strobe Talbott, and I have the honor to work for the scholars here at the Brookings Institution. And I wish I had been able to join you for lunch. We specialize in really excellent, if mediocre lunches, if I can put it that way, but with terrific conversation, which is now going to continue.

I want to first, on behalf of Mwangi and his colleagues in the Africa Growth Initiative welcome all of you here. Those who have been part of the conference since the beginning of the day, thank you for your participation and your contributions. To those who are just joining us, as I am myself, I know that we're going to find this to be a particularly useful discussion. I also want to express thanks to Oxfam America and the McArthur Foundation and others who have been co-sponsors of this event.

Now, the panels this morning, as those of you who have participated know, have identified ways in which the discovery and exploitation of natural resources in East Africa are reshaping that very important region; reshaping in ways for the good, and in some ways, for the ill.

The concluding panel will look ahead and make some recommendations for the future, and we're going to be hearing from some distinguished and expert representatives of a variety of perspectives; the private sector, international organizations and the United States government. Our panelists are Simon Thompson, chairman of Tullow Oil, Ricardo Soares de Oliveira, now at Oxford University but who has a background at the World Bank, the European Commission, Catholic Relief Services, the National Democratic Institute and very appropriately, Oxfam.

I want to issue on behalf of everybody who works here at the institution, a special homecoming welcome to Ambassador Carlos Pascual. He is, as you all know, special envoy and coordinator for international energy affairs at the Department of State, and he was the vice president and director of our foreign policy program for six years, until President Obama tapped him to be the U.S. Ambassador to Mexico. So, welcome to all of our distinguished guests, and Carlos, welcome home. Over to you, Mwangi.

MR. KIMENYI: Thank you very much, Strobe, for honoring us with this introduction, and I actually didn't know that the ambassador was a colleague here at Brookings, so he was homecoming -- he's just coming back. So, again, welcome.

So, we had a very good forum in the morning, as a lot of issues have been discussed. We discussed a lot of issues in terms of governance, and Strobe is always saying, every time meeting, we go as that -- everything has to do with governance. He is always emphasizing this, and he is always emphasizing what Brookings talks about are principles -- the co-principles of quality, independence and impact. And what the discussion here has been about is trying to get that independence, and at the same time, so getting people from the industry themselves, the private sector, getting government, getting civil society to discuss issues in an open manner. So, we hope that our guests have found this to be quite informative, and we will continue with these decisions.

So, what we are going to do for this panel is that I'm going to ask the panelists to speak briefly -- some opening statements, and then, we will go for discussions. And I will have some discussion with them. I'll start with the ambassador. We are giving them seven minutes for this, but the ambassador will get the bonus of three more points for coming back to Brookings (Laughter). Welcome, Ambassador.

AMBASSADOR PASCUAL: Thank you very much. It's lovely to be back home here at Brookings and to join this panel. And thank you to Oxfam for the work that you've been doing in collaborating and bringing attention to these questions of the development of oil and gas resources, the implications for economic development and growth in Africa, because they really are critical issues.

Let me try to put a few topics on the table that maybe can facilitate our discussion as we go along. But let me begin with an observation. The resource map in Africa is radically changing, and indeed, that's probably why we're all here in this room. And if we look back to a short time ago and look at Africa's gas and oil resources, they were dominated by Nigeria, and Nigeria is still close to the biggest player, although Angola is now beginning to rival that.

But when we think on the West Africa side of the resources that are beginning to emerge that parallel the resource finds that are being found off of the coast of Brazil, and when you look on East Africa in the south, the gas that is available in Mozambique and Tanzania. Indeed, in Mozambique, the largest gas finds that we've had in the world in the last 30 years.

The oil finds that we're seeing further north, such as in Kenya and to a lesser state in Uganda; this is a radically changing picture, and that is a good thing. But here is the other reality, which is that the vast majority of people in Africa, 70 percent of the population of people who are in countries that have extractive resources are living in poverty. And when you look at average access to electricity, you're going to get across Africa, rates that are approaching the realm of 15 to 20 percent access to electricity in those countries. And these two can't coincide.

We can't recognize or see a world where there is a phenomenal natural resource base, and at the same time, the population of Africa is saying, where do we see the benefit of that, even in terms of our ability to turn on the lights in our house, to have better access to education, access to healthcare? And so this issue, as much as it is a critical economic imperative, as much as it is a critical commercial question, it has become a fundamental and central political question, as well, and it has to be dealt that way by African leaders and countries and the people of Africa, and those of us from the outside have to understand that it is a political issue as well, and treat it that way.

In terms of what some of the tools are to be able to help address this, I'll go back to Mwangi here. Your original point, Strobe's point, the question of governance. And it really is critical, and we have to start with a legal framework and the legal base, including clarifying who has ownership of a natural resource, what are the rights to actually develop it, the sanctity of contracts and how you protect those contracts, and how you settle disputes.

A lot more complicated factors that you've got to put in an energy bill or a petroleum bill, but you fundamentally have to deal with those. And dealing with them up front is always going to make the process easier. So, let's take a couple of examples.

Nigeria: The other side of the equation. For a good five years or so, there had been massive efforts to pass a petroleum industry bill in Nigeria. It has not moved. What's happened? New investment in Nigeria is zero, absolutely zero these days. And the reason for that is because companies have no certainty about contract sanctity and the investment environment in which they're in and the transparency of those resources.

And indeed, what we have seen is that it's harder to go back and change the legal environment than it is if you get it right from the beginning. And so, one big lesson is, how do you create that appropriate legal framework? And it's one of the reasons why we have been engaging with Tanzania. We have been doing work with Liberia, the DRC and Uganda. We have done work with Nigeria. It's been a long and frustrating process.

But there are opportunities now, and particularly in Mozambique and Tanzania -- those are two critical countries to be able to work with, and I know a number of the non- governmental groups that are here in the audience have had good and positive relationships with them.

Let me put it in a different context, as well. This issue is so acute that in a major emerging country, our neighbor to the south, Mexico, they have had to go back and change their investment framework to be able to attract the kind of private investment that is necessary for deep water and for unconventional oil and gas. The resource requirements are so big in the tens of billions of dollars of each project that companies are simply not going to bring that kind of investment capital, if they do not have legal certainty.

If we look at a country like Iraq, the lack of a firm legal framework has been a huge constraint as it moves forward. Iraq has been paying companies through what have been called technical service contracts, which does not give them an equity stake in the oil, and as a result of that, when Iraq is now trying to go forward from a stage of rehabilitating old fields to the development of new fields, that whole process has become complicated and delayed, partly because of the legal constraints that companies have faced. So, I'd spend a little time on this, because you can't undersell it. It is absolutely a critical requirement.

Second point that I would go to is -- are the fiscal incentives, because in the end, companies are going to compare. Where are they going to get the best fiscal return for their investment? Where is it comparable? And I tell you where the biggest competitor is today. In North Dakota. All right?

If you're asking where is it that companies are withdrawing their resources and investing, you can look at a number of major American oil companies. You can look at Chinese oil and gas companies; the Indian oil companies; the French, the Norwegians. Where are they investing? North Dakota. And why is it? Because there's a clear legal framework, fiscal incentives are absolutely clear. There's relatively good infrastructure and it's in the process of being developed.

And so, increasingly, what companies are having to justify to their shareholders is where are they going to make the best returns? I tell you, in Mexico, one of the reasons why they're going through the massive reform they're going through right now, it's partly contractual certainty and ownership rights, but it's also to address this issue of fiscal incentives to companies. It's one of the biggest issues in Iraq.

It continues to be one of the biggest issues in Nigeria that's deterring investment. And so, if you ask the question, what's going to make a difference in Uganda, in Kenya, in Tanzania and Mozambique, fundamental issue is going to be, what does the fiscal regime look like? What does the tax regime look like? How transparent is it? How much pressure is there going to be for payments outside of that tax regime? What are the other losses that you see in the system or that occur in the system that you don't see, i.e., corruption, which in effect, companies are going to be asked to pay for anyway in the tax regimes that they have to face up to? And so, understanding the end impact on company fiscal incentives is going to be absolutely key.

Third question is understanding the resource base. And here, it can go both ways. One issue is over estimating what that resource base might be, becoming overly arrogant about it and simply expecting that they're going to come to us, because we've got a lot of it. The reality is that, you know, we've got a lot of oil and gas in the United States. We've had some of the largest gas finds that we've seen now off the coast of East Africa, but there's a lot of gas in Norway.

There's gas in the Mediterranean. There's a potential for unconventional gas in China, and Russia hasn't even begun to explore the possibility of the export of gas in the Asian markets. And so, looking at this from a perspective that they simply are going to come because we have adequate resources doesn't get you there.

The other side of it is, for those countries that haven't had an effective assessment of their resource base and they undervalue it and don't create the adequate incentives to be able to move it forward. And that's one of the reasons why, as part of the State Department, we formed a partnership with the Department of Interior and the U.S. Geological Survey, so that in many cases, we've been able to provide the services of USGS to help them work with countries and develop a better assessment of the kind of resource base that they might have available.

Transparency. It's not -- you know, for many of the people in this room, this is not an issue that needs to get talked about a lot, but it's important to talk about it, because it has to be such a central part of our policy. As a result of a lot of work that governments, non-governmental organizations, private sector has done, we've seen a revamping of the extractive industry's transparency initiative.

We've seen it move from just going from federal -- disclosure of federal level payments and contracts to in fact, pushing that down to a local level that is absolutely critical to have transparency within the system. But it's also pointing to us some of the critical gaps in institutional capacity.

Mozambique is a great example of that. It's a country that I dearly love. I worked in Mozambique for 2 ½ years during the period of the civil war. To see the resource base that they have to be potentially developed is a great thing. If you ask the question when you get beyond the federal government -- not to say that everything is good at the federal government level, what capacity do they have to be able to monitor and track payments at a provincial and a local level, the answer is none. Absolutely none.

And so, that demand as a public policy demand from individual governments, from multi-lateral development banks, from non-governmental organizations and from companies sharing their best practices has been absolutely critical.

Disclosure. Section 1504 of Dodd Frank has been a controversial issue in the United States. But here's just a basic factor. To the extent to which you have global stock exchanges requiring companies to disclose payments that they make to governments in extracted industries, you begin to create pressure throughout that entire industry to come forward with data and contractual information that helps everybody better understand resource flows.

And this isn't just an issue of American companies. There are Chinese companies that are listed on the New York Stock Exchange. If you start covering in the United States and the major European stock exchange, you're getting to a significant share of the market. This is a big impact that can be achieved through a very straightforward mechanism. And if you complement that with the disclosure mechanisms under EITI, you start to create the critical mass that's necessary for this information.

Do you need it? Let me give you an example right now in Nigeria. The hero in Nigeria has been the governor of the Central Bank who has come forward with information that he first shared with the president of the country, and then it became public, where first he indicated that there were indications that $50 billion of revenues that should have been deposited in a federal account were not deposited. He then said that after further investigation, it looks like it was $12 billion. He has now been suspended.

Okay. The champions of those who are trying to advocate for transparency have to feel that major governments, major companies, major international organizations, major banks are supporting them in the effort to make transparency a central cause.

The importance of civil society, I just want to underscore again, and again, this is something that people in this group now -- but let me give you an ironic example from a completely different area, China. So, a small thing that happened in China driven by the United States and U.S. Embassy, we started publishing on a daily basis the particulate matter in the air in Beijing, picked up by non-governmental groups, and became part of an environmental movement within China.

If you asked the question in China, a communist and authoritarian society, what is the one part of politics that works, what is it, Strobe? The environment. Pollution. Right? It affects every person. And if you can start empowering people from the bottom up, it creates a complementary pressure to what we're trying to do on the policy side.

So, let me just say one more set of things, and I'll stop. And that's the importance of translating these issues back to the power sector and where I started out. There are a number of ways to look at this. One is, the companies that are actually developing oil and gas resources, particularly gas, what kind of role are they going to play with host governments to help ensure that some of those resources actually benefit that country and translate into a better, more efficient and cleaner power generation, and in particular, in some cases substituting for diesel, which is much more expensive?

There are questions -- I had an interesting conversation just beforehand with somebody who asked me, what are the implications of U.S. shale gas development? And is this negative for African producers? I don't think it's negative. It's a longer question we might want to talk about. It does mean that the market for a lot of that gas is either going to be domestically within some countries within Africa, or in Asia, which has the fastest growing demand in the world.

But finally, I think it reinforces the point that we all have to keep working with African countries, whether it's through the availability of oil and gas resources or looking at other forms of renewable power to help them develop greater power generation capacity and greater access on the part of their population, because this has become such a fundamental issue as a driver to economic growth, to job creation, to education, to healthcare -- it is something that really knits together the potential for each of these countries.

And so, these are some of the tracts that we are trying to look at as we work on developing and working with East African countries on the development of their oil and gas resources. And I think some of the key steps that are going to be necessary to do that in a way that ensures that those resources benefit the countries that are the purveyors of the resource, the populations in those countries, and make it possible for those resources to get onto international markets in a way that supports global market interest, as well. Thank you. (Applause)

MR. KIMENYI: Thank you very much, ambassador, and I'm glad you mentioned about the suspension of Governor Sanusi. I just read about it. We had him here just a few months ago, and he was talking about the unaccounted for -- even actual oil that goes out of Nigeria. But we hope things will work out for the better.

I would like now to give the floor to Simon, Mr. Thompson of Tullow Oil. I think this morning, Tullow was mentioned by every single person who was talking here, and being heavily involved in East Africa. And I can tell you, chairman, that I was actually pretty happy to hear that you are among the first ones to publish what you paid to the Ugandan government, which is a really important step. So, seven minutes.

MR. THOMPSON: Well, thank you. Thank you very much. And thanks to Oxfam and to Brookings for inviting me. I thought the discussion this morning was outstanding, and actually, as a result of that discussion, I've pretty much torn up my speech, because I would have been repeating so many of the points that were made.

And instead, what I'd like to do is try and respond a little bit to some of the issues that were raised by speakers this morning, particularly as they pertain to Tullow Oil's activities in East Africa. And I'm going to group them really into two areas. First of all, managing expectations, because oil and gas is not the answer to all of Africa's problems. That was clear this morning. But I really want to re-emphasize the limitations, really, on what we can realistically expect from the oil and gas boom in East Africa.

And the second group of things I'd like to talk about is seeking common interests, finding ways in which government and civil society business, development agencies can work more effectively together. Because ultimately, oil and gas is not the answer to all of the problems. It could make things better. It could make things worse. The issue is, how do we manage this collectively in such a way that on balance, it makes things better.

And I'm going to start off with -- I'm going to talk about Kenya, because that was really the main topic of conversation this morning. And I'm going to start with security, which was in fact, a point that Ikal made right at the start from the perspective of the people living in Turkana.

And I think security is relevant, because security or insecurity is really symptomatic when other things go wrong; whether that's poverty, whether it's land, whether it's land, whether it's water, politics, governments, it's just a symptom of tings not being right. And I think it's important to track back and just look at the history of Turkana. I mean, this has been in effect, a buffer zone between the heavily populated Highlands in Kenya and Ethiopia since colonial times.

Neither Ethiopia nor Kenya have the interest, or indeed, capacity probably to police that border. They just effectively step back and allow the people in that region to arm and defend themselves. So, it has been a pretty lawless region, largely ignored by central government for generations. It's a very poor region. We heard about that this morning.

Now, when you bring oil development into that sort of scenario, of course, oil has the potential to alleviate poverty. But in the short term, what it's very likely to do is increase inequality, and that's almost an inevitability, because up until now, the people of Turkana have been uniformly poor.

What is going to happen with Tullow's presence in that region is that some will become rich. And there is going to be a period of time before that wealth really starts rippling into the population as a whole. So, that is a major and very significant challenge for the government of Kenya and of course, for Tullow as an operator there.

It isn't just oil. The other resource which has recently discovered in the Turkana region, if the reports are correct is a major aquifer. Now, as a scarce resource, water is actually, in many respects even more controversial than oil within the region. It has real potential to create significant hit with migration and conflict. And this is against the background, as we heard during the presentations again this morning, of a new devolved Constitution where there still is not entire clarity around the relationship between central government and the county government or Turkana.

And a big piece of the unfinished business of devolution is the community land bill. And land in this region, as in every other region, is just a hugely sensitive issue. And unless that land management issue is seen to be managed equitably, then we are going to have conflict. I just want to put our footprint in context here.

Our exploration acreage in the Turkana region is 65,000 square kilometers. That's roughly the same size as West Virginia. Now at the moment, within that area of West Virginia, we have three rigs operating, and each of those rigs occupies a pad which is I guess, roughly the size of a small out of town supermarket. So we are actually impacting almost no land within the region, and yet, we are creating tremendous land tensions around us, just by our mere presence.

And part of the difficulty is here, we are moving so fast that it's very difficult for things to keep pace with the developments and particularly the expectations on the ground. And Emily, again this morning was talking about free prior informed consent. I mean, to be clear, she was talking about the business case for it. But to be clear from our perspective, consent isn't really enough. We actually need the support of the local community, because if we are going to manage that security situation over that size or footprint, you know, grudging consent is not enough. We actually need the community to be on our side.

And the only way they're going to be on our side is if we can demonstrate that we are bringing tangible benefits to them. So, let's just run through those and deal with this vexed question of managing expectations.

The first thing is direct employment. The reality is that the oil industry is extremely capital intensive. It is not all labor intensive. The direct jobs that we will create will be highly qualified, highly paid jobs. We will not create many unskilled jobs.

If we look at our over record in Kenya, at the moment, 87 percent of our employees are Kenyans, which is great. And in the Turkana region, 98 percent of unskilled workers are from Turkana. That's very good. But then when you go to semi-skilled, it drops to 78 percent. And when you go to skilled and managerial, it disappears. And that is because the education, the training is just not available. So, that's got to be a big focus for us, to really concentrate on building capacity in the local communities so that they can step up and take those roles.

The local supply chain is another area where we can work, but there are some real dilemmas here, because the objective of oil wealth should be to diversify the economy. The difficulty is, if you reinvest significant amounts of oil wealth into the supply chain for the oil industry, you're increasing resource dependency within the country. So, the objective really should be to try and create generic skills, generic businesses which have application outside the resources industry, and that's not something that the oil industry can do alone.

The big developmental benefit that we bring is tax. I mean, all of the other stuff really is almost irrelevant. CSR is important. I mean, we must do it, for sure. But in terms of just the numbers that we invest, if we look at 2012, we invested about $20 million in corporate social responsibility projects of one kind or another. That's good, but it's not going to make a huge difference. We paid $700 million of tax. That's where we're going to make the difference, and nearly all of that tax was paid in Africa.

Tullow took an industry leading position in 2012 by declaring all of our payments to government, and in 2013, when we bring out -- we're going to enhance thought disclosure further by reporting on a project by project basis. And that's the right thing to do, but it is absolutely only the first step. I mean, to be honest, that information is almost irrelevant to the people of Turkana.

But what it does do, or what we hope that it will do is to empower the citizens generally of Kenya to hold, first of all, us to account that we're paying our -- a fair share of rent, and also, that they can hold their government to account on how that rent is being applied. But of course, that tax revenue doesn't start flowing into get into operations.

So there's an enormous time lag during which we are investing huge amounts of money on behalf of our shareholders and banks, and so on, until the tax revenues really start flowing. When they do flow, they're substantial -- 70 percent roughly of revenues after cost will be payable to the government. So, the lasting legacy of oil really should be converting those oil revenues into sustainable and inclusive growth within the region.

Common ground. I just want to talk about a few of the things that the business needs in order to succeed in Kenya, because often, we talk about what business should do. But I'd like to talk about what requirements business has. And the first is, we need a fair, transparent and above all, legal, fiscal and regulatory regime, comments to which have already been made.

But that regulatory regime also has to cover things like land, water and environment. It is much better for us to have clear, transparent, effective, competent regulation rather than precious rule changes. So, even if those regulations are very tough, that creates a much better business environment for us.

The second thing, as I've said earlier on, is we need a well educated, well trained workforce to create jobs and wealth both working for Tullow, but also, in the supply chain and the industries around about. And we need inclusive development. The real benefits that flow to the community are going to be the ones that ultimately create an environment where we're welcome.

We're working to a multi-decade time horizon. We're going to be around long after this democratic government has stepped down and been replaced and been replaced and been replaced. So, we really have an interest in trying to ensure that the people in Turkana want us there because they can see tangible benefits from us.

So if you look at those requirements, good regulation, jobs, inclusive development -- and I think everybody in this room would probably agree with those objectives. The real question is, how do we work together more effectively to achieve them? And I don't have any magic wand that I can wave on that, but I think I'd just like to highlight one specific instance.

Just out of curiosity, I'd like to ask how many African businessmen there are in this room. One (Laughter). Now, there's the missing constituency. Because ultimately, the development of Africa will increasingly be dependent up on the private sector. It will be increasingly dependent upon the African private sector.

It's all very well, foreign oil companies going in there and wagging our fingers and telling people how they should do things. But actually, the most powerful lobby that we have for good governance within Africa is the African private sector. And of course, we know that the political power and business power are intimately linked in Africa. But ultimately, if the private sector becomes convinced that good governance, transparency on oil revenues, investment into infrastructure and education -- all of these things that I think we all believe in, are the right way to go, they will be a much more powerful advocate for that policy within country than we are.

So, one of the things that I think civil society needs to focus on is thinking about new ways in which it can engage with the African business community in order to drive some of those changes. Thank you.

(Applause)

MR. KIMENYI: Thank you. Thank you very much. I do agree that our panels may have missed the business side, although we have several particular from your side. But we had another forum in Uganda on oil and gas management, and we had focused a lot on the private sector and also government. We had a lot of ministers involved -- ministers of energy, who are participating. This time was -- we had a bigger focus on academics and the NGOs. Okay, Carlos.

By the way, he is from Oxford. Soares is from Oxford. He is listed as a lecturer in Oxford, which is (Inaudible). A lecturer is actually an associate professor in the U.S., so all right.

MR. SOARES DE OLIVEIRA: Thank you very much.

MR. KIMENYI: Thank you.

MR. SOARES DE OLIVEIRA: And I'd like to start by thanking Brookings and Oxfam for having invited me to be here today. Just like my fellow panelists, I've had to right size my presentation on the basis of the excellent panels of the morning, especially the second one which I particularly enjoyed.

Let me start by going back to the time in which I started doing work on the politics of oil. It was in the late '90s in West and Central Africa, the sort of long Atlantic oil producing coast from Nigeria to Angola. At the time, the barrel of oil cost about $10, and the only thing you could see that was oil related was the debris of these high modernist dreams of the 1970s. All those motorways, all those skyscrapers in Lagos; all those things that seemed to have promised a successful modernity that never came.

Two or three years later, things -- or this experience was on the eve of both the major oil booms of the last decade and the mainstreaming of the reformist agenda that takes us here today. Only within a few years, the situation across the whole of the West Central African oil producing region has changed radically. Just to give you some examples off of the top of my mind, Angola's budget went from $12 billion -- sorry, GDP went from $12 billion in 2002 to $112 billion in 2012.

Nigeria's grew from $59 billion in 2002 to $243 billion 10 years later. So, in the same that Ian Gary mentioned this morning, the reformist agenda went from being the preserve of some advocate constituencies to being something that a much wider constituency is interested in. Oil also became a much bigger story across West and Central Africa.

What I find interesting about this decade of promise, this decade of the oil boom is just how modest the results have been; just how -- in a case like Nigeria, arguably, people are poorer now than they were in 1960. About $1.5 trillion in oil revenues later. The reason why I'm using up several minutes of my short seven minute presentation to talk to you about West and Central Africa is because I think that the experience of these countries is very relevant for what's happening in East Africa today.

We tend to want to present the situation in East Africa as that of either peril or promise. But in both institutional terms and in terms of the values of the elites and the character of the East African states, I have to say that a disappointing outcome is right now much more a possibility than the positive outcomes that we all would like to see materialize on the other side of the continent.

Let me very briefly walk you three or four major dimensions that I think apply both to the last decade, a failed promise of oil in West Africa and to our current engagement with East Africa. The first one has to do with the constituency for reform, and I will have to say this in a very stylized and overly rushed way, because I don't have much time.

But except for a few companies like Tullow, Stat Oil and a handful of others, it seems uncomplicated to say that the private sector has engaged with the reform agenda over the last decade in a very defensive way. It understood that this language had been -- lip service had to be paid to it, but there was no culture change at the level of many corporations. And I'm referring exclusively to western corporations that at least had to pay lip service to the reformist agenda. In many other corporations outside the western world, that wasn't even the case.

The same applies to most states in the developing world. A few of us were enthusiastic seven or eight years ago about President Obasanjo's commitment to reform, but I think it's safe now after Sanusi's early dismissal to argue that Nigerian political actors have never been decisively committed to a reform path. And that in fact, they've used truly technocrats with reformist credentials to advance their own interests. They have not transformed the political economic game in the country or elsewhere.

Second. So we have to understand that the ambitive has been more circumscribed than we would like to have admitted earlier on. A second point here applies to the role of donors. Again, donors seem to have chosen over the last decade, to engage constructively with oil rich states in Africa as if they were like-minded, as if we were all trying to achieve developmental goals, but can't agree on the actual means to do so.

In fact, what we are looking at in most of the countries that we're looking at, both in West Africa and in East Africa, is not inexperienced states lacking in capacity, as I think was over emphasized this morning, but rather, sophisticated regimes that are just dying to get their hands into the windfalls that are expected to arrive on the basis of the natural gas and mining income, and entrench their interests and the interests of micro sociological constituencies on the basis of that.

These are sophisticated actors in several ways. Their attitude towards reform has not just been an attitude of obstructionism. Several of the capacity building aspects of reform over the last decade have actually benefited regimes in Africa who have -- for instance, I'm thinking here of the Equatorial Guinean regime having benefited from World Bank support in renegotiating their contracts in the late 1990s. They welcomed that unproblematically.

But reform that brought genuine progress was not welcomed by these regimes; that they were able to gain the system that obstructs genuine reform. Other issues pertaining to the donors also has to do over the last decade, and I fear, despite the fact that someone mentioned earlier today, that the financial action task force is starting to put much more attention into capital flight.

Capital flight and transfer pricing has not been very central to donor engagements with oil rich countries in Africa, despite the fact that with the oil booms of the last decade, there's been a bleeding of resources back into not just the western banking system, but also to Dubai, Singapore and other such places.

The final point in this regard that I think applies both to the last 10 years, and I fear, to the next 10 years, is a basic fact of the political economy of petro states. Resource booms empower regimes. They don't empower activist constituencies. In other words, if you are undergoing a resource boom, you are highly unlikely to have a civil society led with a transformative project. It would be the quite the opposite.

You are likely to have, as we have for many examples, not just from Africa, but also from Central Asia, the entrenchment of the regimes that are in place, which gives a particular urgency to our joint actions in the years prior to these oil and gas moves. These are the crucial years of -- that a reform effort can possibly take effect. After that, it's highly unlikely that this effect can be achieved.

I'll end on a couple of very brief points about what can be done. As you'll understand, my presentation is primarily diagnostic, but nonetheless, three points that I think should be emphasized and perhaps discussed later. These comments are exclusively pertaining to the actions of external actors; not because I think external actors are more important. I agree with several of the speakers this morning. They emphasized the importance of internal political change, of the mobilization of African societies, Africa businessmen, African voters.

But nonetheless, since this is primarily oriented towards an external community, and because I think that external actors do have a role to play, here's three points that I think should be taken into consideration. One, and I'm putting this provocatively for you, is perhaps we should start from the assumption that there is going to be a lack of government leadership in places like Uganda and Mozambique, Tanzania, Kenya, South Sudan, et cetera, at least in a broad-based development, pro-poverty alleviation direction.

It doesn't mean that these regimes will prove to be dysfunctional or short-lived. It just means that they will have narrower constituencies in mind as they go into the years of the oil boom. This is a really important discussion for donors to have, because this affects the thrust of donor policies quite sizably.

The second is an investment in serious external enforcement. I think we've all lost the last decade. It was good. I think I was in good faith towards it, but the voluntary principles decade, including EITI before it was beefed up, I think we can all agree that it didn't change the incentive structures for malfeasance, neither at the level of the corporate sector nor at the level of local elites. So, a reinvestment in things like 1504 and its European and Canadian equivalents, and a decisive reaction against the likes of API and other anti-reform actors, I think is long overdue.

A second point is a robust use of conditionality. As a foreign academic, I find it difficult to tell donors to bully the governments of small dependent countries, but this is the message that I get from a lot of civil society organizations at the ground level. They think that western donors are no longer using the clout that they still have, especially in Uganda and in Mozambique to governments that are still majorly dependent on budgetary support from western donors; that western donors are no longer using the clout that they still have.

And they're no longer using it not because they suddenly became shy about using conditionality, but because donors themselves are shifting from aid to trade.

In other words, they are reassessing some of these states as no longer the wards of good Samaritan internationalism, but rather as good business opportunities. And therefore, they do not want to endanger their relationships with the likes of President Museveni, President Kabuza, et cetera. I think these issues need to be rethought.

And finally, I think this is a broader extrapolation on the point that I made earlier about 1504. I think thought one major contribution that outsiders can make is to create mechanisms that shut down elite discretion, and that change incentive structure is at the ground level. Obviously, serious money laundering enforcement at the international level is key.

Travel bands were the most egregious thieves, obviously, but there are many other mechanisms that can change behavior at the ground level, not because there's a normative revolution at the level of -- at the ground level of the elites, a revolution for which we -- which we dearly hope will happen, but we may not be able to wait for it to happen. But nonetheless changes -- moves that would impact on behavior, and therefore perhaps change it. Thank you. (Applause)

MR. KIMENYI: Thank you very much. Thank you very much, Ricardo. I think several issues have come up. I have been asked to -- I've been wanting not to take a lot of time, so that I opened it to the floor. But I may have one or two questions for the discussants. Just keep it brief.

I'll start with the ambassador. I think -- I mean, I think President Obama's real main initiative that we think is really important is the power of Africa. And maybe it would be good to see how you all work you know, within the government -- how all this relates to these new discoveries, and particularly, the issues that you raised. Do you see the success of Power Africa pretty much tied up into what happens to the governance of these resources?

AMBASSADOR PASCUAL: Thank you. So, first of all, just a little bit of context on what Power Africa is. The focus was to be able to reach out to a few specific countries within Africa. There were six specifically identified for increased power generation activities and a couple of others that had an additional focus on governance related issues.

The six on the power side -- let's see if I can remember to get them all correct -- Ethiopia, Kenya, Tanzania, Ghana, Nigeria and Liberia -- and then on the governance side, Tanzania and Mozambique, and Uganda was also part of that. So, in looking at the premise of what we were seeking to do is first of all, to really focus on the question of how do you facilitate more power access, more power generation in these countries?

And one of the key principles was exactly the point that Simon made earlier, that investments in power are fundamentally dependent on the private sector. So, how can we begin with a transaction-based approach where we can see private interest potentially combined with multi-lateral development banks and other donors on specific projects which they would have an interest in investing in.

And then, how do we work on helping to resolve issues that could be constraints to investment around those projects? In some cases, it could be policy and regulatory issues. In some cases, it might be addressing technical questions. In Mozambique, for example, one of the critical issues is going to be access to natural gas. In the case where they're building a whole series of gas fired power plants, you have to actually have the gas to be able to make them function.

And so, what we had been doing is putting in place transaction advisors who had been working on policy regulatory issues, but doing it from a transactions based approach, and then working backwards from that to be able to identify when they arise, more cross cutting policy and regulatory issues that we'll then try to work together with the World Bank and the African Development Bank and other donors to be able to address those constraints.

The intent of this is that over a period of time, it will bring in an additional 10 million people that -- households that have access to electricity. It's a fairly modest goal. It's one that we think is certainly achievable. But the most important thing is frankly, focused around the model where what we're trying to focus on is, where is the investment potential and how to resolve constraints around that investment potential, and how to do this in partnership with the private sector, because it's not something that's just going to be driven by governments alone.

We see that as a complementary effort on the things that we're trying to do in facilitating the development of oil and gas issues, and we see that as complementary and a critical measure to try to accompany what we're trying to do on the energy governance side.

What I would just finally say is that in the power sector itself, there are a whole series of issues related to transparency as well, including how prices for electricity are set, what happens to administrative and technical losses, and a point that doesn't often get focused on. If you have utilities that have 30 or 40 percent administrative and technical losses, the administrative part usually being a buzzword for corruption, you can't make any business succeed if you're losing 30 to 40 percent of the value of your product.

And so, if you think about this in parallel with oil and gas development, and if part of the prospect of developing gas is to be able to effectively use it for power generation, but you don't have a commercially viable power sector, well, guess what? Nobody is going to invest in your power sector. And Nigeria is a good example where this challenge is being faced up to right now.

They went through a privatization of 10 major generating companies as well as a number of utilities, and what they're finding is that as companies are going -- these new private companies are going in, is that the losses aren't in the range of 30 percent, which was advertised originally, but in fact, much higher.

And so, if you have that kind of environment, how do you get this additional new resource to be able to flow? And how do you pay for the gas and the infrastructure related to it? And this is a challenge that I think the East African countries are going to have to face up to as well, that in the end, their power utilities are going to have to be commercially, financially and technically sound, if they want to be able to see the resources that are developed in East Africa actually translating into effective power generation.

MR. KIMENYI: Thank you. Thank you very much.

I'd like to talk to -- come back to Simon. You mentioned about -- we need to focus on what governments also need to do. And you've been in Uganda. You know, three new economies -- Uganda, Kenya and Ghana. What would you say are the main differences between those countries in terms of experiences, so that we see what others can learn from?

MR. THOMPSON: I think probably the most important lesson I would draw -- Ghana -- we discovered oil in the following order. We found it first in Uganda, second in Ghana and most recently in Kenya. Ghana, we went from first discovery to first oil in 42 months, which is very fast by industry standards.

MR. KIMENYI: Mm-hmm. Mm-hmm.

MR. THOMPSON: Exceptionally fast.

And I think if one tries to identify why that worked well, it really was leadership -- very clear leadership from the top coupled with a recognition that a project of this kind impacts on so many different aspects of political and social and economic life, that you need to set up a framework that allows intimate and ministerial contribution to the debate. In other words, Ghana, very early on in the piece, recognized that this was a project of national importance.

And rather than just leaving it with the Ministry of Energy, they brought in all of the other relevant ministers to try and coordinate the approach to that. And I'm pleased to say Kenya has just done the same thing. And I think that’s hugely important, particularly -- Ghana, of course, is offshore, which in many respects is easier. An on shore project such as Uganda and Kenya is much more problematic.

But that, I think is -- the other thing I think which is worth mentioning -- I mean, it’s a comment in the presentation this morning about managing expectations. I mean, Kenya really wants to move this very, very fast, indeed, and in a sense that that suits us, because obviously, we're keen to move it along, as well.

But there is, I think, importance to get the balance here, making sure that you know, those ministries that are responsible for, for example, environment or security community relations also have a place at the top table to enable everybody to understand what their concerns are, so that you put in place the right regulatory framework as well as simply driving the project forward towards first oil.

MR. KIMENYI: Thank you very much. And Ricardo, very briefly, you talked about robust conditionality by donors -- you know, the U.S. or other donors. And you mentioned Uganda in that context quite a bit.

MR. SOARES DE OLIVEIRA: Mm-hmm.

MR. KIMENYI: They usually throw -- there is usually also tension within donors or foreign governments between security and the imposing conditionalities. Do you feel that is playing out in this -- like in Uganda or --

MR. SOARES DE OLIVEIRA: I think Uganda and Mozambique in that regard are very similar. Obviously, in Uganda, there's the added security that I mentioned, which doesn't exist in the case of Mozambique that you've just mentioned.

Both of them have had, over the last 25 years, a trajectory as donor darlings, as states that not only elicited a huge amount of support after a certain point -- budgetary direct support, but also, were fairly -- they seemed to have imbibed important aspects of the liberal consensus that the donors articulated.

For many years, they seemed to be stakeholders in agendas that the donors took very seriously. The case of President Museveni, he used some agendas such as HIV/AIDS in order not to engage in full democratization in other contexts. But nonetheless, these were governments that for many years seemed to have really accepted a great deal of what the donors were putting on the table.

What's interesting about the last three or four years in both cases is how the mere prospect of wealth coming from the energy sector has led them to renege on whole swathes of policies that both donors and many observers of Ugandan and Mozambican policy took for granted, that the government had durably gotten and become part of. They really came to exhibit their -- how can I put it -- their independent-mindedness, vis-à-vis the donors, by starting to renege, as I said earlier, on very important aspects of that.

And in the case of Mozambique, in the last year and a half, that has happened much faster. The relationship between the donors and the Mozambican government and between civil society and the Mozambican government has deteriorated very fast, as our Mozambican colleagues in the audience can explain to you even much better than I can.

So, I think that what's paradoxical about both situations is that in absolute terms or actually in relative terms, the role -- the budgetary support role is still there. Both countries are already behaving as oil emeritus with the aloofness from the donors, but Mozambique is still dependent on what, 37 percent of its budget for -- from the 19 major donors?

So, I think that this is leverage that several western governments still have. And right now in the Mozambican case, there is dissension within the donor communities with donors such as Britain and some of the northern European governments still pushing for a more draconian attitude, specifically in terms of natural gas and mining sector development, whereas other donors are much more interested in pursuing -- applying sort of commercially oriented policy towards the Mozambican government.

In the case of the Museveni regime, there is the added dimension since September 11th. He has been an important ally in the war against terror, and that has given him a huge amount of political leeway, despite his donor dependency.

MR. KIMENYI: Thank you very much. I will open it up now to the floor, but I would really like you to be very brief. I would like to take several questions. We have only about 20 minutes, so I would really like you to be very brief, concise, so that we can take several questions. I'll start with -- and the other.

MR. PENSIN: Hi, my name is Elliott Pensin with McCarty Associates. I guess my question is about national oil companies or national hydrocarbon companies.

It seems like sort of a structural problem, because a lot of these countries don't invest in creating those national institutions because they don't have a reason to. They don't have resources. And then when they do find, they're having to sort of create it on the fly, and they don't have the capacity to some degree, or they borrow from their nationals in -- you know, international IOCs.

Is this is a sort of -- is what we are sort of witnessing in places like Gabon or Liberia, is that a structural problem that we can't avoid? Or are there other solutions to that?

MR. KIMENYI: Thank you. At the back -- there are two hands at the back. Make it concise.

SPEAKER: Thank you very much. Yeah, I also want to talk about the Power Africa program. You know, the gas boom in Africa, I believe, could become transformative if the gas is treated regionally. And because of you know, a lack of a poor gas regional infrastructure, we are going to have difficulties in treating regionally.

And so, I would like to know why the Power Africa program is you know, dealing with specific individual countries, rather than giving a regional approach direct. Thank you.

MR. KIMENYI: Thank you. And we realize that -- we don't expect the ambassador to probably have all the questions, but I'm sure he will tackle that one. Okay, proceed.

MS. MORGAN: Hi. My name is Jenna Morgan. I'm with Publish What you Pay. I just want to thank the panelists for being here today, and to all of our previous panelists, we very much appreciate hearing your perspective.

I wanted to direct my question to Mr. Thompson. I was very excited to hear that Tullow Oil plans to report their payments to governments at a project by project basis. And I was also excited to hear about ways you're engaging with communities and trying to improve your governance practices in the extractives.

In particular, recently, we heard from the Canadian Association of Petroleum Producers as well as the Prospectors Developers Association of Canada and the Mining Association of Canada. And they came out publicly in support of project level payment disclosures. In the recommendations that were made to the Canadian government, they specifically noted that these types of disclosures will help companies demonstrate to communities the type of contribution that they're giving, and it also helps to temper what communities expect to get from extraction, once it comes -- once the revenues come in from extraction.

So, what I'm wondering is for Tullow Oil, what benefits do you see for publishing your payments at the project level?

MR. KIMENYI: One more, this -- yeah, the lady next there.

MS. CAMILLAN: My name is Zora Camillan. I am with a global (Inaudible) in Yale Law School, and I want to follow up, actually, on my colleague Jenna's question and direct it, as well, to Mr. Thompson.

Again, I also appreciate all the wonderful contributions and presentations of the panelists. There are a lot of encouraging things that were said, for those of us who focus on transparency. And in particular, the decision by Tullow to report by project level, I want to just add to Jenna's question, and whether you could just give us a little bit about the calculus behind this decision and some of the potential downsize, whether you considered compliance costs or competitive harm, and why you rejected those?

You know, in our view, the benefits far outweigh those potential costs, but it would be just good to know a little bit about Tullow's perspective on this, as well. Thank you.

MR. KIMENYI: Okay. I would go -- I'll start this side and go that way with you, Simon, please.

MR. THOMPSON: Thank you. Yeah, I mean, the benefit to Tullow is that we have a very strict code of business conduct. We cannot, we cannot actually behave in ways which are nontransparent. It seemed to us a very straightforward decision to declare what our payments were to governments.

We believe that ultimately, it will lead to broader disclosure, not just from listed companies, and that will create a level playing field. I have to say that the same would apply to beneficial ownership. We are entirely in favor of declaration of beneficial ownership.

We're a pretty small company, so actually, the compliance costs for Tullow were negligible. It was a relatively straightforward matter to set up our systems to report on that basis and to get the numbers audited. So that hasn't been a big issue for us.

MR. KIMENYI: Thank you. Maybe, Ricardo, you can take the question on -- by Elliott on these big (Inaudible) states like (Inaudible) --

MR. SOARES DE OLIVEIRA: The national companies?

MR. KIMENYI: Yeah, yeah.

MR. SOARES DE OLIVEIRA: Actually, your question was whether the national companies were going to be developed further in the new oil and gas producing states. Was that the --

SPEAKER: (Inaudible) around there being a structural disincentive for a country that doesn't have resources to invest in creating a national resource company without it. But then, once they find it, sort of ramping up immediately, having a bunch of legislative changes and no capacity to interact with sophisticated international operators.

MR. SOARES DE OLIVEIRA: Mm-hmm. Well, in Africa, national oil companies come in all shapes and sizes, and some of them are part of the problem, rather than part of the solution. I'm thinking in NPC here.

But the good experience with some national oil companies also shows the limits capacity. And the great example here is Sonangol, the national oil company in Angola. It's in many ways, an admirable company. It's an enclave of excellence. It functions very well, but it's at the service of the president and that -- the service of his political project, whatever that happens to be.

This is just to say that there are African countries that have a genuine lack of capacity, and that's an urgent issue. I don't want to belittle that. But you can have capacity use for felonious ends or for ends that are non-developmental. Another point about national oil companies: I think that it's not just the context. It's also the moment in time.

In the '90s, even when countries were becoming -- were coming -- resources were coming on stream, it was just not politically correct to create a national oil company. And quite a few in places like Gabon in the '90s closed down. In the last seven or eight years, everyone and their mothers create national oil companies, even when they're going to be a problematic aspect in the political economy. So it's a very patchy, patchy context.

MR. KIMENYI: Thank you. Ambassador, take -- what (Inaudible) you want to take on the Power Africa?

AMBASSADOR PASCUAL: Sure. I'll start with the Power Africa. You're absolutely right on the region trade issues, and when Power Africa was started, it began modestly -- six countries -- a proof of concept around the idea that if you start with real specific prospects for investment, can you work around those prospects and build up a momentum of trying to translate that into tangible real private sector activity that results in more power generation.

The issue of trade is absolutely key. Gas in West Africa is a critical factor, and if you can get -- if the West African gas pipeline could function more effectively, if there was greater confidence in it, if it was able to move gas more effectively throughout the region, there are at least six countries that would benefit extensively from power generation.

And then beyond that, there is really the question of region power pools and the role that they could play. Not too long ago, in January, I chaired a session at the International Renewable Energy Agency General Assembly, and there, a number of the African energy ministers who were present all endorsed the concept of region energy corridors in West Africa, East Africa and Southern Africa, and then connecting those together. It makes a huge amount of sense.

If you look at -- I mean, let’s just take Liberia, where I think the generation capacity is somewhat on the order of 23 megawatts (Laughter), and I mean, just assume I'm wrong by a hundred percent. The reality is that to be able to address their power requirements -- I think it would be a lot better off in the near term if they can actually extend transmission lines who have the capacity to trade power rather than trying to figure out what’s the right kind of power generation investment there.

That’s not to say that they shouldn’t have more power generation investments internally, and that some of those can't be off grid and decentralized and renewable, but in terms of actually getting power into that country. In East Africa, you know, one of the things that we have to realize is that the resource and the map don't always go together. So, if you think about the availability of gas, oil, hydro, geothermal, wind, it’s not always going to respect borders.

And in the end, you also want to get a diversification of resources. There’s been -- if we say in parts of Ethiopia and Tanzania, a real potential for hydro, but as a result of climate change, a lot of variability in the availability of that resource. And so, the ability to trade across those countries becomes a factor for resilience, and it creates a much stronger market if you know that you're not just investing for the supply of a particular national market, but a much broader regional area that you might be able to trade into.

So indeed, the suggestion that you made is exactly one of the things that we're looking at on how to more effectively reinforce some of the trends that we're seeing within Africa of looking at these region trade issues.

I just want to say a word, if I could, on the issue of national oil companies. So, here's the dilemma. Right? Look across Africa, and everybody looks across the Atlantic and sees Petrobras. Right? And they say, I want one (Laughter). And you know, it's natural. And the reaction is that this is good for my country's image; it's good for the development of the resources; it deals with the resource nationalism question.

If you've got a good company, you can have a partner within -- with IOCs. And so, the reaction is, I'm going to make one. Right? And what it takes to get from a fledgling company that gets put on paper to becoming a Petrobras is hundreds of billions of dollars of investment in capital and training and human resource development -- an economy that you can reach out to and reach back to that has the ability to supply services and goods into it that is able to develop drilling rigs, can attract the General Electrics and the big country companies of the world in to establish the kind of manufacturing base that you need to support a major oil and gas industry.

And then, you ask the question, you know, which countries in Africa can fill that bill? Ironically, one of the countries that could, if they had the right policy environment, is probably Nigeria. But there's a huge gap there. Right?

And so, one of the things that has to happen is that there needs to be a clear understanding discussion with countries up front. What are you trying to achieve?

Why are you trying to achieve it? What is it going to take to get there? What do you have to invest in order to achieve that capacity? And in the meantime then, what are you going to use as your foundation to represent your country in international negotiations to protect the interests of your country?

So, those are some of the practical sorts of things that we're working on and dealing with as we work with countries in an advisory role. But it's not a simple question, because everybody looks at Petrobras and I want it now.

MR. KIMENYI: Thank you very much, ambassador. I think I can take maybe two questions, if you limit it to like 15 seconds (Laughter). I have my colleague -- and the responses will also be equally short.

I have my colleague, Amado here, and the gentleman right at the back. If you can limit it to that -- seconds. I'm sorry.

SPEAKER: Yeah. Just a quick question. I haven't heard a lot about technology, so the challenges and the importance of investing into new technologies, like offshore or exploration where only a few countries have a comparative advantage right now in the world. Thank you.

MR. KIMENYI: Thank you.

MR. NAM: Thank you, Chair. Alfred Nam from Uganda. I'm addressing my question to the gentleman who talked about robust conditionalities. The way you put it makes me remember what happened in the 1980s when the World Bank went with robust conditionalities. Are you sure that by introducing these robust sort of conditionalities to countries that you call oil emeritus already today may not estrange them? Thank you.

MR. KIMENYI: Thank you very much. I'll start with the ambassador. Any comment -- final remarks, and then we can (Inaudible). Any comment, ambassador?

AMBASSADOR PASCUAL: I'll just make a very general comment. And it's obvious, but it's one that shouldn't escape us. We're out a fulcrum point here. The availability of resources, they're coming on to global markets, the demand that's going to still continue to exist, the fact that much of that demand is now shifting to Asia also has to be taken into account, and they're going to be a significant number -- or a significant part of the consumer base.

All reinforces both the positive and the potential side, but it underscores that if the legal framework, the governance framework, the transparency mechanisms are not put in place up front, it's just going to get harder as you go. And so, focusing attention on that, trying to drive that in every way that we possibly can through every mechanism, through governments, through the private sector, through non-governmental sectors is absolutely key in continuing to push ourselves to be more creative, more effective in ways that reflect the -- in the end, the partnership interests that we all have to succeed is absolutely critical. And that's one of the things that we're going to continue to focus tension on in the U.S. government.

(Discussion off the record)

MR. SOARES DE OLIVEIRA: States that are oil or gas rich, the donors have next to no clout over them. So my point was about the very, very brief window of opportunity that you have in places that are known to have a lot of resources, but whose resources will not come on stream, really, until 2020, 2021. States like Nigeria and Angola, donors have absolutely no influence over whatever they want to do most of the time, unless there's a major oil crash.

In regard to countries like Mozambique and Uganda, I don't think this is a silver bullet, but I think that conditionality on specific -- as an attempt to lock in specific reform institutions or specific protections for civil society in the coming two or three years, I think as part of a broader reformist, many will play a very important role. And I know that -- that's why I told you that I hesitated about deploying that language, because it's reminiscent of the sort of worst successes of the Washington consensus in the '80s.

But I find it personally problematic that donors are not using their lingering capacity -- their lingering information, and in fact, they're tolerating gross abuses of the public exchequer and of civil and human rights as we speak. But I agree with you that this is a problematic recommendation, but emphatically, it's a recommendation that is coming from the level -- a lot of civil society organizations would like the donors to speak more sternly to their own governments.

MR. THOMPSON: Just coming back on the technological question. I mean, I think if you look back at the technological achievements of the oil and gas industry over the last few decades, it is absolutely extraordinary. And the ambassador talked about shale gas. That's an example of really innovative technology applied in creating an entire new source of energy.

And I have no doubt that that technological innovation will continue in the coming decades, because oil and gas companies are good with that kind of thing. But when I think about how we allocate our time on the board at Tullow, we spend an awful lot more time talking about non-technical risks than we do about technical risks, because we're good at technical risks. You know, we've got engineers and we've got scientists who can manage that.

The skill set you need to deal with some of the issues we've been talking about today, entirely different. And traditionally, the oil and gas industry has not been so strong in that area. So that's really where we would focus.

MR. KIMENYI: Thank you. Thank you very much, panelists. I would like you to please join me in thanking our panelists for an excellent discussion.

(Applause) Thank you. I think what we get from this discussion is that this is a big issue that we have to continue. The conversation has to continue. We have to involve government. We have to involve the private sector. So, I think this is the indication that we are getting.

Please, just a few announcements. One is that if you could, please leave your name tag outside there. Brookings is cheap in a way (Laughter) -- or to recycle the plastic, but -- so please, please leave these ones. But I've also been asked to tell you there's a major forum also going on next door, so we should leave -- all of us should leave from outside that door -- from the back.

So, thank you very much, and we appreciate your support. (Applause)

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