

**THE DISCOVERY OF OIL IN GHANA:  
MEETING THE EXPECTATIONS OF LOCAL  
PEOPLE**

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**Thesis submitted in partial fulfillment of the requirements  
for the Degree of Master of Philosophy in Culture,  
Environment and Sustainability**

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## Table of Contents

<b>DEDICATION</b> .....	<b>VII</b>
<b>ACKNOWLEDGEMENT</b> .....	<b>VIII</b>
<b>LIST OF ABBREVIATIONS AND ACRONYMS</b> .....	<b>X</b>
<b>LIST OF TABLES</b> .....	<b>XIII</b>
<b>LIST OF FIGURES</b> .....	<b>XIV</b>
<b>MAP OF GHANA SHOWING THE GULF OF GUINEA AND THE JUBILEE OIL FIELDS</b> .....	<b>XV</b>
<b>ABSTRACT</b> .....	<b>XVI</b>
<b>1. INTRODUCTION</b> .....	<b>1</b>
1.1 BACKGROUND TO STUDY .....	1
1.2 RESEARCH QUESTIONS .....	3
1.3 RATIONALE FOR STUDY .....	3
1.4 PROFILE OF GHANA’S OIL REGION: THE WESTERN REGION .....	4
1.4.1 <i>Profile of the districts adjoining the Jubilee field</i> .....	6
1.5 DESCRIPTION OF STUDY AREA .....	7
1.6 ON INTERDISCIPLINARY STUDIES .....	11
1.7 STRUCTURE OF THESIS .....	12
<b>2. RESEARCH METHODOLOGY</b> .....	<b>14</b>
2.1 INTRODUCTION .....	14
2.1.1 <i>Pre-fieldwork arrangements: Establishing contacts</i> .....	14
2.2 METHODOLOGY AND METHODS OF DATA COLLECTION .....	15
2.2.1 <i>Choosing Informants</i> .....	16
2.2.2 <i>Sampling</i> .....	17
2.3 STAKEHOLDERS IN GHANA’S OIL INDUSTRY.....	18
2.4 QUALITATIVE RESEARCH AND FLEXIBLE DESIGN .....	19
2.4.1 <i>Interviews</i> .....	21

2.4.2	<i>Group Interviews</i> .....	23
2.5	RELIABILITY AND VALIDITY IN QUALITATIVE STUDIES .....	25
2.6	GAINING ACCESS .....	27
2.6.1	<i>Social situations and conditions</i> .....	28
2.6.2	<i>Power relations and imbalances</i> .....	29
2.6.3	<i>Conflict of interest</i> .....	29
2.7	ETHICAL ISSUES.....	30
2.7.1	<i>Status of the researcher: Outsider and Insider roles</i> .....	32
2.8	STORAGE AND TRANSCRIPTIONS OF DATA.....	33
2.9	REFLEXIVITY AND LIMITATIONS .....	34
<b>3.</b>	<b>CONCEPTUAL FRAMEWORK.....</b>	<b>38</b>
3.1	INTRODUCTION.....	38
3.2	THE SUSTAINABLE LIVELIHOOD APPROACH AND THE LIFE OF THE RURAL POOR .....	38
3.2.1	<i>Definition of concepts</i> .....	39
3.3	THE SUSTAINABLE LIVELIHOOD FRAMEWORK (SLF) .....	40
3.3.1	<i>Livelihood Assets</i> .....	42
3.3.2	<i>Vulnerability Context</i> .....	45
3.3.3	<i>Transforming Structures and Processes</i> .....	48
3.3.4	<i>Livelihood strategies and outcomes</i> .....	54
3.4	USEFULNESS OF THE SUSTAINABLE LIVELIHOODS APPROACH .....	54
3.5	OIL AND ECONOMIC DEVELOPMENT: THE NEXUS .....	55
3.5.1	<i>The Dutch disease</i> .....	57
3.5.2	<i>Rent seeking</i> .....	58
3.5.3	<i>Patronage</i> .....	59
3.6	AVOIDING THE RESOURCE CURSE: THEORY AND PRACTICE .....	59
<b>4.</b>	<b>GHANA – COUNTRY REVIEW .....</b>	<b>60</b>
4.1	INTRODUCTION.....	60
4.2	POLITICAL OVERVIEW .....	61

4.3	ECONOMIC OVERVIEW .....	63
4.3.1	<i>The Ghanaian economy: Structure and performance</i> .....	63
4.4	STRATEGIES FOR POVERTY REDUCTION .....	65
<b>5.</b>	<b>THE OIL AND GAS INDUSTRY IN GHANA .....</b>	<b>70</b>
5.1	INTRODUCTION.....	70
5.2	A BRIEF HISTORY OF OIL AND GAS EXPLORATION.....	70
5.2.1	<i>The Great Discovery</i> .....	71
5.3	AFRICA AND OIL RESOURCES.....	71
5.3.1	<i>Ghana's oil in the context of Africa's oil boom</i> .....	72
5.4	GHANA AND EXTRACTIVE INDUSTRIES.....	75
5.4.1	<i>The Fiscal Regime on mining</i> .....	76
5.4.2	<i>Challenges in the mining sector</i> .....	77
<b>6.</b>	<b>WHAT ARE THE EXPECTATIONS OF COMMUNITIES IN GHANA'S OIL DISCOVERY?.....</b>	<b>79</b>
6.1	INTRODUCTION.....	79
6.2	HOW DO LOCAL PEOPLE PERCEIVE THE OIL INDUSTRY?.....	79
6.3	WHAT ARE THE EXPECTATIONS OF THE LOCAL PEOPLE? .....	82
6.3.1	<i>Employment Opportunities</i> .....	86
6.3.2	<i>Provision of education and institution of scholarship schemes</i> .....	87
6.3.3	<i>Development of infrastructure</i> .....	88
6.3.4	<i>Training programmes and setting up of micro credit schemes</i> .....	89
<b>7.</b>	<b>FULFILLING LOCAL EXPECTATIONS .....</b>	<b>90</b>
7.1	INTRODUCTION.....	90
7.2	MANAGEMENT OF EXPECTATIONS .....	90
7.3	EFFECTIVE DISSEMINATION OF INFORMATION .....	91
7.4	IMPLEMENTATION OF DEVELOPMENT PROJECTS IN COMMUNITIES.....	94
7.5	THE POLICY, LEGAL AND REGULATORY FRAMEWORK .....	94
<b>8.</b>	<b>IMPACT OF OIL PRODUCTION ON LIVELIHOODS .....</b>	<b>96</b>

8.1	INTRODUCTION .....	96
8.2	OIL, LIVELIHOODS AND OTHER SOCIAL ISSUES .....	98
8.2.1	<i>Impacts on fishing</i> .....	98
8.2.2	<i>Socio-cultural impacts:</i> .....	103
8.2.3	<i>Environmental Impacts</i> .....	105
8.2.4	<i>Land-use disputes</i> .....	107
8.2.5	<i>Sea-use clashes</i> .....	108
<b>9.</b>	<b>CONCLUSION .....</b>	<b>110</b>
9.1	LINKING PERCEPTIONS, EXPECTATIONS AND THE GOOD LIFE .....	110
9.2	MANAGING EXPECTATIONS .....	112
9.3	HOW DOES OIL IMPACT ON THE LIVELIHOODS OF LOCAL PEOPLE? .....	112
9.4	RE-ASSESSING GHANA AND THE RESOURCE CURSE.....	113
9.5	FUTURE PROSPECTS FOR RESEARCH .....	115
	<b>BIBLIOGRAPHY .....</b>	<b>117</b>
	<b>APPENDIX .....</b>	<b>131</b>

## **Dedication**

*In memory of my late mum and role model, Rita Charity Mansah Kumedzro. I  
love you, mama.*

## **Acknowledgement**

I began this journey of thesis writing in May 2010. It has been stressful and hectic; but rewarding at the end. Through it all, God has shown his glory. I wish to thank Jehovah God for how far in life he has brought me and my family.

I wish to express my sincerest appreciation to the Norwegian State Educational Loan Fund (Lånekassen) who started it all by granting me a quota scholarship to study in Norway.

Many people have been of help throughout the writing process. First and foremost, I wish to acknowledge my supervisor, Professor Desmond McNeill of SUM for his assistance and helpful tid bits, which propelled me to try new ideas along the line, and have helped to shape this work.

Next, my family deserves special mention. They offered me constant emotional and spiritual support which made this work easier than I thought it would be. My late mum, Rita Charity Mansah Kumedzro deserves very special mention, for her soft-spoken words of encouragement during my 'low' moments. Even though you did not live to see the end of this, I know you will be beaming with smiles as you see me come to a successful end. My dad, Godwin Agbefu, thanks a lot for making me who I am today. My siblings – Edem, Atsu and Atsufui, you are the best.

I also wish to extend a hand of appreciation to my second family here in Norway. First, Elder Ferkah Ahenkorah and family of the Church of Pentecost, Oslo (Amerrud Assembly). Then, to Mr. and Mrs. Olger Dahl and his lovely wife Angelina Dahl for substituting for my biological family here in Norway. To my friends Gifty and Bobby who stood by me in my times of distress, thank you for the small weekend chats and parties!

I wish to thank Mr. Samuel Owusu Antwi, my colleague and friend, for all the physical and emotional support. At the University of Ghana, Mr. Ransford Gyampo of the Political Science Department showed immense help and support. He readily



parted with some of his ‘classified’ publications, for my sake. Also, Dr. Dominic Ayine of the Faculty of Law, University of Ghana, thank you for all the notes on the legal perspective on natural resource governance. My heartfelt gratitude goes to Dr. Kwesi Aning of the Kofi Annan International Peacekeeping and Training Center. Mr. Kojo Efunam of EPA Ghana, thanks a lot for your time. To Mr. Appalzi and Mr. Tetteh, both Geologists at the GNPC, many thanks for your insightful interview sessions.

I am grateful to Mr. Tsatsu Tsikata, former boss of GNPC who though had a busy schedule, set time aside to have a brief but very informative conversation with me. The same measure of appreciation goes to Honourable Moses Asaga (MP and Chairman of the Parliamentary Select Committee on Mines and Energy), who rewarded my many visits and calls to his office with a lengthy and enlightening interview. Furthermore, I wish to express my gratitude to Dr. Steve Manteaw of ISODEC Ghana, who gave me a lot of information about the frontline communities and introduced new ideas to my area of research.

In the local oil communities I visited, I wish to thank the following people: Nana Dr. Kwabena Nketsiah IV (Chief of the Esikado traditional area); Awulae Annor Adjaye II (Chief of the Nzema Traditional Area), and Nana Kwaku Bena (Chief of Shama), and to all the people of the Western Region of Ghana.

In Norway, I wish to thank Ms. Kristin Dyppedok, for her tips which proved timely and helped to keep me in focus, and also for our little conversations. To my twin sister and best friend, Eyih. Thank you for keeping me company during odd hours at SUM, just to motivate me to write on. Last but certainly not the least, many thanks to the wonderful 2011 year group of M.Phil students at the Centre for Development and the Environment (SUM), University of Oslo. It was a pleasure to sit in class with you, and to learn from you; you have enriched my international academic experience.

*Tusen takk!*

*Rosemond Agbefu,*

*Oslo, Norway. 2011*

## **List of Abbreviations and acronyms**

ADB	African Development Bank
AU	African Union
BBC	British Broadcasting Corporation
CDD	Ghana Centre for Democratic Development
CHRAJ	Commission on Human Rights and Administrative Justice
CSO	Civil Society Organization
CSR	Corporate Social Responsibility
DFID	Department for International Development
E & P	Exploration and Production
ECA	Economic Commission for Africa
EIA	Environmental Impact Assessment
EPA	Environmental Protection Agency
FDI	Foreign Direct Investment
FOC	Foreign Oil Company
FON	Friends of the Nation
GDP	Gross domestic product
GIMPA	Ghana Institute of Management and Public Administration
GNPC	Ghana National Petroleum Corporation
GPRS	Ghana Poverty Reduction Strategy
GSS	Ghana Statistical Survey
GTZ	German Technical Corporation
HDI	Human Development Index
HIPC	Highly Indebted Poor Countries

IEA	Institute of Economic Affairs
IMF	International Monetary Fund
IRS	Internal Revenue Service
ISODEC	Integrated Social Development Center
KAIPTC	Kofi Annan International Peacekeeping and Training Center
KITE	Kumasi Institute of Technology Education
MDG	Millennium Development Goal
MOEST	Ministry of Environment, Science and Technology
MP	Member of Parliament
NDC	National Democratic Congress
NGO	Non-governmental organization
NLC	National Liberation Council
NPA	National Petroleum Authority
NPP	New Patriotic Party
MNC	Multi National Corporation
OFD	Oil for Development
PNDC	Provisional National Defence Council
SAP	Structural Adjustment Programme
SLA	Sustainable Livelihood Approach
SLF	Sustainable Livelihood Framework
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
WANEP	West African Network for Peace



## **LIST OF TABLES**

Table 1: Distribution of Interview List.....	9
Table 2: Literacy Rate of Respondents.....	10
Table 3: Key Oil and Gas Stakeholders .....	19
Table 4: Explaining nature of shocks that oil poses to local communities and the nation.....	45
Table 5: Oil Producers in Sub-Saharan Africa.....	74
Table 6: Estimated Oil Revenue from the Jubilee Field.....	85
Table 7: Impact of Ghana’s Oil and Gas Industry.....	99

## List of Figures

<b>FIGURE 1:THE COASTAL DISTRICTS OF THE WESTERN REGION .....</b>	<b>8</b>
<b>FIGURE 2:THE SUSTAINABLE LIVELIHOODS FRAMEWORK.....</b>	<b>41</b>
<b>FIGURE 3: A BANNER INSCRIPTION SHOWING A PRAYER SESSION FOR THE OIL AND GAS INDUSTRY IN GHANA .....</b>	<b>84</b>
<b>FIGURE 4: A SECTION OF FISHMONGERS DISPLAYING THEIR FISH AT THE DIXCOVE SHORE.....</b>	<b>102</b>
<b>FIGURE 5: RESEARCHER IN A GROUP PHOTOGRAPH WITH FISHERMEN AT CAPE THREE POINTS...</b>	<b>103</b>

## MAP OF GHANA SHOWING THE GULF OF GUINEA AND THE JUBILEE OIL FIELDS



**Source:** <http://www.ghanaweb.com/GhanaHomePage/NewsArchive/artikel.php?ID=180464d>

Accessed: 05.06.2011.

## ABSTRACT

*Oil's importance in the global economy cannot be overlooked. Gas, diesel and petrol, which are by-products of oil, fuel transportation globally, and allow for the free movement of goods and people. Revenue from oil is also used by governments to develop their countries in terms of infrastructure and economic growth. Due to this and many other advantages associated with the oil, its discovery in many parts of the world has come with a lot of hope and expectations.*

*Ghana joined the league of oil producing nations when it discovered commercial quantities of oil off the coast of Cape Three Points in 2007. While oil production is expected to have positive effect on the national economy, its impact on the communities adjoining the Jubilee field should not be underestimated. Communities which live close to Ghana's oil field have a wide range of expectations which they look forward to the government and oil companies to fulfill. The study aims at critically examining the perceptions and expectations of three communities in Ghana's oil discovery. The communities are Cape Three Points, Dixcove and Shama. It also aims at exploring the various mechanisms through which these expectations are likely to be realized.*

*To digest these issues comprehensively, I use the concepts of sustainable livelihoods (Ellis 2000) and the concept of the resource curse (Auty 1993, Collier 2007). Under sustainable livelihoods, I adopt the Sustainable Livelihoods Framework as an analytical tool to broadly show the impact that oil has on local livelihoods. Thus, the relationship between assets available to local fishermen and how this impacts on their livelihoods is addressed. I also use it to explain the vulnerabilities that oil presents to local communities, and the various strategies they have adopted to cope with that. The resource curse concept is used to describe the relationship between oil and economic growth and the impact of oil on national development.*

*At the end of the study, it was found that that perceptions form an important part of local expectations. A list of expectations across all three show essentially the same*



*list of what local people expect from oil companies and the government. Moreover, effective mgt of expectations is key to attempting to cure the resource curse disease. When local people are educated about the real and impacts of the oil on their livelihoods, their expectations are bound to remain realistic, and hence they may not resort to violence and conflicts when their perceived expectations are not met.*

# **1. INTRODUCTION**

## **1.1 Background to study**

Throughout history, natural resources have played an important role for prosperity in a number of the countries that we now characterize as developed. Oil could be seen as one of the most essential commodities in the world market today. It cuts across all sectors of the world economy, and its strategic importance in international politics cannot be underestimated. According to Rogoff (2006), oil and gas serve as a very important source of energy to industries. This contributes to the growth and development of economies of both developed and developing countries.

Ghana has always had gold and cocoa. In June 2007, the country became the center of world attention when two companies, Kosmos Oil (American) and Tullow Oil (Anglo-British) officially announced the discovery of oil in commercial quantities in the sea beds off its West coast. The discovery was made in the Cape Three Points area. Cape Three Points is a small fishing community and is well known to be the southernmost part of the country.

This study is aimed therefore at assessing the expectations of local people, and exploring how these expectations are likely to be realized.

Many people across the length and breadth of the country have expressed high expectations of the oil industry. It is expected that the oil, if managed prudently, could open new opportunities for the country to embark on extensive development projects, as well as ensure a general improvement in the standard of living of its citizens.

In frontline communities which surround the site of oil production, expectations are usually high. In the case of Ghana, the communities adjoining the Jubilee

Field<sup>1</sup> have expressed the fear of losing their livelihoods due to the production activities by oil companies.

### ***Defining the 'Natural Resource Curse'***

Generally, in countries where oil has been discovered in commercial quantities, economies are expected to grow at a positive pace and the lives of ordinary people progress significantly. Such countries are bound to experience the 'blessing' of the resource. Norway and Canada are examples of countries whose oil resource has pushed them into the international limelight due to effective management of oil wealth. These countries have used their oil wealth to transform their economies. The springing up of subsidiary industries has also contributed to economic growth and development. Countless examples abound, however, of oil-producing countries that have seen economic decline and poor growth. This phenomenon has been referred to as the 'resource curse', or the 'paradox of plenty' (Auty 1993). In an interview granted to the British Broadcasting Corporation, the then President of Ghana, John Kufuor said the discovery of the country's first major oil deposit could turn the country into an "African tiger<sup>2</sup>". In the midst of these expectations, there have been calls for the management of expectations. The 'blessing' or 'curse' of the resource would depend on how effectively expectations are managed, and how revenues accruing from the black gold is used to benefit the majority of the people living in the local communities.

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<sup>1</sup> 'Jubilee Field' was named so because the oil discovery coincided with the celebration of Ghana's 50th (Jubilee) independence celebration

<sup>2</sup> Kufuor J. BBC News, Tuesday, 19 June 2007, 09:03 GMT 10:03 UK)

## **1.2 Research Questions**

In this thesis, I attempt to answer the following questions:

- What are the expectations of the local people with regards to Ghana's oil discovery?
- Are these expectations likely to be realized?

## **1.3 Rationale for study**

A lot of researches which have been carried out on natural resources tend to focus mostly on the interplay between natural resources and sustainable development in mineral economies (Auty 1993). Some have also dealt with the paradoxes associated with the discovery of oil (Gelb 1988); Lynn (1997) and Humphreys et al (2007). In Ghana, since the discovery of oil in 2007, studies have focused on how to use the proceeds from oil to prevent the resource curse (Moss and Young 2009; Asafu-Adjaye 2009); how to deal with sea-use conflicts between oil companies and the local residents (Jonah 2010); and the inter-sectoral impact of the production of oil (Asafu-Adjaye 2009).

In line with studies which have been carried out by Anaman (2009); and Asante (2009); and Aryeetey and Asmah (2011), this thesis is an attempt to divert from the relationship between oil and economic development, and shift the focus on the expectations of local communities in Ghana's oil discovery and the impact of oil on their livelihoods. The study will also assess how these expectations are likely to be met.

Also, the literature on the expectations of people in oil communities, vis-a-vis how they are realized; and impact of oil on local livelihoods is equally scarce.

In addition to adding to the existing body of knowledge, findings of this research will seek to develop and serve as a starting point for a clearer understanding of the correlation between the expectations of local communities in Ghana's oil find, and how they are likely to be managed. The discussion on how local people perceive the oil industry helps to understand the dynamics of corporate social responsibility in Ghana's local communities. I am convinced that this study is therefore timely, and would serve as a good source of literature on the local community-oil discourse in Ghana.

#### **1.4 Profile of Ghana's oil region: the Western Region**

For administrative purposes, Ghana has been divided into ten regions<sup>3</sup>. The Western region, and its capital city of Sekondi-Takoradi (*or simply Takoradi*), is now christened *the oil city* due to the discovery of oil. The region is well endowed with natural resources, making it of significant economic value to the national development. Minerals extracted in the region include gold, diamond, bauxite, manganese, bitumen, and aluminum. The region is the largest producer of cocoa, rubber and coconut, and produces oil palm on a large scale.

The Western region has often been referred to as the bread basket of the country. The argument has often been made (for instance, see the Ghana Statistical Service 2005) that the natural resource base of the region is enormous, and if well managed, could hold the key to Ghana's breakthrough from its low income status to a middle income economy<sup>4</sup>. As of 2000, the western Region was the largest producer of cocoa and timber (Coastal Resources Center Report 2010). At

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3 The remaining nine regions are Ashanti, Brong Ahafo, Central, Greater Accra, Eastern, Northern, Volta, Upper East and Upper West.

4 Ghana has been recently declared a middle-income country, based on a rebase of its economic indicators. Source: World Bank <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:22800031~pagePK:64257043~piPK:437376~theSitePK:4607,00.html>). Accessed 22.10.2011.

present, it is the second highest producer of gold<sup>5</sup>. There are also large deposits of iron ore and bauxite. The mineral resources on the land are equaled by the petroleum reserves offshore and are expected to annually contribute US \$1.0 billion to the country's economy for the next decade<sup>6</sup>. The region has a large concentration of castles and forts from the colonial period as well as beaches and national parks, which earns it quite a lot in terms of tourism.

Despite the great economic potential of the region, economic infrastructural development of the region is lagging behind that of the other two industrial regions, Greater Accra and Ashanti. Social infrastructure such as schools and hospitals are lacking and where available, accessible to only a few. The road network of the region is one of the worst in the country, and the roads to the rich mining and cocoa growing areas are in a deplorable state. The impact of the poor state of the roads is felt in the rainy seasons, when cocoa and other food crops are locked up in the interior of the region because of inaccessible roads.<sup>7</sup> The discovery of oil in the region is regarded by some residents as a blessing in disguise, which will set the tone for massive infrastructural development, and through which poverty in the region will be reduced significantly. In order to make this become a reality, there is a debate about setting aside 10% of the oil revenue for the exclusive development of the region.

Fishermen around the Jubilee field have been fishing for generations and regard some portion of the sea as their exclusive property. Hence, according to them, instituting such a fund is their birth right, and not a privilege being offered them. But according to Nana Asante Bediatuo, (see appendix) a Constitutional Lawyer,

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5 The Ashanti region is the highest producer of gold

6 In "Our Coast, Our Future: Western Region of Ghana" A publication by the Coastal Services Centre, supported by the USAID, October 2010.

7 Background Information on the Western Region: Natural Resource. Available at [http://www.modernghana.com/GhanaHome/regions/western.asp?menu\\_id=6&sub\\_menu\\_id=130&gender=](http://www.modernghana.com/GhanaHome/regions/western.asp?menu_id=6&sub_menu_id=130&gender=)

the institution of such a fund will constitute an unfair advantage over other regions in Ghana which also produce natural resources and it will set a bad precedence (See Appendix). According to Awulae Annor Adjaye, claims for a special fund are legitimate, and is a fair (though not adequate) substitute for people's lost livelihoods as a result of oil production activities.

#### **1.4.1 Profile of the districts adjoining the Jubilee field**

There are about ten communities adjoining the Jubilee field.<sup>8</sup> As a matter of necessity and in order to get myself well acquainted with developments in the communities, I visited three communities out of these, to observe for myself and ask questions about what the people's expectations are, and how those expectations are likely to be fulfilled. The research was carried out in three local communities along the western coast of Ghana. These are Cape Three Points, Dixcove and Shama.

Shama is a town in the Shama District of the western region. Located about 20km east of Takoradi, the village has a population of about 20,946, most of whose inhabitants fish and prepare fish for the local market.<sup>9</sup> Cape Three Points and Dixcove are situated in the Ahanta West District of the Western Region. Cape Three Points is situated at the southernmost tip of Ghana. It is the closest community by kilometers offshore from the oil rig, about 65 kilometers away. It has a population of about 450 to 500 people, who are mostly fishermen and farmers.<sup>10</sup> Situated 35km from Takoradi, Dixcove is a fishing town with a

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<sup>8</sup> The remaining seven are Akwidaa, Beyin, Axim, Busia, Butre, Miamia and Princess Town. <http://www.ghanawestcoast.com/gwc/index.php>. Accessed 13.11.2011

<sup>9</sup> <http://www.wolframalpha.com/entities/cities/zs/3f/vy/>. Accessed 13.11.2011

<sup>10</sup> [http://www.ghanawestcoast.com/gwc/cape\\_three\\_points.php](http://www.ghanawestcoast.com/gwc/cape_three_points.php). Accessed 13.11.2011

natural beach and harbour big enough to contain small ships. The main economic activity is fishing. The people are mostly fishermen and fishmongers.<sup>11</sup>

It was my initial plan to visit at least of the six communities so that I get a holistic view of the local people's expectations, but I could visit only three, due to limited time and lack of resources.

## **1.5 Description of Study area**

Most of the data for this study was collected from three coastal communities adjoining the Jubilee field namely Cape Three Points, Dixcove and Shama. These communities were selected due to two factors: first, that they are host communities to the jubilee Field; and second, because of their proximity to the capital city of Takoradi.

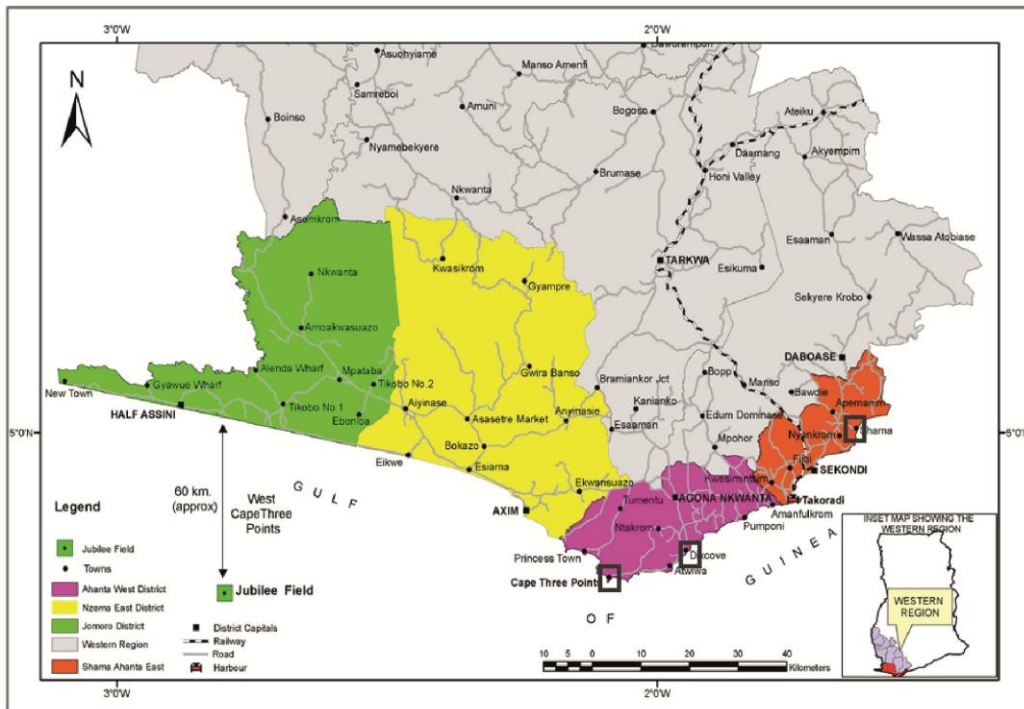
The map below shows the location of all the coastal districts (the three communities selected for this study is highlighted). It also shows their distance from the Jubilee field.

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<sup>11</sup> <http://www.ghanawestcoast.com/gwc/dixcove.php>. Accessed 13.11.2011.



THE COASTAL DISTRICTS OF THE WESTERN REGION



**Figure 1: The Coastal Districts of the Western Region.**

**(The three communities used in this study are highlighted)**

Source: Modified from Zotorvie (Unpublished M.phil thesis. NTNU, 2010)

For the purposes of this study, I used the household as my unit of analysis. The household is defined as a person or group of persons, either related or unrelated who share a common dwelling, regard one member of the household as their head, and share the same house keeping arrangements (Uwafiokun 2007). In Ghana, the head of the household is the one who is identified as the head by members of the household and not necessarily the one who maintains the household.<sup>12</sup> In many instances, though males dominate and head the house, it is actually females who maintain the upkeep of the house, with proceeds from

<sup>12</sup> [http://www.modernghana.com/GhanaHome/regions/western.asp?menu\\_id=6&sub\\_menu\\_id=130&gender](http://www.modernghana.com/GhanaHome/regions/western.asp?menu_id=6&sub_menu_id=130&gender)  
= Accessed 02.11.2011

income obtained from sales in trading petty items. In all the three communities, I conducted face to face interviews. In all, I interviewed 29 respondents from all three communities, representing 63% of my entire interviews. Interviews also included key informant interviews. My key informants consisted of traditional chiefs, the youth, fishermen, fishmongers, women’s group, opinion leaders and one local civil society organization. These people were selected because I was of the opinion that they had privileged information by virtue of their positions, and most of them have also been directly involved in discussions with multinational oil companies as well as government agencies. Below is a distribution of the interview list:

**Table 1: Distribution of interview list**

<b>Respondents</b>	<b>No. of Responses</b>	<b>Percentage (%)</b>
Accra respondents (NGOs, CSOs, policy think tanks, MPs, Government agencies, academia )	17	37%
Cape Three Points	11	24%
Dixcove	8	17%
Shama	10	22%
<b>Total</b>	<b>46</b>	<b>100%</b>

I conducted interviews both in Accra and the oil communities. In all, I had 17 interviews in Accra, making up 37% of my population. The 17 respondents in Accra are made up of representatives from NGOs, CSOs, government Ministries and Agencies, Parliament, Policy think tanks and academicians.

Interviews were done with 29 respondents from all three communities. Put together, the 29 respondents make up 63% of the total population, distributed as follows: Cape Three Points, 11 respondents constituting 24% of the total, in Dixcove 8 respondents, comprising 17%, and in Shama, 10 respondents, making up 22%.

**Table 2: Literacy rate of respondents**

<b>Literacy level</b>	<b>No. of Responses</b>	<b>Percentage (%)</b>
Tertiary	19	41%
Secondary/ Vocational/Technical	8	17%
Primary (Basic)	4	9%
No formal education	15	33%
<b>Total</b>	<b>46</b>	<b>100%</b>

Figure 3 explains the literacy rate of all my respondents. The data reveals that 41% of the respondents had education up to the tertiary level. Most of these comprise the respondents from Accra. 17% had education up to the secondary level, or had had some form of vocational or technical training, such as carpentry, masonry, sewing etc. Only 9% had basic education, with 33% having no formal education at all.

From data on the field, there is a relationship between the educational level of respondents and the implication on their livelihoods. Due to lack of formal education, most residents in the three communities have taken to fishing and farming as a form of livelihood. In order to introduce other alternative livelihood strategies, such it is recommended that this be taken into consideration, so as to know what kind of strategies to introduce. The educational level is also important in that subsidiary industries created by the oil and gas industry such as catering, fertilizer production, etc can be grasped by the local people.

## 1.6 On Interdisciplinary Studies

Interdisciplinary studies as an approach has become an imperative and often demanding research method in the contemporary curriculum (Casey 2010: 76). McNeill notes that there is a lot of controversy surrounding the definition of *interdisciplinary studies* (McNeill 1999:312). He alludes to the fact that, it is far from agreed what the real meaning of interdisciplinary is. In spite of this, some authors have attempted giving definitions. The interdisciplinary approach has been defined as “inquiries which critically draw upon two or more disciplines and which lead to an integration of disciplinary insights (Haynes 2002:17). It draws insights from various disciplines, and seeks to integrate those insights.

Many researchers agree that an interdisciplinary study is characterized by certain factors. The commonest of these is that it concerns crossing over from the boundary of one discipline into the boundary of another. Thus it involves combining ideas and concepts from two or more disciplines, as opposed to *monodisciplinarity*.<sup>13</sup> McNeill (1999) notes that interdisciplinary research may comprise the interaction between two entirely different subjects, like Physics and Political Science, or it may involve researchers from closely related subjects, like Agriculture and Environmental Studies.

The interdisciplinary approach can be distinguished from a multidisciplinary approach. A multidisciplinary approach is the teaching of topics from more than one discipline in parallel to the other. Thus techniques used in the interdisciplinary approach helps the student to see or understand a single problem from different perspectives, and solve problems in a synthesized manner (Casey 2010). One other advantage of this approach is the combination of ideas and

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<sup>13</sup> Monodisciplinarity here is the use of concepts from strictly one subject area in a study. It is the opposite of Interdisciplinarity

researchers from different fields, which enriches the experience of researchers and equips them with skills which stay on and become life-long. An interdisciplinary approach also expands the researcher's understanding and achievement between the various disciplines, and enhances communication skills (ibid). A disadvantage of interdisciplinary studies is that it can blur the differences between two subjects in an attempt to integrate their insights.

In my thesis, I draw upon this approach, as various concepts from Political Science, Economics and Development Studies are adopted.

## **1.7 Structure of thesis**

This thesis is structured and presented in nine chapters, each of which tackles a specific topic relevant to the topic, as follows;

Chapter One is the introductory chapter. It gives a background to the study. The research questions, problem statement and rationale are all highlighted in this chapter. It introduces the study region, as well as describes the study area. In Chapter Two, I give a detailed account of the methods I used in data collection. Chapter Three covers the conceptual background underlying this study. Here, I apply concepts from the Sustainable livelihoods approach. I use the Sustainable Livelihood Framework (SLF) as an analytical tool to explain the relationship between the expectations of local people, measures put in place to realize these, and how local people cope with the shocks and vulnerabilities presented by the oil and gas industry. I also discuss the concept of the resource curse, and how Ghana's oil can escape it in relation to oil.

Chapter four gives a profile of the country Ghana, spanning issues such as economic history, political history and the poverty reduction strategies adopted by the country.

In Chapter five, I trace the history of oil exploration in Ghana. I look also at the extractive industry, and what lessons the oil and gas industry can learn from it in

terms of governance and local content development. Chapter six answers my first research question; what are the expectations of local people in Ghana's oil discovery?

Chapter seven answers the second question of how the expectations are likely to be fulfilled. Chapter 8 explores the impacts of production oil on the livelihoods of the local people. Chapter 9 is a summary of the thesis and conclusion. It discusses some of the findings of the thesis. Chapter 10 is the appendix.

## **2. RESEARCH METHODOLOGY**

### **2.1 Introduction**

Every good research requires an equally good design. According to Bryman (2008), research design is made up of the different frameworks for the collection and analysis of data. Yin (1994) also defines a research design as the connection between the data to be collected and the conclusions to be drawn, in line with the questions which were originally posed at the beginning of the research. In simple terms then, research design has to do with turning one's research questions into projects (Robson 2002:81). In this chapter, I discuss issues ranging from how my research work began, to limitations I encountered in carrying out the research. In between these broad topics, I discuss my methods of collecting data, qualitative research and flexible design, choosing informants, gaining access, the insider and outsider roles of a researcher and ethics in research. I end this chapter with a discussion of reflexivity and limitations of the research.

#### **2.1.1 Pre-fieldwork arrangements: Establishing contacts**

It is always good to start the process of establishing contacts in the field as early as possible. One advantage of doing this is that it facilitates the researcher's easy access to the research area even before he is there on the field. I marked the period 10<sup>th</sup> June 2010 – 10<sup>th</sup> August 2010 as my official fieldwork period. Before then, while still in Oslo, I read widely on the topic, and established contacts through email with some of my potential informants in Ghana. This proved helpful, because without the preliminary emails, there were people whom getting direct access to in Ghana would have proven difficult, given the limited time.

After a week's stay in Ghana, I started going out to research libraries and centers to look for information on my topic. The idea was to get as much knowledge in

the research area, so as to pose relevant questions during the interviews. During the fieldwork, I was able to interact with most of my respondents because I was very fluent in the languages they spoke – English and *Twi*.<sup>14</sup>

## **2.2 Methodology and methods of data collection**

The choices we make about relevant models, cases, data gathering and forms of data analysis in planning and actually carrying out a research study is referred to as methodology (Silverman 2006). Having defined my research questions, I decided on the methods for generating data and methods for analyzing the data that will be generated. My interviews were qualitative in nature. According to Bryman (2008), triangulation is the use of more than one method or source of data in studying a social phenomenon so that findings can be cross-checked. In applying this in my research, I used a combination of open-ended and close-ended questionnaires, in addition to my face to face interviews. I also used semi-structured and unstructured interviews when appropriate. Unstructured interviews offer flexibility; I was free to discuss issues as and when they cropped up after asking a main question. In the case of one informant, I had to use the telephone interview method, due to time constraints. Interviews were carried out on one-on-one basis, as well as group interviews. I thereby applied triangulation. According to Patton (1990), the combination of methodologies and data gathering techniques in the study of the same phenomena helps to strengthen a study design. In this study, the use of unstructured and semi-structured interviews, as well as the combination of primary and secondary sources of data would constitute triangulation.

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<sup>14</sup> *Twi* is the indigenous language of the Akan people in southern Ghana.



In terms of the sources of data, interviews constituted my primary source. In addition, I Secondary data was also used. This included literature on oil and sustainable livelihoods from the University of Ghana library, the United Nations Information Centre and libraries of various Civil Society Organizations (CSOs). I made extensive use of the Ghana Statistical Service library, especially where data on statistics were involved. Newspaper articles proved useful as well as past theses and journals. Furthermore, I used information from the websites of organizations and some archived documents.

### **2.2.1 Choosing Informants**

Closely related to the role and status of the researcher is the challenge of identifying the informants who provide data. Most of the time, different informants represent different groups of constituents; they provide researchers with access to some people, but preclude access to others. Thus, in associating with one group, researchers may forfeit information about the life experiences of people in other groups. Where the researcher chooses informants based on bias, reliability of the data is put at stake (LeCompte and Goetz 1982). With this in mind, I divided my informants into three categories. These are: policy makers, policy criticizers and those directly affected by policy. The first group is comprised of people such as members of parliament and government officials. The second, those who criticize policy, include the media, Non Governmental organizations, civil society organizations, and policy think tanks, as well as academicians. The third group of people are made up of the local people. I limited local people to include traditional elders and chiefs of three of the immediate communities surrounding the jubilee field, local fishermen, and fishmongers.

### **2.2.2 Sampling**

While researchers may wish to interview as many people as they can, casting their nets as wide as possible, time and resources constrain them in doing so. For this reason, it is necessary to sample; that is, select a small group which is representative of the wider population (Bryman and Cramer, 1995:99-114, Bulmer 1993b) for a study. Scheyvens and Storey (2003:43) note there are four types of sampling. These are convenience sampling, snowball sampling, purposeful sampling and quota sampling. According to Stake (1994:243), many qualitative researchers prefer to use purposeful sampling rather than random sampling. Purposeful or purposive sampling is when the researcher chooses subjects from a population because of their direct relevance to the research questions. My study adopted the purposeful and the snowball methods. With purposeful sampling, I selected my subjects because of their direct relevance to my study interest. The snowball method was later adopted when I spoke to a respondent, and through him, I got to know of another respondent who was relevant to my work in one way or the other. For instance, my interview with the representative of a nongovernmental organization (NGO) ISODEC, connected me to another relevant NGO located in Takoradi, Friends of the Nation (FON), which works with grass root organizations and opinion leaders to ensure fair treatment of fishermen by the oil companies. Basically, my primary objective was to find out perceptions and views of the people of Ghana on the recent oil discovery, as well as the effects of oil production activities on the livelihoods of the people living in the oil-producing communities. This choice of sampling was best suited for my work.

## 2.3 Stakeholders in Ghana's oil industry

*Stakeholder* refers to any person, group, or organization who has a direct or indirect stake in an organization because it can affect or be affected by the organization's actions, objectives, and policies.<sup>15</sup> The right to claim a stake could be either legally or morally-based (Carroll 1979: 230). For instance, when a client has an interest well stated through the signing of a contract, or when people living in a community can make a claim to mining and oil companies to treat land in a more environmentally-friendly manner.

The oil and gas industry has a number of stakeholders. These are the Multinational Oil Companies who pump the oil, the Government who receives a share of the profits, Citizens who gain in terms of development and infrastructure, and last but not least International Donors who finance the production projects (Cavnar 2008:2). The Government and Multinational oil companies have direct access to, and control of, the oil. Lahn et al (2007), groups the stakeholders under three: the State (Government); the People (Society); and Investors (Operators). This is simplified in the table below:

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<sup>15</sup> Business Directory. Online at <http://www.businessdictionary.com/definition/stakeholder.html>. Accessed 13.09.2011.

**Table 3 Key Oil and Gas Stakeholders**

<b>Stakeholder</b>	<b>Key Actors/Institutions</b>	<b>Key Functions</b>
State/Government	Executive; Ministries; National Bank; Petroleum Advisory Board; Official Regulators; local authorities and legal institutions	Policy-making-setting direction, goals and objectives Monitoring and regulation-providing assurance and compliance Delegate responsibility to operating companies to carry out operations
Investors/Operators	National oil companies; international oil companies; local private sector companies and financial institutions	Strategy-making-translating state policies into plans of action Operational decision- making implementing policies
People/Society	The citizenry usually represented by Parliament, trade unions, the media, civil society organizations etc.	Delegates responsibility for policy making to government Contribute to policy-making debates Ultimately responsible for the approval of chosen policy (through elected reps) Hold government accountable for policies Can assist in monitoring and regulation

*Reproduced from Lahn et al. (2007)*

Each of these stakeholders have specific role in the sector; however most of their functions are inter-related. They play into each other, and they need efforts of each other in order to work effectively.

## **2.4 Qualitative Research and flexible design**

According to Denzin and Lincoln (cited in Silverman 2005: 10),

*Qualitative researchers stress the need for socially constructed nature of reality, the intimate relationship between the researcher and what is studied, and the situational constraints that shape enquiry. They seek answers to questions that stress how social experience is created and given meaning.*

Qualitative method of research is concerned with three things (Bryman and Burgess in Scheyvens and Storey 2003:57). First, it seeks to understand the world through interacting with, emphasizing with and interpreting the actions and perceptions of people. Through it, people can explain and give meaning to their worlds. Qualitative research also allows the researcher to study people in naturally occurring settings. This is in sharp contrast to quantitative research where variables are controlled, and in artificial environments (Spicer, in Seale 2004). Third, theory is usually generated, rather than testing existing ones.

I decided to use qualitative methods for my research because looking at my research questions, they best provided an opportunity for my respondents to talk at length about their perceptions about the oil industry in Ghana, and how it could help them gain a meaningful livelihood, or otherwise. The qualitative methods used in this research include key informant interviews, group interviews and some form of observation.

In qualitative design, researchers may sometimes use some quantitative methods in collecting data. There is no hard rule to use only qualitative methods. In my work, I used flexible design- I allowed methods to develop in the process of carrying out the research. Flexible designs require flexible researchers. The researcher must be start by being open minded and being a good listener. Since it is often said that the researcher is the main instrument, it beholds on him, in order to make outcomes reliable and valid, to use vigorous methods. This way, the outcomes of the study can be easily cross checked. One advantage of using the flexible design is that it uses a variety of methods and techniques for generating data. This increases the validity and reliability of the study, as results can be cross checked. The process where several forms of methods can be used to arrive at results in a study is referred to as triangulation. I used interviews, observation, and secondary sources of data such as document analysis, newspaper articles and past theses. This enhanced the validity and rigour of my work, since different

methods can be used to arrive at the same outcomes. The use of different sources of information, as well as different data gathering methods, helps to clarify and makes precise the findings of a research (Ritchie and Lewis 2003).

### **2.4.1 Interviews**

Interviews are about asking questions with the hope of receiving answers. It is essentially between two people: the interviewer and the interviewee, and it could involve more than two persons. Robson (2002:269) distinguishes between structured, semi-structured and unstructured interviews. The depth of responses received depends to some extent on the type of interview used. In structured interviews, the interviewer asks a pre-defined set of questions, and should not deviate from them. In semi-structured interviews, the interviewer has a predetermined set of questions, but he is free to modify them as and when they suit the topic. In unstructured interview, the respondent has a general area of interest, and so lets the conversation develop around it.

Among all the experiences I had in the field, the interviews were the most interesting and rewarding. Before conducting interviews, I had paid prior visits to most of my respondents, explaining to them my interest in interviewing them, as why I saw them as relevant to my study interest. I used the preferred language of my respondents in interviewing them. The *Twi* language was used in most of my interviews, and English in other cases. My ability to speak the local language served as an icebreaker, as it built trust and rapport between me and my respondents, a tool which is essential for conducting a successful interview. Therefore, getting them to interview on the set dates did not prove difficult, as they cooperated well.

My thesis seeks to ask questions about peoples' expectations about the oil in Ghana, how the expectations are likely to be met. The method of interviews

adopted (structured and unstructured) proved useful because it fitted well within my flexible design. Follow up questions and examples given by the respondents were helpful because it helped me to appreciate issues more assertively. I interviewed people in all, with four group interviews. Numbers in the group interviews ranged from five to twelve.

### ***The Interview Guide***

Lofland and Lofland (1984) stress the importance of an interview guide for undertaking unstructured interviews. According to them, an interview guide or 'schedule' a list of questions or general topics that the interviewer wants to investigate in an interview. I used this in my work. In a note book, I listed my main points of interest about which to ask questions, and this proved helpful, and saved me a lot of time.

### ***Interview List***

For purposes of coherence and better understanding, I grouped my interviews under three categories: policy makers, policy critics, and those affected by policy.

It is critical to say here that some of the groups overlap in terms of interest and function. For example, NGOs play a very important role in policy making, as well as criticize policies made. Traditional chiefs (those affected by policies made by the central government), play the dual role of making policies and laws for the people within their traditional areas (local government) as well as get affected by policies made by the central government. Academicians and policy think tanks can be policy makers and policy critics at the same time.

People are able to describe their world using stories and narratives. Interviews prove a good way to hear stories and narratives. Interviews took place in the household or public places, and also in the working environments of my

respondents. My interviews took place in working environments, offices, homes and public pubs. Initially, I had hopes of conducting a little bit of participant observation. However, once on the field, the nature of my research, in terms of the short time frame, did not allow this plan to materialize. My contention is that, employing this form of methodology could have allowed me experience certain scenarios myself. For instance, I am positive that a visit to the rig (depending on the time) may have given me the opportunity to witness the conflict situation between fishermen fishing close to the rig and state security officers. In spite of this weakness however, I was privileged to participate in a durbar on the settlement of a long standing dispute between the local people and a foreign limestone company in Nawule, a village situated in the Nzema East district of the Western region. This meeting was accidental, as I was chasing after one of my potential respondents, the President of the Western Regional House of Chiefs. This chief was a guest at the durbar, and instead of waiting for him, I decided to sit through the durbar. Since limestone is a natural mineral resource, I believe some of the stories I heard about the negligence of the community by the limestone company, indiscriminate use of land, and so on will go a long way to help me appreciate better the problems of the oil and gas industry. On average, my interviews lasted between 45 minutes to two hours. My ability to speak the local language also helped to speed up the interview process.

#### **2.4.2 Group Interviews**

I organized four group interviews. I did one with a local Women's Fishmongers association, one with a group of young men, one with a group of young women, and one with fishermen and chief fishermen. I intentionally separated my respondents into genders; the reason was to see if there would be any wide variations in responses given. Of course, gender played a great role in responses



received in some cases. In Dixcove, when I asked a group of women how the oil find poses a threat to the fishing industry, the response was:

*The custom in our community is to talk to the men first. The men will come and talk to you about that, as it is their area of occupation. We the women only buy the fish and smoke them. We are women and so do not want to venture into fishing, as it is mainly the males who engage in it. They know best what to tell you and what not to.*

This was very insightful. I noticed the interplay between gender and the type of occupation. Also, throughout the rest of my group interviews, I experienced at first hand the problem of how one respondent could influence another or others to skew their responses in a particular way:

***Interviewer:*** *How will you reconcile the fact that fishing is your main source of economic livelihood, against the advice of the government for you to stop fishing close to the oil rig area?*

***1st Respondent:*** *We want the government and the oil companies to compensate us, so that we can invest into other businesses apart from fishing, since it is the areas close to the oil rigs that we can catch more fish to sell.*

***Interviewer:*** *If you were asked to say how much you risk losing, and name a price for compensation, how much will you mention?*

***1<sup>st</sup> respondent:*** *For every trip on the seas, I make a profit of about two million cedis (US\$130) after selling the fish.*

***2<sup>nd</sup> respondent:*** *"Madam, (referring to me), he is lying about his profit. He earns less than that. 'Why are you overstating the amount of money you make, we all know you get nowhere close to that amount. You do not know where this woman*

*(me) comes from, she could take the matter up to the government so we can be helped,' he said to the 1<sup>st</sup> respondent.*

**3<sup>rd</sup> respondent:** *I agree with the second correspondent'.*

The dialogue cited above helped me to know that in terms of monetary issues, some respondents were not willing to come out with the true picture of their finances. Class differences among the different people in society were also evident.

Age also played a role in responses I received from some respondents. The older respondents tried to intimidate and influence the younger ones in their responses. For example in one of my interviews, I was trying to get the views of the youth (both men and women) as well as aged people on the effects of the drilling activities on their communities. Just before a young woman was about to speak, an older man shouted “*hey young woman, what are you doing here? Get up, men (elders) are talking. Come back for your own session later!*”

To minimize this effect, I categorized subsequent interviews into age appropriate groups, as well as separate genders. A common observation was that women felt intimidated to speak in the presence of their husbands and elders. To them, it showed disrespect to openly express one's views on any issue at all in the presence of men, especially views which challenge that of the men. They were therefore discreet in their responses.

## **2.5 Reliability and Validity in Qualitative Studies**

The concepts of reliability and validity are very important in qualitative studies. Reliability refers to "the replicability of research findings, and whether or not they would be repeated if another study, using the same or similar methods, was undertaken" (Ritchie and Lewis 2003: 270). In fixed design methods, there are

well established procedures for assessing reliability. It is however more difficult to establish reliability in flexible designs.

Validity refers to the 'correctness' or precision of a research finding (ibid: 273). Issues of validity are two-fold: internal and external. Internal validity has to do with whether the researcher really is exploring what he claims to be exploring (Arksey and Knight 1999); or whether the outcome of the research are applicable to other groups within the study (LeCompte and Goetz 1982).

Important to the twin issue of reliability and validity is the gender of both the interviewer and the respondents. First of all, that I am a young woman, with a considerably high level of education (as compared to my respondents in local communities), and was conducting research in a field perceived to be a man's field (oil and gas). These attributes helped me to gain access easily in most instances. It sounded very encouraging to most respondents that a young woman could be embarking on such a laudable cause. In addition, I was very friendly, open minded and shared in the story of my respondents. I saw the relevance of this in one of my interviews. In Shama, one of my study communities, I interviewed a group of young people about the activities of oil companies in their communities. This is what ensued:

***Interviewer:** Have any of the oil companies held a forum with you, explaining why you should cease fishing some kilometres away from where the oil rig is located, and what alternative measures they can offer?*

***1<sup>st</sup> Respondent:** No, nobody has been here.*

*At this point, another respondent comes in,*

***2<sup>nd</sup> respondent:** Madam, to be truthful to you, Tullow Oil (one of the foreign oil companies operating the jubilee fields), has been here. They even gave us reflectors to use (pointing to some reflectors packed in a corner of the room)*

*during fishing so that they can easily identify or detect us if we fished close to the rig. I am giving you this information because I see that you know what you are about, and as a lady, I trust that you will not misuse the information. I swear I would not give this same information, if it were a man, I do not trust my fellow men'.*

**Observation:** *I noticed quite a number of my respondents nod their heads in agreement.*

The dialogue above attests to the fact that sometimes, people are unwilling to give out certain kinds of information because they think that certain genders are more prone to treating information with care than others. I did not have any such encounters with my female respondents, though in all, I could say that I had livelier and more detailed responses from men.

In order to increase validity of my findings, I constantly went back to my research questions to see if they were in line with the questions I was asking respondents. The use of different methods of data collection and sources of data also contributed to the validity and reliability of my study.

## **2.6 Gaining access**

"Access is a process" (Glesne 2006:44). It generally refers to the ability of a researcher to acquire consent to go where he wants, observe what he wants, read whatever documents he wants, for as long as the research period lasts, without any form of hindrance. Sometimes, gaining access becomes difficult. In such cases, the use of a gatekeeper is critical.

A gatekeeper is any person in a society or organization who has the power to withhold access to people or situations for the purposes of research. (Scheyvens and Storey 2003: 153). These may include opinion leaders, traditional chiefs,

religious leaders and heads of households. During my fieldwork, the use of gatekeepers became necessary mostly in areas where I was not used to the cultural and social terrain. Though a Ghanaian, I had never been in the western region. Nevertheless, I easily identified with the people because I could speak their language, but that was not enough. Getting access to some of the chiefs and organizations and even whole communities were made easier through the use of a gatekeeper. My gatekeeper had first established contacts on my behalf. He hailed from that region, and hence knew a lot about the terrain there than I knew. Through him, the respondents gained confidence and trust with me, and felt that they could talk about any issue at all, as far as it fell within my area of research. The disadvantage with using gatekeepers is that sometimes they influence which people the researcher speaks to, hence affecting the entire findings of the research.

### **2.6.1 Social situations and conditions**

The social context in which information or data is gathered may influence the context of the information. The same informant may feel that an issue is either appropriate or not, depending on the time it is asked again, and who is present. For example, I realized that interestingly, when I asked some fishermen about their grievances, and what they think should be done for them. I asked: ‘Do you see the exploration activities of oil on the seas as hampering your fishing profession?’ I asked this question when I was alone with a group of about 8 fishermen. One after the other, they answered that they were okay, that even if their businesses were affected, in the national interest, it was better to obey than complain. When the Chief Fisherman arrived later and joined in the interaction, and he was asked the same question, he replied in the affirmative. He enumerated a number of recommendations to the government. Just then, the same people buttressed the point by supporting what their leader had said.

## **2.6.2 Power relations and imbalances**

According to Scheyvens and Storey (2003: 149), the nature of most research in development studies makes it difficult to avoid situations of imbalances in power relations between the researcher and the respondents. Power imbalances exist on two levels: on real differences which comprise money issues, educational levels etc; and on perceived differences which is in the minds of respondents, making them feel inferior to researchers and seeing researchers as superior (ibid). On the field, some of these practicalities came to bear. I realized that the mere mention of me being a student researcher studying in Norway was enough to intimidate respondents who were less educated or illiterate. For instance, at Cape Three Points, one of the local communities visited, it was difficult convincing the opinion leader to speak to me. He said, "*you scholars always come here and take our little village knowledge away, but we do not see any positive change in our lives after you come here to speak all your big English*" (Fieldwork, June 2010). I was able to convince him to talk to me after explaining and showing him my introductory letter, which showed I was truly a student. I also tried to dress in culturally acceptable ways, look as simple and casual as possible in my physical appearance. I avoided the use of big jargons, and spoke simple English. I also explained that it was a research for academic purposes, and that I needed their responses in order to come out with a successful research, which will add to an existing body of knowledge. One strategy I also used was to take group pictures with my respondents. They felt comfortable with me being in the picture with them, than me taking pictures of them alone.

## **2.6.3 Conflict of interest**

Scheyvens and Storey (2003) contend that a conflict of interest situation usually arises when students conduct home based research. As a student who had been

studying in a foreign university, it was sometimes difficult especially for government officials to open up and talk about perceived 'no go' areas, especially when they bordered on information about government's processes and policies. I curtailed this problem by constantly showing a copy of the introduction letter from my Department, and also giving verbal assurances that responses and access to classified documents was for academic purposes only.

## **2.7 Ethical Issues**

Values play a very significant role in the research process. From choosing a topic to the analysis of data from the field, there lie a lot of ethical considerations. According to Robson (2002), ethics refers to rules of conduct, or conformity to a set of principles. Research ethics has to do with the conduct of researchers, as well as their responsibilities and their obligations to those involved in the research, and the data itself (O'Connell and Layder 1994: 55). It is important for researchers to get informed consent of their subjects before beginning the interview process. With my kind of topic, it is sometimes intimidating for respondents to respond to certain sensitive issues raised. On two occasions, informants pleaded anonymity, because they feared that their political positions could be at risk if their responses came out into the public. As a rule of research ethic, I had to find a way of using their responses without giving a clue about their identity, or even citing them.

In any research, discussions about ethical concerns tend to revolve around four main areas (Bryman 2008: 118). These are:

- Whether there is harm to participants
- Whether there is a lack of informed consent
- Whether there is an invasion of privacy

- Whether deception is involved

On the issue of harm of participants, the nature of my topic did not cause any perceived panic and harm to my informants. I went straight to the point and did not involve my respondents in any physical action which could cause them harm. I was honest about the proper protection of my respondents whose lives or means of livelihood may be lost due to their responses.

Informed consent "implies that prospective research participants should be given as much information as might be needed to make an informed decision about whether or not they wish to participate in a study" (Bryman 2008:694). For a start, it is important for researchers to explain to their potential respondents what the research is about, and what their responses will be used for. I contacted most of my key informants prior to the time of actual field work. This was done through emails and phone calls. Most of the contacts were made at least one month before commencement of fieldwork. Government institutions such as the Ghana National Petroleum Corporation (GNPC), Environmental Protection Agency (EPA), and the like were contacted through emails and phone calls. In the local areas, I got into contact with some fishermen and traders through their chief fisherman and opinion leaders. Friends of the Nation, a local NGO based in Takoradi, was also helpful in getting me contacts of people in and around the Takoradi area. Needless to say, some of my respondents were chanced upon during their work hours. In an academic research, no participant is obliged per se to give information, so I rightly sought the consent of my respondents before interviewing them. I did this by explaining the objective of my research ahead of the interview. Participants were also free to choose to participate or opt out of the interview. Most respondents were willing to talk, though a few declined. The numbers which declined were not so significant as to cause any effect on this work.



On invasion of privacy, it is the responsibility of the researcher to protect and keep the identities of participants private. However, qualitative methodology largely invades people's privacy by intruding into their private spaces and experiences. Therefore failure to seek consent may cause harm to the research, either directly or indirectly. I assured my respondents of the safety of their identities being kept away from the public eye. However, some of the respondents did not mind their names and participation been made public. They saw it as an opportunity to voice out their views, and encourage others to do so. As far as possible, I treated all the materials used (notes, diaries, tape recordings etc.) and responses obtained with much confidentiality.

Finally, it is the responsibility of every researcher to be honest about the objectives of his research. I did not deceive my respondents. I was sure to explain in detail my objectives. After this, any respondent was free to retreat from the interview if he felt like doing so. This helped to establish trust.

### **2.7.1 Status of the researcher: Outsider and Insider roles**

A central issue in gathering data concerns how researchers are able to position themselves in order to gain access and information. This can have huge consequences on our work, and affect the final quality of our research. It is therefore very important that researchers strike an appropriate balance between the role as an insider and an outsider.

Linton (1936:113) defines status as the position an individual occupies in relation to the entire society. My status as a student researcher was to ask questions in order to get information for my research work. I also played the roles of insider and outsider. An insider is any person who belongs to or has the group he/she is studying. Gaining access from this position becomes easier, as the researcher and respondents have certain characteristics in common. As realized by Mullings

(1999), outsiders are not related in any way to the group they are studying and have little knowledge of them.

On the field, my status was a student researcher; I asked questions and ensured that I got answers relevant to my work. In addition to this, I had the opportunity of holding both an insider and outsider status, in relation to my informants. My status as a Ghanaian who hailed from southern Ghana (coastal terrain, with fishing related activities, similar to that of the Western Region) gave me some degree of insider status, as I was used to the terrain. It also meant that I gained access to certain kinds of information that a foreigner could be denied access to. I was able to communicate with the respondents in their native language (*Twi*). As a result, a high degree of rapport and trust was established between me and my informants even before the interview process. I was seen as an outsider to some extent. I originally come from the Volta Region in Ghana. Before this research, I had never travelled to the western region. Though I could speak *Twi*, I could not speak *Nzema*, another dominant language spoken in the western region. I had to hire a translator. In this context, the local people saw me as an outsider, who did not know a lot about their region, and could not speak their language. However, as it is often said, at heart, the Ghanaian is the same everywhere. In terms of cultural norms, codes of conduct and ethics, I did not encounter any problems. The local people were glad that I could choose their region for my study, even though I did not hail from there.

## **2.8 Storage and transcriptions of data**

Interviews were stored using a tape recorder, and writing in a field note book. For some of the interviews, I did not only record with a tape recorder, I video-taped. This was to help me 'get back into the mood' where the interview took place, taking into consideration facial expressions and gestures, and taking into

consideration the interplay of dispositions and situational settings (Kitchin and Tate, 2000). I made use of a field notebook, in which I listed important points and observations which I used for my analysis.

## **2.9 Reflexivity and Limitations**

Reflexivity is the process where researchers reflect on their actions and values during research (that is, in producing data and writing accounts), and the effects that may have (Robson 2002:551). The risk associated with reflexivity and of 'writing about writing' could lead to a total ignorance of the wider world about which these accounts were written (Scheyvens and Storey, 2003: 67). Undertaking research is not easy, but it is remarkably rewarding. Expecting the unexpected and undertaking contingency planning can help researchers cope with unforeseen circumstances, raising the quality of the final output.

Limitations of a research refer to the problems or challenges encountered in undertaking the research. These challenges include those before, during and after fieldwork. Before I began my fieldwork, I was anxious about the outcome. I did my best to prepare for the field. A starting point was getting an introductory letter from my Department. Once on the field, I showed this to respondents and explained my research interest to them, before I interviewed them.

I faced several limitations, some expected and others unexpected. My biggest limitation was getting access to the foreign oil companies for interviews. I paid countless visits to the offices of Kosmos Energy, Tullow Oil and the National Petroleum Authority (NPA). At Kosmos for example, the appointment to meet the human resource manager did not materialize as the time was always postponed. Another possible explanation why Kosmos may have refused an interview with me was at the time, there was a media allegation of a minor oil spill in which they were involved. I saw myself as an 'unfortunate victim' in this

case. I was referred to their website with the explanation that as a matter of policy, Kosmos Oil does not speak verbally on any issue at all, that all my questions had ready-made answers on the company's website. A similar thing happened with Tullow Oil. In the end, I never had the chance to talk to any of the oil companies, due to the long bureaucracy. Without a doubt, this impacted negatively on my final outcome. On the issue of oil spills and corporate social responsibility (CSR) in the local communities, I spoke to local people who had laid some allegations on these companies. I thought I could therefore listen to the other side of the story, but this was impossible.

Although I had explained beforehand that I was a student, some respondents would ask for money before partaking in interviews. In such instances, I would explain to them that I am a student, and the study is for academic purposes. But some still insisted, and when they did, I simply went away. Out of all my potential respondents, it was only about three people who did this, and since there was no specific pattern of this, it therefore did not amount to any bias in my study.

In addition, making contact with government officials proved difficult. Long bureaucratic procedures were time-consuming. The Ministry of Energy is a key player in the oil and gas industry. The views of the Petroleum Directorate under the Ministry for example, could have contributed significantly to my work. This is because it is there that many of the experts of oil and gas work, and undeniably they would have given me some information from a technician's point of view, yet they were not forthcoming with information. I spent about two weeks going from one office to another, looking for someone to talk to. When I finally made contact, I was sent to the librarian, whom I felt under-valued the essence of my questions. Also, I was denied access to some documents that I felt were relevant to my work, such as the Draft of the Local Content Bill. The usual excuse was "it is confidential". However, I managed to retrieve this from another key informant.

One group of people whom getting access to proved difficult was journalists. Two particular journalists that I had planned to talk to, kept giving one excuse after the other, and at the end, the interview never came off. These journalists, I believe, because of their alleged connection to the two strongest political parties, had certain classified information that would have added some value to my work. In their absence, I had interviews with three other journalists, one from the national daily, the Daily Graphic, and two others from private newspaper houses.

Again, some of my respondents would simply not allow me to record interviews I had with them. Even when they did, I was given a short time within which to finish. In one instance, my respondent (name withheld) had to get up in the middle of an interview, with the excuse that he was going for an important engagement elsewhere. I had to take down notes; I felt that there was not enough time for me to capture all that was said. This notwithstanding, I made judicious use of the scanty information I had obtained.

Furthermore, technicalities on the field made it impossible for me to travel to see the oil rig, which was about 60 km offshore. My plan was to have a feel of the oil, as I see and observe workers at work on the rig, and interview some of them if possible. I was told that it was only workers on the rig and staff of the oil companies who could go to the rig. Apart from these people, all others must have a diving certificate from the Ghana Navy. Obviously, I had not much time, so I had to abandon the idea.

Poor road network made access to some communities almost impossible. This was made worse because it was rainy season at the time of my field work. It was difficult travelling to Cape Three Points. The Main problem was bad roads, coupled with no public transport to the area. This meant that I had to go with a taxi, which was about twice as expensive as what I had budgeted for. In one instance, it was difficult getting a vehicle back to my base in Takoradi; because the public transport did not work after 5.p.m, due to the risk involved- passengers

could be attacked by armed robbers. I had to spend the night in Beyin, a coastal community, something I had not planned for.

A final limitation is the fact that since the oil and gas industry in the country is nascent, my findings could be adversely affected in terms of its validity and reliability when later studies are conducted. I also acknowledge that it is a major shortcoming, as some of the issues raised in this thesis are more speculative than factual. My point of departure is that this thesis will be useful in studies which seek to compare initial expectations before the oil find, and expectations and outcomes after a few years of production.

A good researcher can organize well within limited time and resources, but even better is a researcher who can adapt and sometimes change their plans in order to meet the objectives set for the study. Therefore, in cases where I was denied access to information, I used information on the websites of the organizations concerned. This happened mostly with the oil companies.

In spite of the challenges enumerated above, I made utmost use of the information I was able to collect, thus strengthening the validity and reliability of my research.

### 3. CONCEPTUAL FRAMEWORK

*Raising crops and livestock for food and for sale, working in a safe environment for a decent wage, setting up micro-enterprises and fishing in clean waters – these are the basic requirements for poor men and women seeking to improve their lives(...)*<sup>16</sup>

#### 3.1 Introduction

In this thesis, I borrow concepts from the Sustainable livelihood approach to explain the expectations of three communities adjoining the Jubilee field, and how these expectations are likely to be realized. This chapter examines the usefulness of the Sustainable Livelihoods Framework (SLF) as an *analytical* framework. The SLF connects to, and is interesting to my topic in a number of ways: Through the concept of assets and social relations, I examine how the activities of the multinational oil companies will impact on the livelihoods of local people in the selected communities. Secondly, I use Ellis's explanation of the role of power and social relations to discuss how the local people perceive oil companies. I will again assess how the overall expectations of the local people can be realized in the face of vulnerabilities associated with oil.

Furthermore, I also explain the relationship between oil and national economic development in Ghana, using the concept of the resource curse.

#### 3.2 The Sustainable Livelihood Approach and the life of the rural poor

The Livelihoods approach has its origins in the literature about understanding how different farmers in rural areas cope with emergencies such as famine, floods and droughts. The concept also borrows from the discipline of ecology,

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<sup>16</sup> Quotation taken from Oxfam Novib (2010:48) *The Right to a Sustainable Rural Livelihood: Strategies, Lessons Learned and Actions (2008–2010)*. The Hague: Oxfam Novib.9 Saferworld (2008) op.cit. Available at: < <http://www.ecologyand society.org/vol11/iss1/art12/>>. 8

particularly on the concept of resilience, defined as how ecosystems can bounce back after a major stress or shock. The Sustainable livelihoods Approach (henceforth SLA) as an approach and a framework for analysis has become very popular among development policy makers in the last few years.

### **3.2.1 Definition of concepts**

Simply put, the word ‘livelihood’ connotes how to make a living. Over the years various authors have given different and authoritative meanings of the term. A popular definition of livelihoods is provided by Chambers and Conway (1992:7): ‘a composition of the capabilities, assets (stores, resources, claims and access) and activities required for a means of living.’ Through this definition, the linkage between options and assets is clearly brought out. This definition was built on by Frank Ellis in 2000. According to him;

*A livelihood comprises the assets (natural, physical, human, financial and social capital), the activities, and the access to these (mediated by institutions and social relations) that together determine the living gained by the individual or household.*

Following from the above then; a livelihood is sustainable when an individual:

*Can cope with and recover from the stresses and shocks and can maintain or enhance capabilities and assets both at the time and in the future, while at the same time not undermining the natural resource base (Carney 1998).*

Ashley and Carney (1999) also state: ‘Sustainable livelihood is a way of thinking about the objectives, scope and priorities for development, in order to enhance progress in poverty elimination’.

In my thesis, I draw upon the concept of livelihood as defined by Ellis (2000) to study the expectations of the people in three local communities in relation to

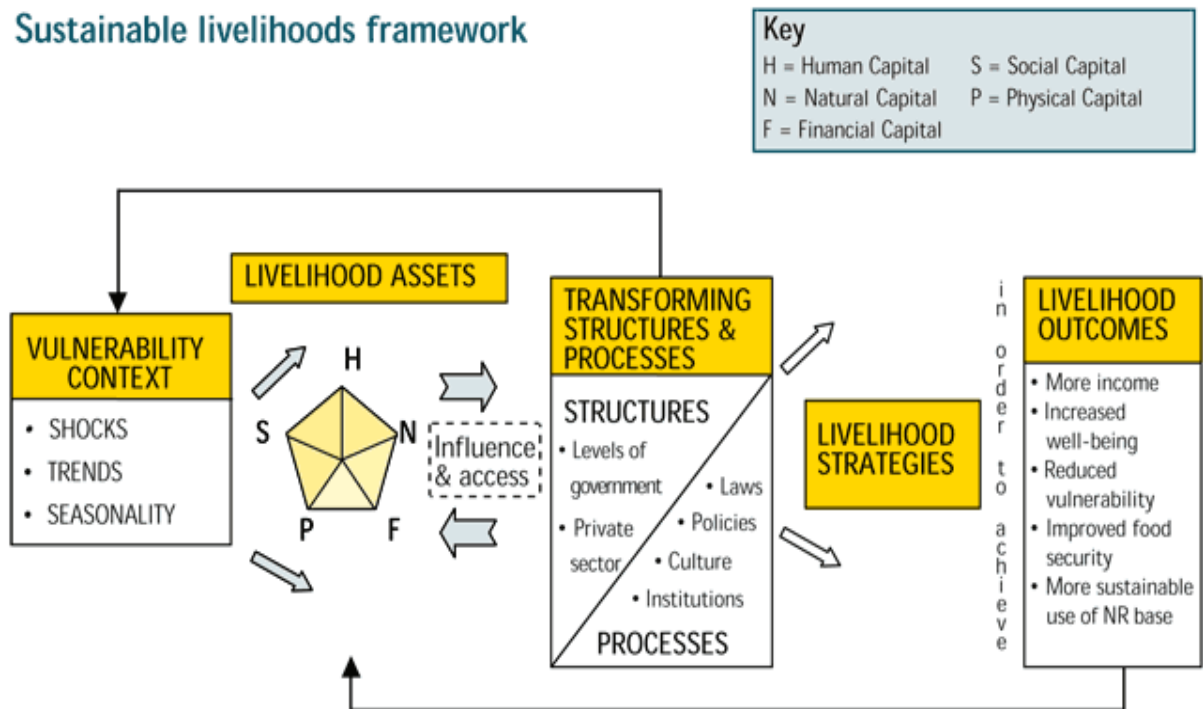


Ghana's oil discovery. In assessing how oil will impact on their livelihoods, I discuss the assets of the local people, and how social trends and networks can help to introduce alternative livelihood strategies. Ellis (2000:15) presents this more aptly in the concept of rural livelihood diversification, which he defines as: 'the process by which rural households construct an increasingly diverse portfolio of activities and assets in order to survive and to improve their standard of living'.

### **3.3 The Sustainable Livelihood Framework (SLF)**

The Sustainable Livelihoods Framework was developed based on a model developed by the United Kingdom's Department for International Development (DFID) and adjusted for use in Canada. It is a holistic, asset-based framework for understanding poverty and poverty reduction strategies. The SLF is both an analytical tool and a tool for policy direction. I will employ the framework as an analytical tool in this thesis. In line with this, I will discuss the livelihood assets of my respondents, and examine the vulnerability of oil as a shock to the communities. The model provides an easy way of thinking about complicated issues. It also helps in designing and evaluating projects.

## Sustainable livelihoods framework



**Figure 2: The Sustainable Livelihoods Framework**

Source: Reproduced from Davies et al (2008:57)

From the diagram above, the SLF is composed of five categories namely livelihood assets (both material and social resources), the vulnerability context, transforming structures and processes, livelihood strategies and livelihood outcomes. Livelihood assets (both material and social resources) and activities are required in order to make a living (Chambers and Conway 1992). Furthermore, livelihoods are based on income, which can be in kind or cash, and which is gained from some form of employment or other forms of remuneration. This framework relates to my thesis topic in a number of ways: Firstly, through the concept of livelihood assets, I examine what assets are available to the households in the sampled communities; second, I use the concept of vulnerability as used in the framework to show the shocks, trends and seasonalities that local communities are prone to as a result of the introduction of

oil. Thirdly, I assess what transforming structures and processes guide and regulate the oil industry; fourth I analyze the livelihood strategies employed by local people to attain a meaningful and sustainable livelihood and how the strategies will help to achieve livelihood outcomes such as good shelter, increased well-being and food security.

### **3.3.1 Livelihood Assets**

Assets constitute the starting point of the framework (Ellis 2000). The SLF helps to organize and present in an organized manner the factors that enhance or impede livelihood opportunities. It also shows how these relate to each other. It includes assets owned, controlled, claimed or accessed by the household. They may come in the form of stocks of capital which can either be used directly or indirectly in providing a means of survival and sustenance for the whole household (Grown and Sebstadt 1989). From figure 2, livelihood assets are grouped into five- human capital, natural capital, financial capital, social capital and physical capital.

*Human capital:* According to Carney (1998), human capital is the labour available to a household. (Ellis 2000:33) emphasizes that the most important of all the livelihood assets possessed by the poor is their own labour. Human capital is also public in nature. This includes health and education which is provided by the state. Other examples are nutrition, knowledge and skills and capacity to work and adapt.<sup>17</sup> The value of human capital is boosted by investing in training and education and is also determined by one's skills acquired through work experience. When a person is free of illness and other health challenges, he is more effective at work (Ellis 2000). Factors like death, birth and migration affect

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17 'The Sustainable Livelihoods', Olivier Serrat. November 2008. Available at: <http://www.adb.org/Documents/Information/Knowledge-Solutions/Sustainable-Livelihoods-Approach.pdf>

human capital. I observed in some houses bundles of fishing nets which were torn and were waiting to be mended, generators which the fishermen use at sea to facilitate light fishing, as well as cutlasses to clear large plots of weed on farmlands. In addition to the original factors affecting human capital of households, it was observed that gender played a role in the kind of labour people engaged in. In households with more males, the fishing business was the most popular whereas households with more females resorted to fish mongering (smoking) and petty trading.

*Natural capital:* It is the natural resource base which yields products used by human beings for their survival (Ellis 2000: 8). Examples of these are land, the sea, forest and tree resources, biodiversity and wildlife. When human effort is applied to natural capital, its value increases. Example, for the women in Dixcove, raw fish is not attractive to sell anymore. According to them, when value is added by smoking or drying the fish, then it results in more sales. About 70% of the world's poor live in rural areas (Carney 1999)<sup>18</sup>, and they depend on natural resources to make a living. Natural resources are grouped into renewable and non-renewable (ibid). Renewable natural resources are those resources which replenish themselves over time, such as felled trees, fish populations, and water levels in dug wells. Non renewable resources are made up of resources which cannot be replaced, after the use of a particular existing stock. Examples are oil and other mineral resources. In the three communities used for this study, renewable resources consisted of the stock of fish and farmlands. Non-renewable resources included oil and gas resources.

*Social capital:* Consists of social networks and connections which people join in order to get support. Examples are group representatives, social organizations,

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18 Approaches to Sustainable Livelihoods for the Rural Poor

rules and sanctions, formal and informal groups, shared values and behaviours and mutual understanding (Serrat 2008).

*Physical capital:* Refers to assets which are brought into being by humans as end products of economic activities (Ellis 2000). Examples are infrastructure (transport, roads, vehicles, secure shelter and buildings, water supply and sanitation, communications and energy) (ibid). In this research, some physical assets which some of my respondents possessed are power generators, hand-made wooden canoes and fishing nets.

*Financial capital:* It encompasses all sources of income, or finances available to a household. It is the least asset to poor people, and so all the other livelihood assets are very important in order to arrive at this. Examples of this are loans, credit facilities, remittances and pension. In recent times, there have emerged secondary sources of financial capital for poor people. This include building a house and renting it out, or investing in a huge livestock or poultry farming, which will bring in additional income, while serving as a buffer against a rainy day (Ellis 2000). In line with this, an additional source of financial capital which I discovered in my fieldwork is the *susu groups*.<sup>19</sup> This was very common among the women groups. ”

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19A *susu* group is a common money-saving technique among many societies in Ghana, particularly in rural Ghana. Membership of the group ranges, usually starting from five to about ten. With this, members of the group deposit a sum of money as savings at the beginning of every month, and place it in the care of one person (rotational among all members). At the end of every month, one member takes the total sum of money as loan, and this is done month after month till all members have gone through the circle. The biggest advantage of this is that it avoids the payment of interest. It also allows members of a community to build trust amongst each other. This can be said to be a form of social capital, based on the definition of social capital by Moser (1998) as ‘reciprocity within communities and between households based on trust deriving from social ties’.

### 3.3.2 Vulnerability Context

This refers to the risks and insecurities among individuals, households or communities in the face of changes in their external environment as a result of the introduction of oil. The concept of vulnerability as used in analyzing the SLF encompasses three elements- shocks, seasonalities and critical trends. Vulnerabilities are external to the local people, yet have the capacity of determining their livelihoods and establishing which strategies should be put in place to realize them. Vulnerabilities include diseases, deaths, conflicts, floods, storms, droughts, famine, and changes in prices of goods and services and new technology (Serrat 2008). Furthermore, the shocks, trends and seasonalities could have long term or short term effects, and may impact the local or national economy. The table below illustrates this better:

**Table 4 Explaining the nature of shocks that oil poses to local communities and the nation**

	<b>Local</b>	<b>National</b>
Short-term (Positive)	Provision of jobs Infrastructural development from CSR of oil companies, Educational Scholarship opportunities	Provision of government revenue The country will attract foreign investors, Major exporter of oil, stronger economic power on continent
Negative	Sea-use clashes Social vices e.g. prostitution, sakawa etc.  High cost of housing Conflicts and militant group unrests	Dutch disease
Long-term	Loss of lands High cost in housing	Oil spill Loss of lands Resource curse, Dutch disease

Table 4 above indicates the impacts of oil activities on the local communities and the national economy. In the short term, oil promises to bring in much revenue. Investors are attracted to invest. Job opportunities are opened for some local people. Through CSR, the oil companies and government institutions embark on development programmes, for example building of new schools or refurbishing old ones, provision of potable drinking water and building road infrastructure.

In the long term, oil could result in the resource curse if it is not managed well with transparency and accountability underlining its core legal structure. It could also result in conflicts surrounding unequal distribution. Thus, oil's greatest impact in the local communities is the loss of livelihoods while its greatest impact on the national level is the resource curse.

Vulnerabilities can be divided into old and new. Old threats and vulnerabilities are those that the fisher folks were also experiencing before the introduction of oil. These include changes in weather, seasonalities of fish, and illness or death of a family member. New vulnerabilities are those that have been introduced by the oil discovery such as the threat of oil spills and loss of livelihoods.

### ***Shocks***

Oil can be described as a shock to the local communities- a positive shock.<sup>20</sup> However, the kind of shock which this study applies is the shock as explained in the framework above, oil as a negative shock. According to the Framework, shocks include diseases, death of a family member, floods, hurricanes, storms and oil spills. According to the fishermen, the death of a family member poses a great

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20 Oil is a shock because its discovery is new and unexpected. Most times, 'good shock' aspect of oil is overpowered by the negative aspect, where the production of oil results in oil spills, environmental degradation, loss of lands and conflicts related to the natural resource.

shock on the livelihood of the rest of the household, more so if that person was the breadwinner of the household.

The local residents emphasized that in addition to orthodox medicine, they resort to the use of herbal medicine which keeps them healthy. In the event that a leader of the household dies, the extended family system<sup>21</sup> practiced in the communities allowed for other members of the family to take care of the dependants of the deceased.

### ***Seasonalities***

For these old vulnerabilities, the people experience them every year and so have adopted strategies for curtailing them. For the fishing industry, the bumper harvest is around July to October, while the lean period is between December and February. In the bumper harvest, a lot of direct fishing related activity is undertaken such as fish mongering. However, the fishermen turn to other indirect fishing activities such as net mending, carving wood for making canoes and carving paddles in the lean season. This is their own way of dealing with old changes in seasonalities.

### ***Trends***

Trends have to do mainly with the change in prices of fish and fish-related equipment. According to some women who buy the fish and smoke to sell, the prices of fish had increased tremendously over the past few years, especially when the oil was discovered. This, they attributed to the decline in catches resulting from the ban on light fishing. Prices of pre-mix fuel are also on the increase. Another market trend which poses a vulnerability to the fishermen is related to the cost of fishing nets. According to some respondents, currently the

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21 The extended family system goes beyond the mother, father and children. It includes parents, siblings, uncles, cousins, aunts, grand-parents and great grand-relations all in one big unit.



new nets which they use are manufactured abroad. These are very short in width and length and are also weak compared to hand-woven ones which the fishermen take a lot of time to make themselves. This, they said, leads to decreasing catch. Thought some respondents alluded to the fact that the phenomenon of light fishing has been in existent before the oil find, its greatest impact is most likely to be felt with the oil discovery.

Since the discovery, local communities have had to brace up for new trends in their livelihoods. Internal vulnerability is the inability and means to cope with the shocks and seasonalities. A livelihood which is vulnerable cannot be sustainable. In the coastal communities, most of the residents were insecure about how the oil could expose their livelihoods to a lot of vulnerabilities. First, some respondents expressed the fear of conflicts related to unequal distribution of the oil wealth. In a group interview with some fishermen in Shama, they expressed the fear of an oil spill, and how that could totally erode their livelihood (Field interview 2010).

### **3.3.3 Transforming Structures and Processes**

Livelihood strategies of local people in the three communities are also affected and transformed by the existing structures and processes. Structures include the public and private organizations which formulate and implement policies; deliver services, and purchase, trade and perform all sorts of other functions that have an impact on livelihoods (Serrat 2008). These structures may be formal or informal, and local, national or international. Structures cannot operate in the absence of institutions and organizations. North (1990:3) defines institutions as ‘the formal rules, conventions, and informal codes of behaviour that comprise constraints on human interaction.’ Examples of institutions are the Petroleum Management and Regulation Bill and the Local Content Bill.

In this thesis, structures can be said to include public bodies such as the GNPC and the EPA; multinational oil companies, and local norms and institutions. Again, socio-cultural groups such as the Fishermen Council, National Association of Canoe Fishermen-Shama Chapter and local norms prohibiting fishing on Tuesday all constitute institutions and organizations.

### ***The Ghana National Petroleum Corporation (GNPC)***

The GNPC is an agency under the Ministry of Energy, and was established under the military regime of Flt. Lt. Jerry John Rawlings in 1983. Established as a state-owned enterprise, the Corporation was given legal backing by two main statutes: the PNDC Law 64 and PNDC Law 84, both of 1983. PNDC Law 64 mandates the GNPC "to undertake the exploration, development, production and disposal of petroleum". It can either do this on its own or in collaboration with foreign oil companies (FOCs). PNDC Law 84 establishes the legal framework governing the contractual relationship between the State, GNPC and the prospective investor in upstream petroleum operations<sup>22</sup> GNPC holds the exclusive right to the country's onshore and offshore oil activities, and this makes it the main body which grants foreign oil companies concession rights and licenses to operate. The role of the GNPC is clearly spelt out in the law establishing the corporation, PNDC Law 64. Some of its roles include; the transfer of appropriate technology to Ghanaians, the development of national capabilities of all aspects of petroleum operations in the country, and ensure that oil and gas resources are exploited to the benefit of all Ghanaians.<sup>23</sup> According to Gary (2009), specific roles of the corporation include:

- Undertaking geological data acquisition and management
- Promoting Ghana's exploration potential

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22 (<http://www.gnpcghana.com/aboutus/>) accessed 12.09.2011

23Time with David, A live TV broadcast interview of Mr. Thomas Manu ,Operations Director of the GNPC, Tv3 Ghana, 11th July 2009).

- Evaluating potential investors
- Negotiating petroleum agreements
- Participating through equity in field development
- Approving development plans
- Monitoring petroleum costs
- Monitoring activities of oil and gas companies.

In the wake of the oil find and in the absence of the requisite manpower, the GNPC has assumed an additional role; thus, it acts as both a regulator and a commercial entity in Ghana's oil industry. This mixed role by the GNPC underestimates the neutral role which the Corporation is expected to assume. Apart from the conflict of interest it creates, it blurs the important issues of transparency and accountability in the oil sector. At the Oil for Development (OFD) forum held in Accra in February 2008, international donor institutions called for a delineation of the threefold role of the GNPC as a regulatory, monetary and commercial entity.

### ***The Environmental Protection Agency (EPA)***

Closely related to the work of the GNPC is the EPA. It is an agency under the Ministry of Environment, Science and Technology (MOEST). The ministry is responsible for policy direction, while the EPA implements the policies. As an institution, The EPA is very pivotal in the governance of oil and gas. One of its functions is to conduct Environmental Impact Assessments (EIA). The EIA serves an anticipatory and participatory purpose, because first of all, it assists in policy formulation and project development geared towards identifying the socio-economic, cultural and environmental problems associated with policy initiatives in development projects. EIAs are also a way of proactively seeing into the future, thereby creating mitigation measures where negative effects are

anticipated. On the role of the EPA in the oil industry, Senior Geologist at the EPA office responded:

*The EPA regulates, and the oil companies are required to adhere to these regulations. The laws are there. There is the Enforcement Policy. Environmental regulation is not something like a police work, where someone commits a crime and you arrest him or her. When a company goes against a directive of by the EPA, the first step is ask that company to correct it. Second, if the company fails to do that, you write to them to cease operation. If it doesn't cease, you send them to court. These are the enforcement regimes of the EPA.*

Furthermore, after the GNPC has approved a company's bid, it is the EPA which grants permission for the performance of an EIA on the jubilee field. All environmental matters arising from the petroleum industry are addressed by the EPA.

Apart from the regulatory role, the EPA is also involved in educating people especially the local fishing communities about the impact of the oil production on their livelihoods. In February 2010, the EPA, in conjunction with the Ministry of Energy, organized and led a Nationwide Road Show themed “Policy Framework on Local Content and Local Participation in Petroleum Activities”. The road show offered an opportunity for all sections of the Ghanaian populace to be sensitized and to know more about the emerging oil and gas industry in Ghana. It also provided a platform for awareness creation on the opportunities and challenges in the oil industry. In my interviews with the local community at Cape Three Points, they enlightened me on the relationship between the government agencies and the local people. They alleged though, that government agencies have not involved them in any deliberations about the possible effects of oil production on their environment. This is what one of them said when I asked how effective government education programmes on the oil sector has been:

*Government agencies rarely come here. But last time, the EPA was here. They came to educate us, supposedly. But the kind of jargons they used were too technical and the resource persons were not coming down to our level. Some of the invited guests spoke in big English jargons, and those who spoke in Fante<sup>24</sup> kept intercepting it with big English, so it was difficult for most people to get the crust of their argument. If they want us to be active partners and get involved, then they have to consider this. Another problem when they came here was bad timing. They came one hot afternoon, during the work hours of most people. Traders, farmers and some fishermen had gone to work. So it was a few people present. So they cannot entirely blame the local people (Interview 2010).*

According to Mr. Kojo Efunam, Senior Geologist with the EPA,

*We organized a road show and durbars for some of these people, just to let them know what opportunities exist for them in the industry. In some of the communities, attendance rate was very poor, with some falling as low as 80. We first held the durbars in six districts in the Jubilee area, then later in the ten regions. For example, in a certain district within the Jubilee area, when it was the turn of the ministry to deliver the local content policy education to them, most people had left. In all, we did not record participation beyond 300 in any particular region. We went round the whole nation. Later, the people in 'Suame Magazine'<sup>25</sup> called and asked the Ministry to organize a programme for them. Meanwhile, when we were there, they never came. In some places, just about 40 people attended for the entire region. This was to educate the people on the opportunities available. If they are not there, even when we have spent time and resources on these meetings, how can they blame us?*

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<sup>24</sup> Fante is an Akan language mostly spoken by people of the Central and Western regions in Ghana

<sup>25</sup> Suame Magazine is the name of an industrial area in Kumasi, the capital of the Ashanti region

### ***Role of Foreign oil companies (FOCs)***

Foreign oil companies<sup>26</sup> are “private, profit-seeking business entities that are given the responsibility by governments to explore and produce hydrocarbons on the state’s behalf under pre-determined conditions” (Edjekumhene et al. 2010:35). Wealth creation is a primary function of FOCs. They thus make sure to operate at the lowest possible costs, and make profit. Oil companies operate within the boundaries of states, and as such must pay taxes to the governments. They also have a responsibility to prevent any environmental consequences of their operations, and must take the precaution in their operations, in order to prevent things like oil spills and illegal gas flaring. It is not the responsibility of these entities to take care of the developmental needs of the communities in which they operate. This notwithstanding, it has become almost part of their mandate, though not legally binding on them. These voluntary acts carried out by companies with the aim of contributing to the development of the host communities, is termed Corporate Social Responsibility (CSR). It has become the corporate approach for solving corporate environmental and social problems which arise from companies’ activities. In drawing up the contents of CSR, the companies integrate the social and environmental challenges in consultation with the people. A good CSR agenda is one which finds a middle ground between national and commercial interests (Edjekumhene et al. 2010).

### ***Local Structures and Norms***

Local structures include the Fishermen’s associations, fishmongers association, and the institution of the traditional paramount chief. The chief fisherman is the head of all the fishermen, and has a lot of experience in fishing. There are taboos which prohibit fishermen from fishing on certain days of the week<sup>27</sup> and have

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26 I have used foreign oil companies (FOCs) and Multi National Oil Companies (MNOCs) simultaneously in this thesis.

27 This is common amongst most Akan communities, where fishing is prohibited on Tuesdays.

helped to sustain the stock of fish. The district assembly and the paramount chiefs are responsible for the day to day administration of the communities. In addition, paramount chiefs settle conflicts between citizens of a traditional area.

### **3.3.4 Livelihood strategies and outcomes**

Livelihood strategies are measures which households put in place to realize livelihood outcomes. These strategies are dynamic, responding to time and change over time. Individuals and households engage in natural resource-based activities, as well as non-natural resource based to survive. Natural-resource-based activities may include gathering of firewood, cultivation or harvesting of food crops such as corn and rearing livestock. (Ellis 2000:41). Non-natural resource based activities are trade, repair of vehicle, remittances, and pension proceeds.

### **3.4 Usefulness of the Sustainable Livelihoods Approach**

First of all, it shows us what people have or do not have, in terms of assets and capital (be it human or physical). It also helps to improve our understanding about the livelihood of poor people. Thus it also shows us what factors impede livelihoods and what improve it.

A major reason for developing the approach was to incorporate poor and vulnerable people into development research, programmes and policy making. Thus groups such as women, the poor and rural people were incorporated (Chambers 1987). In my research, some of my respondents are fishermen, farmers, net menders, petty traders and fishmongers, who all fall within this category of poor and vulnerable.

Through this approach to development thinking, the voices of the poor and marginalized are heard, and their views taken into consideration in the implementation of a project or policy. In the oil communities of Ghana, through their traditional chiefs and chief fishermen, the people are represented in meetings and negotiations with the government and especially foreign oil companies. It encourages the bottom-up approach to solving problems.

As an approach to development based on the core principles of people-centered, participatory and sustainable activities the SLA is a critical development *objective* in its own right. SLA is also an *analytical framework* that provides a way of understanding the factors that influence people's ability to achieve SL in a chosen circumstance.

The sustainable livelihood approach makes it possible for local or indigenous knowledge of the local communities to be fused into development plans. The choices that rural people make, as well as the trade offs of those choices are all captured by this approach. Therefore local people are not portrayed as a dormant group of people, but as active participants who are in control of their lives and the choices they make. In this research, assets owned by fishermen and fishmongers include canoes, boats, generators, lands, water, vast forest resources and smoking pots owned by fishmongers who are mostly women. The ability of the local people to merge these assets to generate a living is paramount to the sustenance of their livelihood.

### **3.5 Oil and economic development: the nexus**

One would hope that wealth acquired from the discovery of natural resource would be a catalyst to prosperity, indeed sometimes it is. But at other times, it is not (Collier 2007:38). Available literature suggests that resource abundance has had a detrimental effect on the development and quality of domestic institutions.



Yet, other research has suggested that some resource rich countries actually are rich, in terms of economy and in the lives of ordinary people.

When oil and gas resources, instead of enriching the economy, plunges it into poverty, declining growth and other adverse economic effects, it results in a phenomenon called the ‘resource curse’ or ‘paradox of plenty’ (Auty 1997). Shaxson (2007:5) commenting on the production of oil in Africa, likens the situation to *“taking cocaine: if you are already healthy, it may invigorate you, but if you are weak or sick, as many African countries are, it can do you serious harm.”*

A lot of writings have been done in this area, most of which seem to support the negative effect of natural resource on Gross Domestic Product (GDP) or the resource curse (Auty 1986, 1993, 2001a, 2001b; Bulmer-Thomas 1994; Lal and Myint 1996; Ranis 1991; Sachs and Warner 1995b, 1997, 1998 *cited in* Stevens 2003).

On the other hand, countries such as Norway, Canada, Britain and Australia have benefited positively from their oil wealth, contributing to growth levels in the economy and therefore advancing overall national development. Again, the growth of the Asian tigers is a case in point. These countries do not possess any known oil resources yet they show positive economic growth.

Kolstad and Wiig (2009) provide a simple mechanism for our understanding of resource curse. According to them, the Dutch Disease<sup>28</sup>, patronage and rent

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28 The Dutch Disease was first used as the title of an article published in The Economist of 1977. Originally, “Dutch disease” had an explicit meaning: it referred to the impact that a 1959 discovery of natural gas in the North Sea had on the Netherlands (the Dutch). The large foreign exchange earnings from the export of gas in that country led to a shift in prices and in the exchange rate, so that previously competitive exports lost market share, and production of those exports fell.

seeking are among ingredients which analyze the resource curse comprehensively.

### **3.5.1 The Dutch disease**

According to Kolstad and Wiig (2009), Dutch disease refers to a situation where there is a distortion in the industrial sector of an economy, such that it could reduce productivity and development in general. The Dutch disease is also used by economists to explain what happens to a country's economy when there is an increase in export earnings from mineral resources; and an apparent decline in the manufacturing sector. An increase in revenue from a natural resource such as oil and gas strengthens a country's currency as compared to other countries. At the same time, it leads to a situation where the price of other exports becomes too high for other countries to purchase, leading to a less competitive manufacturing sector. An example of a country which has undergone all the negative effects of the Dutch disease is Equatorial Guinea. The government depended so much on revenues from oil and gas, to the neglect of the other sectors of the economy.

#### ***Impacts of the Dutch disease on an economy***

When a country is affected by the Dutch disease, windfall profits from the exports of natural resource goods such as oil and gas, will appreciate the exchange rate of the exporting nation, thus making all other export (non-mineral, example agriculture) sectors of the economy suffer from less competitive terms of trade. When there is an appreciation in the exchange rate, domestic inflation increases. The hydrocarbon industry is volatile; and prices of oil and gas is highly prone to changes in world market prices of the product. In such a situation where there is less diversity in exports, any government whose budget solely depends on oil is likely to suffer. When the prices of the petrodollar is high on the world market, countries overly implement ambitious public spending, such that when

prices drop, they find it difficult to finance such expenditures, the only solution is to go for loans as a form of budgetary support, or pledge large consignments of future oil as collateral for loans.

### **3.5.2 Rent seeking**

The second mechanism, rent seeking, is usually seen as a normal legitimate human act based on self-interest. It involves, according to (cited in Stevens 2003: 14), how people compete for ‘artificially contrived transfers’. The link between rent seeking behaviour and natural resources and their combined effect on development in oil rich countries, have gained much recognition in the literature.

There could be several explanations why rent seeking is on the rise in countries with oil and gas deposits and revenues. Revenues accrued from oil and gas proceeds are expected to make states strong. Paradoxically, it rather tends to make states weaker (Karl in Humphreys et al 2007). Why is this so? When a state gets the majority of its revenues from external sources (as in oil rents, for example), it reduces the necessity of the state to tax its people, as oil rents already serve as a comfortable and sufficient base of fiscal revenue. Thus states with oil wealth tend to have weaker governance systems (Humphreys et al. 2007, Kolstad and Wiig 2009). This could create less interaction between the state and interest groups, as well as its citizens, thus making it less accountable to citizens as far as oil governance is concerned. Rent seeking activity also has the tendency to make governments arbitrary and predatory.

Another function of rent seeking behaviour is corruption. According to Stevens (2003:14), corruption is bluntly stealing resources. Corruption usually is a function of rent seeking behaviour. Both rent seeking and corruption lead to the diversion of resources away from the citizens into the hands of a selected few and their families at the top. The implication of rent seeking behaviour is that

ceteris paribus, the larger the public purse or expenditure, the less it will be noticed if there is a diversion of resources into the pocket of state leaders and their cronies or other interest groups (Ibid, Ploeg 2007; Auty 2001; Auty 2004).

### **3.5.3 Patronage**

This is where politicians employ public resources in order to entrench themselves in power. When there is an increase in natural resources, the government of the day will seek to increase his tenure for political gains. The ways in which this could be done are numerous- politicians adopt policies which are in their favour. In doing this, public servants are pulled along; they are offered employment even though they may not be qualified and efficient for the job. Governments may also embark on public projects to gain political support; in most cases these projects are not beneficial to the state. The militarization of most oil states in Africa is a fall out of this practice of patronage.

External investors, especially the foreign oil companies, may also give financial or logistical support to a government in power, in order to fight any opposition in return for soft contracts and negotiation terms. According to Ghazvinian (2007), in this type of system, oil makes it possible for the gains revenues accruing from the export of oil to be shared among the crème-de-la –crème of society, while any problems related to the resource is channeled down to ordinary citizens.

### **3.6 Avoiding the resource curse: Theory and practice**

Why have some mineral rich countries such as Botswana, Chile and Norway avoided the resource curse? Why have these countries managed to use their mineral wealth to develop while others have failed to do same? The consensus develops that there is no bullet proof solution to the resource curse.

## 4. GHANA – COUNTRY REVIEW

### 4.1 Introduction

Politically, many countries in West Africa have gone through undeniably terrible times with changes in political transitions. From adopting a multi-party democracy at independence, through one party rule and dictatorships, and then back to multi-party politics, this has been the experience of a lot of countries (Boafo-Arthur 2008). From the 1990s however, the trend changed, as waves of democracy blew across the continent: multi-party rule had finally come to stay.

Chapter four gives an overview of the country Ghana, the political history, as well as economic overview. This will provide a contextual background and meaning to the next chapter, which also gives a history of oil exploration. I begin the chapter with a brief introduction to Ghana's political and economic history.

Ghana is bordered to the west by Côte d'Ivoire, to the east by Togo, to the north by Burkina Faso and to the south by the Gulf of Guinea. The country's total area size is 238,537 square kilometres.<sup>29</sup> The country lies in close proximity to the equator, about a few degrees north. Its climate is mainly tropical, making it warm and dry throughout most parts of the year. Its unique position of having the Greenwich Meridian passing through it makes Ghana the closest country to the 'centre' of the world. Provisional figures from the 2010 census indicate that Ghana's population is now approximately 24.2 million, with 11.8 million males and 12.4 million females.<sup>30</sup>

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29 The Country Ghana: Background Information Available at [http://www.ghanaweb.com/GhanaHomePage/country\\_information/](http://www.ghanaweb.com/GhanaHomePage/country_information/). Accessed 07.11.2011

30 *2010 Provisional Results Out*. News of 4th February, 2011. Available at: [http://www.ghana.gov.gh/index.php?option=com\\_content&view=article&id=4712:2010-provisional-](http://www.ghana.gov.gh/index.php?option=com_content&view=article&id=4712:2010-provisional-)

## 4.2 Political Overview

As the first black African country south of the Sahara to gain independence from the British, Ghana started off with a bright future. Under the leadership of its first President and Pan Africanist, Osagyefo Dr. Kwame Nkrumah, the country gained independence from the British on March 6, 1957. Due to this, the country is sometimes called the ‘black star’ of Africa. It was formerly called the Gold Coast due to its large deposits of gold. Ghana’s political history is a mixed one: there have been periods of political instability characterized by military coups and gross human rights abuses<sup>31</sup> both before and after independence.

After the First Republic under Kwame Nkrumah (1960-1966), there have been brief periods of civilian governments under the Second (1969-72) and Third (1979-81) Republics (see appendix). From 1957, the country witnessed many forms of governments, mainly military and undemocratic in nature. In 1966, Kwame Nkrumah was overthrown in a coup by Dr. Kwasi Abrefa Busia and his National Liberation Council (NLC). After decades of political turmoil, in 1992, the first ever democratic elections were held. Since Ghana obtained independence from British colonial rule in 1957, through the CPP led by Nkrumah, there have been a total of 27 years of multiparty democracy. Military dictatorship governments account for 21 years of the post colonial period, while the remaining 6 years was a one party government (see appendix one for a comprehensive review). Ghana has been under the fourth republican constitutional rule since 1992 during which time there have been five democratic elections.

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census-results-out&catid=88:daily-news-summary&Itemid=236http://www.ghana.gov.gh/index.php?option=com\_content&view=article&id=4712:2010-provisional-census-results-out&catid=88:daily-news-summary&Itemid=236

Accessed 07.11.2011

31 For a list of the various governments and regimes in Ghana, see Appendix .

The last election held on 28<sup>th</sup> December 2008 saw the incumbent New Patriotic Party (NPP) losing in a run-off by a narrow margin (49.9%) to the opposition National Democratic Congress NDC (Gyimah-Boadi 2009). Power was handed over from President John Kufuor of the NPP to John Evans Atta Mills of the NDC. This confirms the position of the country as a beacon of hope on the African continent.

Ghana's position from an oil consuming state to an oil producer is a key challenge for the new administration. In the face of the now high prospect of democratic power transition in Ghana, the current political dispensation led by Professor John Evans Atta Mills, would have to find interest in limiting future government's discretionary use of oil revenue (The World Bank 2009)<sup>32</sup>. Donors and investors generally see Ghana as a 'model country', in terms of macroeconomic and political stability, good governance, investor friendliness, and the fight against poverty (Gary 2010:6). However, there has been an unequal distribution of these achievements across the wider spectrum. Some Ghanaians still grapple with poverty and non accessibility to social services and facilities. The discovery of oil in 2007 has sparked expectations about what oil can contribute to more development and less poverty.

Against this background, there is considerable tension on how the country will manage expectations associated with the oil, in order to avoid the resource curse. Many government officials that I interviewed expressed optimism that this challenge will be squarely met by the government, but the challenge of unrealized expectations should not be underestimated.

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32 'Economy Wide Impact of Oil Discovery in Ghana', A World Bank Report, November 30, 2009.

### **4.3 Economic Overview**

In his book *The State of Africa: Fifty Years of Independence*, Meredith (2005) notes that Ghana embarked on the drive to independence as one of the richest tropical countries in the world, governed by an outstanding leader, Kwame Nkrumah, with an efficient civil service, an impartial judiciary and a prosperous middle-class. With a per capita income of \$170, Ghana's income was one-ninth more than that of the United Kingdom (UK) and twice that of Nigeria (Gocking 2005). Currently, the country has an approximate annual growth rate of 1.9% (2010 estimate).

At the time of Ghana's independence in 1957, economic prospects were high. Yet, by 1980, the country had been effectively reduced to a pauper state. Its per capita GDP fell by more than 3% a year in the 1970's. Output declined in all major sectors – cocoa, timber, mining and manufacturing (Meredith 2005). However, the period 1984-1991 registered consistent growth. This can be attributed mainly to the long period of stable political rule by the PNDC led by Flight Lieutenant J.J. Rawlings. In 2000, the economy took off. The growth rate of real GDP was 5.6% from 2000-2008 (Asafu-Adjaye 2009).

#### **4.3.1 The Ghanaian economy: Structure and performance**

The Ghana Statistical Service (GSS) has divided the economy into three sectors: Agriculture, Industry and Services. Traditionally, the Ghanaian economy has for a long time depended on the agricultural sector. However, estimates released by the GSS in the 2008 budget statement indicate that the service and industry sectors have been the main forces behind the growth of the Ghanaian economy in the past few years (Asafu-Adjaye 2009: 7; Republic of Ghana: 2008 Budget Statement).



Over the past few years, the growth rate of the economy has been encouraging. In the 2008 budget statement<sup>33</sup>, the Minister of Finance and Economic Planning mentioned a number of economic achievements. In 2000, the growth rate of the GDP was 3.7%. This increased to 6.3% in 2007. Also, inflation was reduced from 40.5% in 2000 to 10% in 2007. In spite of the fact that in 2008 inflation rose to 16%, the growth in 2007 was very impressive all the same because the world was still grappling with the impact of the global financial crisis<sup>34</sup>.

During the same period (2000-2007), the national currency, the Ghanaian cedi, stabilized against major international currencies. Ghana also became one of the few third world countries to achieve the Millennium Development Goal (MDG) of halving poverty by 2015, way ahead of the 2015 deadline (Asafu-Adjaye 2009).

In 2011, the Ghanaian economy was listed as the world's fastest growing economy in the first quarter of 2011 (The Economy Watch)<sup>35</sup>. In addition, the country has recently been declared a middle income economy,<sup>36</sup> based mainly on a rebasing of its economic indicators. In the face of these economic feats, many citizens remain poor.

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33 Ministry of Finance and Economic Planning, Republic of Ghana, "Ghana's budget statement for 2008," [www.mofep.gov.gh/budget2008.cfm](http://www.mofep.gov.gh/budget2008.cfm). accessed 25.10.2011

34 Bank of Ghana, "Statistics: inflation," [www.bog.gov.gh/index1.php?linkid=174](http://www.bog.gov.gh/index1.php?linkid=174) accessed 25.10.2011

35 '12 Fastest Growing Economies in 2011'. Available at: <http://www.economywatch.com/economy-business-and-finance-news/12-fastest-growing-economies-of-2011-8-12.html?page=full>. Data used for this analysis came from the IMF's tracking of GDP growth in constant prices in the raw national currency. accessed 07.11.2011.

36 World Bank. Ghana's new status was based on economic indicators. <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:22800031~pagePK:64257043~piPK:437376~theSitePK:4607,00.html> Accessed 25.10.2011

#### 4.4 Strategies for Poverty Reduction

After the failure of the Structural Adjustment Programme (SAP)<sup>37</sup> of the 1980's, the Ghana Poverty Reduction Strategy (GPRS) was adopted. It started with GPRS1, which lasted from 2003 to 2005. Under the GPRS1, Ghana applied to take the Highly Indebted Poor Countries (HIPC) loan in 2001. The GPRS;

*Represents comprehensive policies, strategies, programmes, and projects to support growth and poverty reduction over a three-year period (2002-2004). It is informed by the conviction of the current government that the economy of Ghana needs to be managed effectively to enable wealth creation for the benefit of all Ghanaians.*<sup>38</sup>

The main objective was to attain macroeconomic stability and attain the anti-poverty objectives of the United Nations (UN) Millennium Development Goals (MDGs). The following were strategies outlined for poverty reduction<sup>39</sup>:

- prudent fiscal and monetary policies;
- private sector-led industrial production through the application of science and technology;
- sound and sustainable management of the environment; promotion of commercial agriculture using environmentally friendly technologies;
- agro-based industrial expansion;
- export promotion based on diversification and competitive advantages;
- increased investments in social services;
- and accelerated decentralization as the key

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37 The Structural Adjustment Programme was introduced by the two Bretton Woods institutions, the IMF and World Bank in developing countries in the 80s. Its main aim was to implement capitalist free market policies, so that countries which adhere to these will be eligible for loans.

38 Ghana Statistical Services <http://www.statsghana.gov.gh/>

39 <http://planipolis.iiep.unesco.org/upload/Ghana/PRSP/Ghana%20PRSP%202003%20Vol%201.pdf>  
Accessed 24.10.2011

- mechanism for policy implementation.

Furthermore, it spelt out some measures which would enable an improved access of Ghana's population to basic human needs and services such as water, and health facilities.

The GPRS1 did not live up to expectation. Analysts criticized it for being too focused on macroeconomic development to the neglect of institutional capacity development. Inadequacies in the GPR1 led to the Growth and Poverty Reduction Strategy-GPRS 2. This was implemented from 2006-2009. The GPRSII had as its main aim the accelerated growth of the economy so that Ghana could achieve middle income status by 2015. The GPRS2 was a strategy to shift focus away from the traditional natural resources of cocoa, gold and timber to the introduction of industrialization, technology-based exports and high productivity (Asafu-Adjaye 2009: 8). The GPRS 2 can be said to be successful to the extent that Ghana is now a middle income country, and the structure of the economy has shifted from agriculture to industry and services sectors.

The discovery of oil came at the right time in the country's economic history – since mid 2009, the economy has shown steady growth.<sup>40</sup> In order to ensure that macroeconomic indicators were kept under control before the oil era, the government relaxed its tight fiscal stance in 2010.

In spite of all these economic successes the country has chalked, Ghana still has a majority of its population living under \$2 a day. There is generally low life expectancy rates, infant mortality rates keep rising, with 112 deaths per 1,000

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40 In its briefing paper in August 2009, the World Bank described Ghana's economy as one of the best performing in Africa. Available at <http://www.siteresources.worldbank.org/IDA/Resources/IDA-ghana.pdf>. Accessed 20.10.2011.

births (Gary 2009:7). There is a large gap between the rich and poor, with the three northern regions<sup>41</sup> being the most disadvantaged.

As Ghana starts its oil production, there is already some skepticism about the prospects that oil will bring to the country's economy. Currently, at initial drilling, production is expected to start with 55,000 barrels of oil per day, which will sum up to 120,000 bpd after the first quarter of 2011 with potential output of about 250,000 bpd after about three years (Edjekumhene et al. 2010). On one hand are the optimists who see all the good things happening to Ghana, and who cannot imagine Ghana making the same mistakes as countries like Nigeria and Angola. They argue that the conditions are entirely different. As far as Ishac Diwan, the World Bank's country director for Ghana, is concerned "it is a bit of oil, not a whole lot, so it's not enough to give you the 'Dutch disease' and a curse." Optimists again assert that in comparison to the situation in Angola and Nigeria, the Ghanaian economy is more diverse. For instance, Ghana's cocoa and mining sectors currently account for 75% of foreign exchange accounts. In addition, Ghana is held up by observers – national and international – as a beacon of good and stable governance. The World Bank attributes this to the fact that there is no single dominant political party and that the parties are quite well institutionalized. On a visit in 2009, President Obama has added his own voice saying that:

*The people of Ghana have worked hard to put democracy on a firmer footing, with peaceful transfers of power even in the wake of closely contested elections. And with improved governance and an emerging civil society, Ghana's economy has shown impressive rates of growth.*<sup>42</sup>

In spite of the above, there are pessimists who worry about the readiness of Ghana to produce oil. Alex Vines is the Head of Africa Programme at the

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41 The Northern region, Upper East region and Upper West region, are collectively termed the 'three northern regions'

42 <http://thinkafricapress.com/ghana/can-ghana-escape-resource-curse> . Accessed 07.04.2010

Chatham House. He expresses worry about a new oil industry whose regulation would be based on a 1987 law. He asserts: “it [Ghana] still has no new law, no regulations and no regulator. It is not too late.....but muddling through is inefficient and could be very costly.”<sup>43</sup>

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43 [http://www.csmonitor.com/World/Africa/2010/1221/Ghana-begins-to-tap-oil-but-can-it-avoid-the-resource-curse/\(page\)/2](http://www.csmonitor.com/World/Africa/2010/1221/Ghana-begins-to-tap-oil-but-can-it-avoid-the-resource-curse/(page)/2) . Accessed 07.11.2011



## **5. THE OIL AND GAS INDUSTRY IN GHANA**

### **5.1 Introduction**

This chapter gives a brief background to the oil and gas industry in Ghana. It will also place Ghana's oil discovery in the larger context of Africa's oil resources. Furthermore the chapter will assess how the mining (extractive) sector in Ghana has been governed, and what lessons the oil and gas sector can learn from it.

### **5.2 A Brief History of oil and gas exploration**

Attempts at exploring for oil and gas is not a recent happening in Ghana. Exploring for oil and gas dates as far back as the in 1896 (Boateng 2008:2). Exploration activities started in the onshore Tano areas, in what is now known as the administrative Western Region. Back then, there were seepages of gas and oil found in that area. With little or no geological knowledge and understanding at the time, wells were drilled. Exploration did not succeed. It was not until the early 1960s that frantic efforts by successive governments begun in search of oil in commercial quantities.

The GNPC was established in 1987 by the Provisional National Defence Council PNDC government to embark on petroleum exploration activities. The result of an initial drilling was the Saltpond Fields, whose production capacity of crude oil currently stands at 600 barrels per day. The PNDC government established the institutional, as well as the legal framework for the oil and gas industry under PNDC Laws 64 and 84. These laws were aimed at fast-tracking the country's exploration and production (E & P) efforts. They are supplemented by the Petroleum Income Tax Law (PNDC Law 188) of 1987.

### **5.2.1 The Great Discovery**

In June and September 2007, a consortium of companies made up of Kosmos Energy, Tullow Ghana Limited, Anadarko Petroleum Corporation, Sabre Oil & Gas Limited and the EO Group, in conjunction with the GNPC announced the discovery of oil in commercial quantities offshore, in the deep waters of the Tano and Cape Three Points Basins. The Jubilee field straddles two blocks in the deep Atlantic waters offshore from Western Ghana, approximately 63 kilometers from the coastline and 132 kilometers southwest of Takoradi.

### **5.3 Africa and Oil resources**

The African continent is blessed with considerable oil and gas resources that can help speed up growth on the continent if used tactically (African Development Bank ADB and African Union AU Joint Report 2009:1)The reality however is that, wherever there is oil on the continent, it is accompanied with negative consequences - conflict, poverty, underdevelopment etc. Aside from Botswana which has managed to govern its diamonds very effectively, most resource-rich African countries are mired in dire poverty and economic troubles. Africa's top oil producers- Algeria, Nigeria and Angola are ranked 104, 158 and 143 respectively on the 2009 United Nations Human Development Index (HDI) (Dake 2010). Other resource-rich countries like the Democratic Republic of Congo were ranked almost at the bottom of the HDI. In such countries, in contrast to the burgeoning revenues accrued from natural resources, there is very little to show for it in terms of development. Oil-related conflicts are mostly related to the unequal distribution of oil wealth, human rights abuses by foreign oil companies in the communities where they operate, and the misappropriation of oil funds by a few individuals at the helm of government affairs. It has become the case that most oil-rich countries in Africa have suffered from the resource



curse. Ghana has not seen any major conflict related to the use of natural resources. However, there have been persistent cases of clashes between gold mining communities and the foreign mining companies, for the neglect of the development of the communities in which they operate. In view of this, discovery of oil in commercial quantities in Ghana has called for proactive thinking and pre-emptive measures to be put in place to avoid resource-use conflicts associated with the oil. While it is the wish of Ghanaians that the oil wealth would be used to the benefit of the people, many others have expressed fear that Ghana might fall into the ‘natural resource-curse trap’.

### **5.3.1 Ghana’s oil in the context of Africa’s oil boom**

The African continent is blessed with a huge amount of natural resources which can be used to accelerate growth and development if used prudently. Over the past two decades, there has been a huge ramp up in investment and production of oil and gas. Much of the growth in sub-Saharan African countries has been fuelled by investment in the extractive industries. Foreign Direct Investment (FDI) reached a high of \$35 billion in 2006, with oil and gas, and economic minerals being the main drivers.<sup>44</sup> Oil production on the continent is set to double by the end of the decade (Gary and Karl 2003). Over \$50 billion will be spent on African oil, the largest investment in African history by far. Most countries on the continent have open policies for foreign investors; this has encouraged the operation of oil and gas firms. Africa produced 12.5% of the world’s oil in 2009 and extensive exploration and production is still taking place (Gary 2009).

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44 Economic Commission for Africa (ECA): ‘Africa’s mineral resources ministers endorse ECA-inspired mining vision,’ news release, October 21, 2008. Read more at: <http://www.care2.com/causes/african-natural-resources.html#ixzz1WMLcoreK>.

The discovery of oil in Ghana is the latest on the continent. The Jubilee field is a medium size field discovery going by industry standards. It has reserves of up to 490 million barrels per day (bpd), putting Ghana at par with some of its neighbouring countries such as Cameroon (400 million bpd); above Ivory Coast (100 million bpd); but considerably below Nigeria with 36,200 million bpd (Edjekumhene et al. 2010:13). On the global level however, Ghana's oil reserves (maximum 4 billion) are insignificant when compared with reserves of major oil producers like Saudi Arabia (265 billion); Canada (175 billion) and Venezuela (98 billion). Relative to its population, Ghana's oil is far less, but its contribution to the country's GDP, is very significant (ibid).

Although new resources are discovered progressively, they are not equally distributed; in fact, 38 out of 53 African countries are currently net oil importers.<sup>45</sup> High and volatile oil prices are thus a challenge for all of Africa; they indicate an opportunity for exporting countries and a challenge for importing countries. Table 5 below shows a graphical image of oil producers in Sub-Saharan Africa:

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45 In a Joint report by the African Development Bank (ADB) and the African Union (AU) titled "Oil and Gas in Africa". July 2009.

**Table 5 Oil producers in Sub-Saharan Africa**

<b>Country</b>	<b>Estimated reserves(1,000 barrels)</b>	<b>Production (1,000 bpd)</b>
<b>Angola</b>	8,000,000	1,695
<b>Cameroon</b>	400,000	84
<b>Chad</b>	1,500,000	150
<b>Congo-Brazzaville</b>	1,600,000	240
<b>Equatorial Guinea</b>	1,100,000	320
<b>Gabon</b>	2, 000,000	230
<b>Ghana, current</b>	15,000	6
<b>Ghana, potential</b>	600,000-1,300,000	40-150
<b>Ivory Coast</b>	100,000	30
<b>Mauritania</b>	100,000	26
<b>Nigeria</b>	36,220,000	2,167
<b>Sudan</b>	5,000,000	472

*Sources: Reproduced from Gary (2009:13)*

Production in the Jubilee field is headed by London-based Company, Tullow Oil. With proven reserves, the Jubilee field is expected to produce between 600 million and 1.2billion bpd of oil and 800 billion cubic feet of natural gas. With this, the country becomes a net exporter of crude oil onto the international market. All things being equal, and depending on oil prices and production levels in the future, the German Technical Cooperation (GTZ) has predicted that estimates from the oil revenue could rise annually at more than \$1 billion (Gary 2009: 18).

## 5.4 Ghana and extractive industries

Ghana is no stranger to extractive industries or primary commodity-based industries. It is blessed with substantial amounts of gold, manganese and bauxite. Gold and cocoa constitute a major source of foreign exchange. In 2006, the country's Mining and Minerals Law was revised, and this facilitated a rise in investment in the mining sector, for example in that year, Ghana produced almost 2.5 million ounces of gold (Gary 2009:8). Today, Ghana is the 2nd and 10th leading gold producing country in Africa and the world respectively - bringing in export earnings of US\$1.3 million in 2006 and US\$1.7 million in 2007- according to the 2008 official budget statement. In 2005, Ghana's mining sector saw diamond production reaching over 1.06 tonnes, bauxite production reaching to 606,700 tons and manganese production reaching over 1.7 tonnes. Total revenue from minerals in 2008 rose by 28%.<sup>46</sup> The country has been producing gold for many decades, and presently it possesses 13 mining companies which produce gold, bauxite, aluminum, diamonds and manganese ore. There are also over 300 registered small-scale mining groups, and 99 support services.<sup>47</sup>

Ghana's mining industry is a classic example of how an extractive industry becomes an isolated enclave economy, instead of a growth engine with positive outcomes in the immediate economy (Civil Society Platform on Oil and Gas: 2010)<sup>48</sup>. The contribution of mining to the country's GDP increased from 1.3% in 1991 to an average of about 5% in recent years. Export of minerals constitutes about 35% in total exports, of which gold contributes over 90% of total mineral exports. The mining sector is one of the biggest contributors to government

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46 Ghana: country review. Available at [www.imf.org](http://www.imf.org) Accessed 08.11.2011.

47 <http://www.mbendi.com/indy/ming/af/gh/p0005.htm>. Accessed 14.06.2011.

48 The Civil Society Platform for Oil and Gas is an umbrella organization which brings together several civil society groups to deliberate on issues relating oil and gas in Ghana. For more information, see: <http://www.csplatformonoilandgas.org/>

revenue. This comes in the form of mineral royalties paid by mining companies, employee income taxes and corporate taxes.

#### **5.4.1 The Fiscal Regime on mining**

Under the fiscal regime on mining, the Ghana Government acquires 10% free equity in any mining venture. The government has the option of acquiring an additional 20% participatory interest at fair price. In addition, the holder of a mining lease is required to pay royalty of between 3% and 12% on the total revenue of the minerals obtained from the mining operations.

The fiscal regime on mining is rather weak, and probably too liberal. It makes provisions for capital allowances. This means that almost all expenses can be claimed under capital. This system allows the mining companies to overvalue their capital goods, and hence pay less tax on them. Development agreements between mining companies and the government are also flexible towards expatriate workers; they end up paying less income tax or nothing at all. In a 2009 report published by ISODEC, Ghana's system of capital allowances is by far more generous than those of other mining countries, and therefore Akabzaa and Ayamdoo (2009) call for some revision. This current practice leaves very little room for the integration of indigenous Ghanaians into the mining sector. Little has been seen in terms of government regulation.

Extractive industries are capital intensive. Thus they are restrained from building strong linkages to the local economies in which they operate. Oil industries use high technology machines and less labour. In Ghana, few local contractors are employed in the mining industry. Machinery is also mostly imported from abroad since Ghana does not have the capacity to produce them internally. Basic supply services, such as accounting, cleaning and catering, are often provided by foreign companies, leaving the locals with the production of simple spare parts and provision of food to workers in the mines (Fold et al. 2007). As prices on the

world market surge, more income is generated from the extractive industries, yet this has not as yet translated into any meaningful development. There is the perception also among the public that the government receives too little of the revenue generated in the mining sector.

In 2008, the World Bank reported that Ghana lacked the capacity to collect revenues and audit payments from gold mining companies during the previous three years as gold prices surged (Gary 2009: 9). To a certain extent, the success or otherwise of the oil and gas industry can be inferred from the experience of the mining sector. From the above, I cite weak institutions, flexible tax and weak revenue collection systems, the capital intensive nature of the mining sector and so on, as some problems which the oil and gas industry must avoid. Existing institutions must be well capacitated to perform, there ought to be stricter tax regimes and revenue collection mechanisms in the oil industry, so that it does not suffer the same fate as the mining sector. Oil and gas has an advantage to learn from the mistakes of the mining industry.

#### **5.4.2 Challenges in the mining sector**

The absence of a rise in government revenue is linked to weak institutions of revenue collection. The administrative systems of the Internal Revenue Service (IRS) are not efficient. Improper accounting procedures also make it easy for the mining companies/ transnational corporations to evade tax (Prichard 2009). For example, the World Bank report in 2008 says that due to the lack of capacity to collect revenues and audit the activities of gold mining companies, the government lost a lot of income, to the benefit of the foreign mining companies.

The result of inefficient management of revenue from the mining sector is that government revenue fails to translate into sustainable development.<sup>49</sup>

Contracts signed between mining companies and the government are normally shrouded in secrecy, and this grows the seed of corruption. A Study conducted by the Operative Department of the World Bank in 2003 revealed that the true net benefits of gold mining to Ghana is not clear.

There are cases of conflicts between the mining companies and the local communities in which they operate. The Commission for Human Rights and Administrative Justice (CHRAJ) issued a report in 2008 after a year of investigative fieldwork:

*(...) there is evidence of widespread violations of human rights of individual members of communities and communities' collective rights in some mining areas in the country.... The Commission found evidence to conclude that there has been widespread pollution of community water sources, deprivation and loss of livelihoods. Several examples of excesses by the security agencies and the security contractors of the mining companies were provided and documented. Some of these excesses had resulted in serious injuries and were sometimes fatal. It appears most people living in mining communities in Ghana believe that the right to development remains an empty promise to them even though the UN General Assembly officially recognized this right in a Declaration over two decades ago<sup>50</sup>.*

Ghana's oil discovery is occurring in an era where most natural resource based economies are showing symptoms of economic decline and poor growth. Thus, Ghana has the benefit of learning from the experience of these countries. Also, internally, experience from Ghana's mining industry provides it with an opportunity to avoid mistakes from the past.

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49 Program document for a proposed credit to the Republic of Ghana for a natural resources and environmental governance first development policy operation," Report No. 42787 – GH (Washington, DC: World Bank, 7th May 2008).

50 "The state of human rights in mining communities in Ghana," (Accra, Ghana: Commission on Human Rights and Administrative Justice, September 2008).

## **6. WHAT ARE THE EXPECTATIONS OF COMMUNITIES IN GHANA'S OIL DISCOVERY?**

*Expectation is the root of all heartache*<sup>51</sup>

### **6.1 Introduction**

This chapter discusses the expectations of local people with regard to the discovery of oil. How local people perceive the industry to an extent influenced what they expect the industry to do for them; as such I will discuss the perceptions of local people across the three communities, and then follow with a discussion of their expectations.

### **6.2 How do local people perceive the oil industry?**

Perceptions, expectations and the socio-cultural make up of a society are very critical factors to understanding the dynamics of oil and gas in the local communities of the Jubilee field. It is also important in determining the relationship between locals and oil companies. According to Zandvliet and Pedro (2002), the relationship between oil companies and local communities are informed to a large extent, on community perceptions, expectations and socio-cultural norms. Perceptions are also important in forming harmonious relationships between the people and oil companies. In an interview with the paramount chief of Shama, Nana Kweku Bena on the question of the relationship between coastal communities in Ghana's oil region and oil companies, he asserted:

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<sup>51</sup> William Shakespeare



*So far, so good. We do not have any problem with the oil companies. The relationship is just evolving. Our only problem is that the companies should not forget that they came into a community, which has its own set of traditions and customs. Any operation of the company must consider the views and moral values of the community, so that we co-exist peacefully with them.*

The people's perceptions are usually centred on the relationship between them as host communities and multinational oil companies involved in the production of oil. Many local communities view oil companies operations in a negative light. As data collected from my fieldwork indicates, the bases for these perceptions are the negative effects of oil company operations in local communities. First, the people view the relationship between them and the companies as that of a landlord-tenant relationship. The people are the supposed landlords, while the oil companies constitute the tenants. However, according to a fisherman in Shama:

*The land is ours, and so is some portion of the sea where oil has been found. We are supposed to be the original landlords of these natural resources that God has blessed us with. Yet, with the coming of the oil, that right is gradually being taken away from us to the oil companies. Our lands are being bought by the big companies and private investors, with the excuse that they are paying compensation to the traditional authorities. But it should not all be monetary gains. Worse is that our chiefs are partakers in this criminal act. They are supposed to hold the communal land in trust for us. If our great-great grandfathers had sold these lands, what would have become of us today? Our chiefs must stop giving out our lands, it is all we have.*

In Dixcove, one group of fishermen I interviewed alleged that they had heard rumors that a particular plot of land, situated very close to the sea, had been sold and was being developed by a private investor. But when I spoke to Nana Acheampong, the Chief Fisherman, he refuted the allegations. I later went with him to the said property, and I saw what appeared to be a large building project

being put up. Pointing to it, he told me that it was a foreign private investor who had acquired that land about ten years ago even before any traces of oil could be found in the area, for the purposes of building a resort.

Further, the local people view the relationship between them and the oil companies as a master-servant relationship, a negative one, which they are not happy about. Oil companies and government agencies are the masters, and the local communities the servants. Zandvliet and Pedro (2002) contend that perceptions often form a substantial basis for the actions that communities take to support or interrupt the activities of oil companies.

In the three communities I selected for this study, the people maintained that the costs of oil activities for host communities far outweighed the benefits. Most respondents cited the Niger Delta and the Ogoni cases as examples. Others also cited the poor developmental state of mining towns in Ghana, as the reason for their answer. One respondent emphasized:

*Though oil companies have not started serious operations yet, I can smell the negative effect of their operations in our communities. Look at the state of Obuasi, Tarkwa, Prestea, Konongo and Bibiani.<sup>52</sup> What is there to show that they have gold and diamond? Their economic and social conditions are very poor despite the many promises that mining companies have made to them. The guarantee that the same thing will happen with the oil over here is very high (Interview, Dixcove).*

In opposition to the view above, in a group interview held in Shama, the youth were split between respondents who believed that the cost of oil activities in communities were more than the benefits. One farmer said:

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<sup>52</sup> These are all mining towns in Ghana

*Maybe with this oil discovery, things will improve in our village. I heard about the construction of a water borehole in Axim, as well as the building of a school block by Tullow Oil to the Half Assini Senior High School in Axim. This is very positive, and we pray that it gets to our community soon.*

The relationship between host communities can also develop into a love-hate one because most often, local knowledge and views are not integrated into company operations and policy directives. According to a group of fishermen at Cape Three Points for example:

*The government and oil companies do not regard us. We are totally neglected in consultation processes and policy making. One example is this issue of the ban on fishing close to the rig. We acknowledge the fact that we disrupt operations of the rig workers when we do that, so we are pleading with the government to allow us to use our own source of light to fish far from the rig. The government does not want to listen to this plea from us, and they continue seizing our generators and other light equipment at sea.*

Data gathered suggests that many communities perceive the operations of oil companies on local communities in a negative light. The general consensus was that these two actors must see themselves as shareholders who are working towards the individual development of the host communities, and consequently the overall national development.

### **6.3 What are the expectations of the local people?**

Countries where oil has been found have often experienced soaring, exaggerated and overstated expectations of what the wealth acquired from the resource can do to their lives. Ghana has not been an exception in this regard. Since the discovery of oil in Ghana in June 2007, there have been various degrees of expectations from foreign oil companies who operate the field and from the government.

Expectations range from the hope of accelerated development, building of road infrastructure and government revenues for the whole of Ghana. The citizens of Ghana have expectations of an immediate improvement in their livelihoods, and also a general improvement in the quality of life of all Ghanaians. One group of people on whom oil will have a direct impact, and whom my research concentrates on, are the local communities adjoining the Jubilee field. This chapter, the first of my findings from the field, attempts to discuss what perceptions the local people have of the oil and gas industry, and what their expectations are of them.

The discovery of oil in Ghana has brought in its wake growing expectations. These expectations are expressed among the young and old, politicians and even the clergy. One group of people that is most excited about the oil is the youth, especially those living in the western region where oil has been found. They express hopes of the creation of new jobs and an improvement in their general livelihoods. The following constitute a cross section of expectations:

*Even without oil, we are doing so well ...with oil as a shot in the arm, we're going to fly; ... my joy is that I'll go down in history as the President under whose watch oil was found to turn the economy of Ghana around for the better.'*

(Former President John Agyekum Kufuor, in an interview with the British Broadcasting Corporation BBC)<sup>53</sup>

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53 "Ghana will be an African Tiger". Interview held on Tuesday, 19 June 2007, 09:03 GMT 10:03 UK Available at: <http://news.bbc.co.uk/2/hi/africa/6766527.stm> Interview. Accessed 08.11.2011

*This has been long in coming...We are extremely excited and flattered that the oil was found in the western region, our region. With the coming of the oil, we the youth can now boast of finding white collar jobs, earning more than we earn now with fishing and petty trading. We only hope the government will consider this as a birth-right to us, and not play politics with it as usual.*

(Interview 2010, Cape Three Points).

*The discovery of oil in Ghana is bad news to the country. Oil may lead to deepening corruption and social unrest. Ghana may not be so different from Nigeria in terms of the resource curse. - (Interview 2010)*

Expectations are high among the general Ghanaian populace as to how oil can turn the fortunes of the country around. In religious circles, there have been special prayer and fasting sessions for a successful commercial production of the oil and gas as the figure below shows:



**Figure 3: A Banner inscription showing a prayer session for the oil and gas industry in Ghana**

Source: *The New Legon Observer*, March 2008, Vol. 2(5):4

Mr. Emmanuel Bombande<sup>54</sup> shares his views on the expectations of Ghana's oil:

*Expectations can be categorized into two – positive and negative. On the positive side, Ghanaians have seen economies like Norway and Canada progress economically due to effective management of their oil wealth. On the flip side, they have seen what is happening in neighbouring Nigeria, in the Niger Delta region, where oil has caused violent conflicts and citizen uprisings and upheavals.*

In another interview with the Chief fisherman in Shama, he stressed:

*Everybody is talking about oil, everywhere you pass. I am happy as well, but my question is, what is in it for us? From the way I see politicians using the oil issue in their campaigns already, I do not think it will be of any benefit to us the local people. Maybe, one day, my children's children will enjoy, but not me and my generation.*

The table below shows the estimated annual oil revenue in Jubilee Field from the period 2011- 2029:

**Table 6: Estimated Oil Revenue from the Jubilee Field**

<i>Projected Oil Annual Revenues from Jubilee field (US\$ millions)</i>		
<b>Year of Production</b>	<b>IMF Estimates</b>	<b>World Bank Estimates</b>
2011	752	900
2012	723	1,011
2013	1,324	1,083
2014	1,326	1,484
2015	1,352	1,796
2016	1,428	1,804

54 Mr. Emmanuel Bombande is the Executive Director of the West African Network for Peace (WANEP), a civil society organization.

2017	1,457	1,587
2018	1,485	1,400
2019	1,553	1,213
2020	1,491	1,053
2021	1,491	946
2022	1,491	839
2023	1,176	759
2024	925	706
2025	723	652
2026	562	599
2027	433	546
2028	330	519
2029	247	492
<b>TOTAL</b>	<b>20,269</b>	<b>19,390</b>

*Source: Reproduced from Edjekumhene et al. (2010:19)*

From my fieldwork, communities located near the site of the Jubilee field have high and similar expectations of the effect of the resource exploitation on their lives.

Many respondents expect that oil will have a positive impact on their lives, through the creation of jobs, provision of social amenities such as schools, roads, hospitals, good drinking water, electricity, the institution of a micro-credit scheme for those who will lose livelihoods, and the institution of a scholarship scheme for brilliant but needy children of the communities. The following paragraphs will discuss these further:

### **6.3.1 Employment Opportunities**

This was the most popular expectation of the people from my field work. It is the hope of communities in the jubilee field, especially the unemployed youth that the oil and gas industry will provide them with jobs. However, in an interview with Mr. Kwame Jantuah, an oil expert, he asserted:

*Let us not get it wrong – the oil industry is very capital intensive and requires skilled and specialized labour. A lot of the youth in the communities do not have this, so it will be difficult to say that there will be employment opportunities. Even I can be sure that most of the oil companies will bring in foreign labour. However, the oil industry will open the way for subsidiary industries like catering and waste disposal, maybe in such areas, local people could be considered for employment.*

### **6.3.2 Provision of education and institution of scholarship schemes**

The contribution of oil companies to education was also very popular among peoples' expectations. This is because most of the parents in these communities are poor, earning just enough to feed the nuclear family. It is those who earn extra income whose children can continue school after the basic level, and those are very few. In all the communities, there were reports of high school dropout rates, not because parents do not value education, but because of lack the finances to support the children. According to the leader of the Fishmongers Association in Dixcove,

*We expect a lot of good things from the government and oil companies. But my greatest concern is the education of our children. If I can secure my child's education, then the future is bright for him; then I can be sure that he or she will grow up to become a responsible person, and have a more decent job than what I am doing now.*

Thus, the institution of a scholarship scheme especially to brilliant but needy children will help to offload some of the financial burden on the parents. According to a petty trader, oil companies should emulate the good example of the Ghana Cocoa Board, which grants scholarships to children of poor cocoa farmers to further their education.



### 6.3.3 Development of infrastructure

Many respondents I spoke to, especially those in Cape Three Points were quick to point to the need for a health facility in their community. According to respondents in Cape Three Points, there is no hospital or clinic in the village, the closest health centre is situated in Ntakrom, some 25 minutes drive away. The people expressed disdain at the government for always using the provision of health facility to their community to campaign during elections, but they never keep to the promise after getting votes from the community. According to a respondent who was a former district assembly member, the government in power used this at the 2008 election, yet refused to honour their electoral promise. He further said: “Look at us, Cape Three Points; everybody is travelling down here because of oil. Yet, we do not even have a hospital”.

The people in Cape Three Points also lamented the poor state of their roads. In fact, it took me about two hours to travel to Cape Three Points from Takoradi, a journey which I believe could have been made in thirty minutes, if the roads were good. Another major problem in the area was the lack of electricity. In an interview with Richard, a former District Assembly member, and a fisherman pointed to some wooden electric poles lying in the bush and retorted:

*These are the so-called electric poles which will be erected to ensure that we are connected to the national grid. They have been lying here since the oil was discovered in 2007, and up till now, they are still lying there, nothing has been done.*

Other social amenities like community centres, potable drinking water and school buildings are either non-existent, or in poor states in the communities. It is the hope of the communities that the oil companies and the government will see to the construction or renovation of these public facilities.

### **6.3.4 Training programmes and setting up of micro credit schemes**

With oil operations, many livelihoods will be lost especially fishermen's catches of fish will reduce significantly. The local people expect that the government and the oil companies set up a credit facility where such people can go for loans to start new trades or expand existing ones. One group of people who expect a lot from the companies in this regard is petty traders. According to those I spoke to across the three communities, the oil find means more people will be migrating into their communities. An increase in population comes with the demand for more goods and services. Therefore micro credit schemes will serve as a source of financial support. Then, according to the traders, "we can stop borrowing monies from relatives who usually have a high interest rate than the micro credit schemes". Also, it is hoped by the residents that oil companies will go out of their way to train the youth who have some skills in carpentry, masonry, steel bending and other arts, so that with skills acquired from the specialized training, they can later be assimilated into the oil and gas industry.

## **7. FULFILLING LOCAL EXPECTATIONS**

### **7.1 Introduction**

The empirical data derived from the previous chapter suggested that majority of local people have high expectations, and anticipated that the discovery will transform their lives and that of their families for the better. From my field work, four factors were identified as critical to how expectations of the local people are likely to be fulfilled or realized.

These are:

- Management of expectations
- Effective dissemination of information
- Community development through Corporate Social Responsibility (CSR) by oil companies
- Role of CSOs
- National and Local government institutions

### **7.2 Management of Expectations**

The first step to fulfilling the local expectations is by effectively managing these expectations. Based on empirical data for this thesis, the management of expectations is the first step to fulfilling expectations. Idemudia and Ite (2006b) have shown that the Niger Delta conflict amongst other factors is a result of the lack of management of the expectations of the people of the region. In Ghana, apart from clashes between mining companies and some host communities, there has not been any major conflict related to the exploitation of a natural resource. Since the oil find, the government has been undertaking some workshops to explain the dynamics of the oil and gas industry to the local communities. These

are meant to reduce the level of expectations. According to the Chairman of the Mines and Energy Committee in Ghana's Parliament, Honourable Moses Asaga (see appendix), people have every cause to be happy, but expectation must be kept modest, otherwise focus will be lost of the real governance issues on the ground. According to him, institutional readiness, effective revenue management and impact of oil activities on local livelihoods constitute the critical areas of governance, and policy makers must pay heed to these. If expectations are well managed, then citizens would know that the impact of the oil discovery may not be felt until some years to come.

One factor which is important to manage expectations is education- government institutions, civil society groups and oil companies must endeavor to explain to the communities what is being done, what role local communities play in oil governance, and how oil will impact on their communities.

Building trust between the stakeholders in the oil industry is another way to manage expectations. When there is trust, all parties know what to expect of each other and one try to keep to their word. When trust is established, there is no cause for local people to resort to civil unrests and political strives.

### **7.3 Effective dissemination of information**

There is the need to control the flow of information between the oil companies and the government of Ghana on one hand, and between the local people and the oil companies and government on the other. The government of Ghana must put in efforts to provide local communities with accurate, in-depth information, because with an informed society, the level of expectations can be balanced. This would enhance the ability of the local people to understand issues related to the oil industry clearly, and also keep local dissatisfaction and tension at the barest minimum.

Government officials and politicians are fond of making pronouncements, and quoting huge amounts of revenues to be accrued from the oil field. An attempt must be made to put out accurate and true figures of oil revenue in the public domain, so as to curtail the occurrence of conflicts. An important actor in this regard is the media, both electronic and print. For there to be good governance of oil and gas, requires an effective, honest and knowledgeable press which can report on issues comprehensively. Through this, citizens are better informed and engaged in deliberations empowering them to hold oil companies accountable for their activities in future. In Takoradi, residents reported of how the local FM station, Sky Power FM, has contributed greatly in giving out information about activities in the oil communities, and announcing seminars and forums. However, most often than not, journalists in developing countries are impeded in this role of disseminating information. Most of them lack training and expertise reporting skills in the extractive sector. According to a senior journalist with Ghana's largest circulating public newspaper, the situation is appalling. In his words,

*Since the discovery of oil, the media has been struggling with accessing information from experts. The experts would just not release any information. But you know the oil industry is not one that you can just write about like any other, if you do not have the knowledge of what goes on there, you just cannot come up with anything. But I realize a lot of private newspaper houses these days publish things relating to the oil industry. Clearly, you see the shallowness in those reports; they are nothing short of mediocre jobs. The appropriate thing will be for the government and other CSOs interested in the oil sector to train us through the holding of workshops and seminars. The oil companies and the government should make it a priority to institute training programmes and organize workshops for those of us interested in the sector.*

High expectations may result in forced-out-migration with its attendant population and environmental pressures. There have been reports of high jumps in rents for accommodation in the western regional capital of Sekondi-Takoradi,

particularly in locations close to the Jubilee field. Some traditional leaders have also been accused of selling lands to investors at sky rocketing prices. There are reported formations of youth groups whose motives are unclear. Unfulfilled expectations, coupled with the possible harmful socio-economic impacts of oil exploratory activities, lead to heightened tensions and frustrations among local communities. Mr. Bombande summarizes;

*What has been done so far in terms of managing expectations is something to applaud the government for. In the wake of the first flow of oil last December, all the schedules for preparations were religiously kept. And that is a positive sign, the first to show we are ready. Also, the preparation of a Bill by the government, which highlights contribution from CSOs, is a positive sign. There have been several CSO consultations with the government and other stakeholders, and that also show some commitment.*

The Ghana government has drafted the policy framework governing local content and local participation in Petroleum activities. It has pegged local content participation at 90% by the year 2020. This is quite an ambitious task, probably almost unrealistic; given that a lot of Ghanaians do not have the knowledge and technical expertise that the oil industry requires. Again, in the run up to the 2008 elections, politicians made a lot of promises of development in the oil communities. As of the time this research was taking place, none of the promises had been fulfilled. It is therefore important for politicians to desist from this act, as it not only erode the faith that people have in them, but it may also result in violence and conflicts in case the promises are not met.

Revenues from the short term production of oil will not start to flow in the next few years. Even when it does, it will not have any immediate significant impact on the economy as it will take a while for most Ghanaians to feel the real impact of the oil revenue in their lives. According to an official at the GNPC, revenue will be invested in the productive sectors of the economy. Furthermore,

government is putting in place measures to link the oil to ancillary industries such as fertilizer which will enhance agricultural production.

#### **7.4 Implementation of development projects in communities**

About five oil companies operate the Jubilee field. However, my thesis chose to focus on the activities of Tullow oil, mainly because it is the lead company in the Jubilee project, with 36.5% in share holdings. Also, deducing from responses I got on the field, Tullow Oil has gained much popularity in all three communities. Tullow Oil PLC is a leading oil and gas exploration company in Europe. It is headquartered in London, United Kingdom. It has interests in about 85 licenses across 23 countries worldwide. In 2010, its total estimates for production of oil barrels per day was 58,100. Its main focus area is Africa, where it discovered the Ugandan fields and recently the Jubilee fields in Ghana<sup>55</sup>. It is the lead operator of the Jubilee field.

At a forum which was meant to educate people on the operations of the company in Wa in the Upper West Region of Ghana, the Director of Corporate Affairs Dr. Anthony Aubynn, mentioned the 80/20 policy of the company as part of its CSR strategy. Explaining further, he said 80% of the company's funds for community development will be devoted to education alone, with the remaining 20% going to health and other sectors (Ghana Oil Watch, 18<sup>th</sup> May, 2011).

#### **7.5 The Policy, Legal and Regulatory Framework**

The policy, legal and regulatory frameworks within which natural resources are managed are key determinants of whether the resource will benefit the people or

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55 Tullow at a glance, <http://www.tulloil.com/index.asp?pageid=39> accessed 07.10.2011

not. The policies governing an oil and gas regime coherently present the vision of the state in terms of how oil can contribute to economic growth, and also the policy must give an in-depth explanation of how to make the laws enforceable (Manteaw 2010:7). This aspect of governance has not been receiving much attention from government circles in Ghana. Attempts at instituting a legal and regulatory framework began even before the 2007 discovery of oil. There are laws but are too archaic to be applied to companies today. Thus soon after the jubilee discovery, government began laying down plans for up-to-date laws and regulatory frameworks. For instance, the oversight technical committee, which was the leader of the process, was based at the presidency.



## **8. IMPACT OF OIL PRODUCTION ON LIVELIHOODS**

### **8.1 Introduction**

This chapter analyzes the impact of oil on the livelihoods of the three local communities. Before this however, I will briefly touch on one area which I found interesting during my field work: the issue of ownership of oil and gas resources.

#### ***Who owns Ghana's oil?***

One important factor which lies at the very core of natural resource governance is the issue of ownership and identity. This is a controversial area which is generating a lot of debate in Ghana in the wake of the oil find. There have been debates about who the first owners of the oil is – does allegiance lie first with the government of Ghana or with the local people within whose communities oil has been discovered? It is important to clear the air about such issues in order to prevent conflicts and also in order to preserve the culture of the local people.

According to Article 257(6) of the 1992 Fourth Republican Constitution of Ghana, all natural resources located within the geographical boundaries, whether on or under land; or in the sea, shall be vested in the state, and held in trust by the President for the people of Ghana (Edjekumhene et al., 2010). As a result, no one person, community or region, can claim to be the exclusive owner of the oil in the Jubilee field. Article 20 of the Constitution also gives power to the government of the day to obligatorily get hold of any piece of land considered to be in the public interest; granted that prompt, fair and adequate compensation is paid to people dislocated as a result (ibid). The implication of this is that had the discovery been made onshore, the government could take custody of the land, provided that it pays ‘prompt, adequate and fair compensation’ to the local people who would be

dislocated. A critical point worth noting is that since government is holding the oil resources on behalf of the people, decisions and agreements in relation to its management must be done in close consultation with the people. If this is the case, then certainly all revenue accrued from the oil should be used in a way as to bring benefits to all the people of Ghana.

In my interactions with most residents of the local communities, an interesting observation I made was that opinions on this differed on individual levels as opposed to group levels. For example in an interview in Cape Three Points, a fisherman revealed:

*On a legal note, oil belongs to the whole Ghana. But on a moral note, it belongs first to the people living in the six communities surrounding the Jubilee field. I say this because in case of any immediate disaster, say a spillage, it will affect us the people living in the coastal communities more than any other community in Ghana. Our crops will be destroyed, our water and even the air we breathe. So it is only fair that we are regarded as the first owners.*

Another net mender in Shama said:

*The oil belongs to us. It has become our birthright; no one, not even the government, can take that right from us. If the government wants to develop the fields, there must be a certain amount of money paid to us as a result. This is different from compensations in case of loss of livelihoods*

However, I spoke to a group of fishermen in Cape Three Points and this is what most of them seemed to concur with:

*The oil that has been found belongs to the whole of Ghana. The government is the sole custodian and not even us, the people around this area, can claim it. The sea is a natural gift from God, it is only a privilege that it is closer to us than other Ghanaians. This does not give us any special rights than them. We are law-abiding and one people, oil will not divide us.*

From the responses received, it can be argued that most people are well educated on their rights with regards to the industry. The question of ownership problem which has turned Nigeria's oil-rich Niger Delta into a conflict zone today. Dating back to the 1960s, the conflict for control of the oil wealth has been the bane of Nigeria's oil industry.

## **8.2 Oil, Livelihoods and other Social Issues**

Over the years, it has become common to see the adverse effects that oil has brought to the lives of local people. Nigeria's Delta region which is home to the country's oil production activities is one of the most impoverished in the country. Also, after the Exxon Valdez spill off Alaska's coast after more than twenty years, the local fishing industry has never fully recovered (Badgley 2011). These constitute a few of the problems that oil-producing communities face. According to Edjekumhene et al. (2010:25), the term 'social issues' is used to describe the series of impacts (positive and negative) a project may have on its social environment and vice versa. Social environment is made up of the local people (together with their norms, values, belief systems and the way in which they live and interact with one another); their communities, their environment and their economy (ibid). There are a number of opportunities as well as challenges that oil and gas pose to the frontier communities in particular, and Ghana in general. Some of these issues I will discuss in the following paragraphs. They include: impact on fishing as a source of livelihood, socio-cultural impacts, land-use conflicts, environmental impacts and environmental impacts.

### **8.2.1 Impacts on fishing**

Fishing is an important source of income for many coastal communities in Ghana. In the Western Region, the story is no different. The Western Region is

historically one of the deprived and underdeveloped out of the ten regions in Ghana, and its coasts are the closest to the jubilee field.<sup>56</sup> A resident of Cape Three Points expressed his fear for the fishing industry:

*(...) the fact that we have struck oil is good news. But to some of us, we think twice before jubilating. We the fishermen living around the jubilee field, what happens to our occupation? The government has placed a ban on us to stay away from the oil rig (where we ironically get the most catch). How do we survive?*

The narrative cited above says it all- exploration and production of oil and gas pose a great challenge as well as induce major changes within the coastal communities.

**Table 7: Summary: Impacts of Ghana’s oil and gas industry**

<b>ISSUE</b>	<b>RESOURCES AND RECEPTORS</b>	<b>RESIDUAL IMPACT</b>
Operational Discharges	Water quality	Minor
(routine, drill fluid and cuttings and non-routine)	Seabed habitats	Minor
	Marine organisms	Minor
Air Emissions (of atmospheric pollutants and Greenhouse gases)	Local air quality	Minor
	Green House Gases (Regional)	Minor
Waste Management	Water quality, soil quality and	Minor

<sup>56</sup> “Ghana’s Big Test; Oil’s Challenge to Democratic Development”, 2009 Oxfam America/ISODEC p.51

(storage, transport and disposal)	human health from storage	
	Water quality, soil quality and human health from poor disposal facilities	Moderate
Impacts from Oil Spills	Water quality from small diesel spills from bunkering	Minor
	Water quality, coastal resources and economic activities from medium and large crude oil spill	Moderate
Socioeconomic and	Revenues to the Government of Ghana	Moderate Positive
Human Impacts(Macroeconomics, employment, training, procurement of goods and services, interference with other activities)	Employees and local businesses	Minor Positive
	Draw down of resources and interference of onshore economic activities	Not significant
	Fishing activities	Minor
	Commercial shopping and vessel passage	Not significant
	Disturbance effects on communities and use of public utilities	Not significant
Cumulative Impacts	Water Quality, air quality, habitats, species and human	Not significant

	receptors	
Trans-boundary Impacts	Water quality, air quality, habitats, species and human receptors	Not significant

*Source: Tullow Ghana Limited, 2009<sup>57</sup>*

In almost all the interviews I conducted in the local communities, the people mentioned at least two of these factors above. For example, in an interview with a group of fisherman in Shama, the fisherman proclaimed:

“The biggest threat of this oil and gas industry is in the loss of our livelihoods”. As a local saying goes, “A man is a man until he gets unemployed.” Of all the threats, loss of livelihood was the biggest threat in all the communities I visited. I asked some of my respondents what they think can be done to remedy the situation. ‘Compensation’, one responded. I went ahead to ask one by one what the views on compensation were. Though they all seemed to agree that it was necessary, they said that was only a short term measure. Nana Kwasi, the chief fisherman in Shama told me how he would not accept any form of monetary compensation.

*Nothing the government or the oil companies do can adequately compensate for my job. Although I was not earning as much as I would if I were doing a white collar job, it was enough for me. It is not just about the money, but you see, we have a cultural attachment to the sea. It has become like an eternal routine to wake up and go fishing.*

What I gathered from this was, not only did oil activities pose an economic threat to the people, but it had the potential of interfere in the culture of the people, something they find negative. Some of the fisher folk I interviewed were of the

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<sup>57</sup> Table taken from Edjekumhene et al. (2010: 26)

view that the part of the sea where they normally fish is their God-given property, and so they see it as encroachment on the part of oil companies and government to carry out exploration activities. One of my informants asserted – “In this place, before we go out fishing, we first perform some rituals to thank the gods for the gift of the sea, and to ask for their protection throughout the day’s routine; clearly the oil companies did not have the time to do all these. We do not want to incur the wrath of the gods!”



***Figure 4: A section of fishmongers displaying their fish at the Dixcove shore.***



***Figure 5: Researcher in a group photograph with fishermen at Cape Three Points.***

### **8.2.2 Socio-cultural impacts:**

Simply put, culture is the way of life of a people. With the oil find, socio-cultural changes in the local communities are inevitable. Oil exploration can affect the very moral fabric of societies. Social vices such as prostitution (which is prevalent in mining communities), crime and theft are some of the negative impacts. There is a rising case of high increment in rents and high costs of housing in the communities near the oil find. With oil comes a lot of expatriate workers who local people usually perceive as rich. With the loss of their livelihoods, some women are forced into prostitution. The supposedly ‘rich’ working class of expatriates easily pays huge sums of money for the services of prostitutes. According to a female interviewee at Shama:



*Prostitution is becoming an economic option now. I have this friend who used to rent out generators to farmers to use in light fishing. When the government banned light fishing, she lost her job because they seized all generators. Not long after that, there were rumours that she had turned to an ashawo<sup>58</sup>, with which she was earning much higher. I did not believe this, until I saw her with an expatriate man I believe was her client. I asked her later and she confirmed it, explaining that she had to do it in order to survive.*

There are reported cases of foreigners travelling from Cote d'Ivoire to do prostitution in Takoradi as well. Many prostitutes engage in unsafe and indiscriminate sexual practices which leads to increased cases of HIV AIDS and other sexually transmitted diseases. These areas experience high incidences of teenage birth, with its attendant problem of street children. As the incident of streetism increases, it puts undue stress on the already underprivileged communities.

Another social vice that is associated with the current oil exploration is *sakawa*<sup>59</sup>. Most expatriates have already fallen victim to this and to confidence tricksters who use dubious means to extort huge sums of money from unsuspecting victims.

Furthermore, high cost of living would most likely rise higher. Takoradi has always been one of Ghana's most expensive cities (Interview), but the oil find, this assertion has become even truer. There have been reported cases of eviction of tenants who cannot pay rents which have increased tremendously. For example, a four bedroom house which previously cost about 200 cedis (\$125) per month two or three years ago now costs about GHC700 (\$474) (Interview 2010).

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58 'Ashawo' means Prostitute

59 *Sakawa* is slang for cyber crime. Confidence tricksters use dubious means to entice and deceive unsuspecting internet friends (mostly based abroad) into promises of business and investment opportunities and partnerships which would be of mutual benefit to both partners.

Due to the oil find and auxiliary industries created as a result, it has become very lucrative both for private individuals and real estate companies to build in the Sekondi-Takoradi metropolis. According to an agency of a real estate company I interviewed (name withheld), this surge in housing is not necessarily to feed the oil and gas sectors alone, but also workers in related industries such as banking and NGOs. Also, private property owners are turning residential facilities into offices to rent out to companies.

### **8.2.3 Environmental Impacts**

It is a well-known fact that large scale exploration of oil and gas has always had significant effects on the environment and landscape of the producing region. Oil and gas production has a negative impact on the environment, for example by causing oil leakages and spills, gas flaring and deforestation (Darkwah 2010). Watts (cited in Darkwah 2010: 9) refers to these negative impacts as engendering ecological violence. When gas is flared into the atmosphere without controlling on the temperature levels, there could be the release of dangerously unhealthy carbon dioxide, which is not good for human breathing. For example in the Niger Delta, studies carried out in the Ogoni area shows that carbon dioxide levels in the streams show between 360 and 680 times more than the acceptable limit by European standards (Watts cited in Darkwah 2010:9). Also, according to UNCTAD Report of 2007, between 2000 and 2004 alone, a number of 5,400 cases of oil spillages were officially recorded (ibid).

Oil spillages and leakages also affect the survival of species, as many of them are killed by the release of dangerous gases into water bodies (water pollution). The BP Oil spill off the Coast of Mexico which occurred in April 2010 was an offshore find but it caused extensive damage to the local fishing industry.

The environmental impacts on the livelihoods of nearby communities are probably one of the greatest challenges to the local communities. In the case of

Ghana, some have speculated that since the oil find is offshore, the impact of spillages will not be as much as if it was an onshore find, like in the Delta region of Nigeria (Interview 2010). But my own point of departure is that even in such a case, precautionary measures must be taken by the EPA. Some local fisherman and fishmongers I spoke to were quick to point out that oil spillage is one of their greatest fears. In a group interview with fishermen at Shama, they explained:

*In the event of spillage, we fear all our farms and fishes will be gone. Then we will be left jobless, powerless and even poorer than we are now.*

In a similar interview with a chief Fisherman at Cape Three Points, he recounted:

*The fishing community here was established several generations ago by our great ancestors. Our main occupation here is fishing. The whole village depends on it, even those who may not be directly involved. With the coming of oil, one major challenge is the fear of an oil spill. We have heard of oil spills in so many countries, bigger and more technologically advanced countries. When the spill happened in the USA recently, they had measures in place to cater for fishermen and their families while actions were being taken to solve the problem. At least, a certain amount of money would have been set aside for compensation. Even with all the technology, we are seeing how hard the fishermen have been hit. Some of the fishermen there are still fighting over compensation from BP Oil.*

*Here in Ghana, in the event of a major spill, what do we the fishermen do? Our livelihoods will collapse and there are no alternative livelihood strategies by the government for us also. Who will speak for us?*

*When we meet government officials and people from the oil companies and complain to them, they speak a lot and explain things to us. But after all the talk, no concrete action is taken. The practical aspect is missing. They just explain the things to us in general terms. But when the spill comes, we will be the ones to feel the impacts first before the whole of Ghana. I do not think it is too much to ask of the government, to set up a plan for us, even if ad hoc, which will cater for us in times of emergencies like spills. Until we see any concrete laws and plans in place, we are just here, so powerful because oil has been discovered here, but yet so powerless.*

## 8.2.4 Land-use disputes

Land is an important resource in rural development administration; hence how it is allocated is of much importance (Ray and Reddy 2003:258). The oil and gas industry is highly infrastructural. Thus, it comes with a lot of development projects like building gas processing plants, developing roads etc. In the Western region as in most parts of Ghana, the system of land ownership is communal in nature – land belongs to the whole community and is kept in trust by the Chief. Recent reports from parts of the Western region indicate that the value of land has appreciated by about 100%. Individuals, private developers as well as foreign companies are all striving to get access to land in the region. With the coming of oil for instance, the land ownership system may change, as more individuals and companies acquire land. For example, in Bonyere (a fishing and farming community located near the Jubilee field), the government, financed by the World Bank, has acquired huge hectares of land to build a gas plant. Although the people had supported this idea from the start as it will contribute to developing their town, there are questions about it now. The reason is that it will deprive the future of generations yet unborn the opportunity to farm and fish freely. The government has talked over the issue of compensation with land owners in the communities. Yet, according to one respondent who is a fisherman:

*It will be doing a lot of harm to our children and the generation which comes after them ... where will they farm and fish? Even the oil companies, if there is no land, where will they build schools or construct borne-hole pipes?*

Even though it seems that compensation for affected land owners have been agreed, the local leaders insist the major issue is for the government to give some portions of the land for future development. Companies also undertake development projects, roads and others which distract farming, or destroy

farmlands altogether. The implication of this on the lives of local people is a loss of their farmlands and hence, entire livelihoods.<sup>60</sup>

### **8.2.5 Sea-use clashes**

There have been instances where local fishermen have collided with state security agencies while fishing. During my interview in the local communities, some of the locals complained bitterly about this. One respondent I spoke to alleged that a colleague who was fishing close to the rig area had his canoe seized by officers from the Ghana Navy, and was beaten up mercilessly. This, according to the informant's account is due to the fact that the Ghana Navy has warned fishermen not to fish close to the rig area, as it impedes the work of oil workers working on the rig, especially those in the deep waters. In his own words, this respondent recounted a personal experience where his net got caught up around the rig, and got torn as a result. He explained:

*The only occupation we do here is fishing – once we spread our nets and get on the high seas, we could travel miles and miles away on the sea. Sometimes we go as far as Ivory Coast, where ever the tide takes us we go. You know fish is attracted by light at night, and on the rig they have lights. Therefore, in order to get our catches, we go to that area. Now, we hear there is a ban from the government preventing us to fish some kilometers away from the rig. How then do we get our catch? The oil and gas industry is giving employment to many people, why do we have to lose ours? This has been our trouble with the Army (Navy) people*

I gathered from this respondent that is posing a threat to their livelihood, as their catches are dwindling by the day. This has created some misunderstanding between these two groups of people. I asked about whether they had been

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<sup>60</sup> Revenue Watch Institute (June 22, 2011) "Give us land for our future generation". <http://www.reportingoilandgas.org/2011/06/22/give-us-land-for-our-future-generation/>

Accessed 20.04.2011.

informed earlier about the ban before the encounter by some fishermen with the Navy. This was the response from another respondent:

*You see, that is the most painful aspect. We were not informed; at least I can speak for myself. During one of our community meetings with Tullow Oil, we raised the issue and it was then that we were officially informed about the ban. It came as a shocker, we did not know.*

## **9. CONCLUSION**

This chapter contains a summary of my thesis. This purpose of this study has been to contribute to scholarly debate on the expectations of local people in oil-producing communities, and how these expectations can be managed. I focused on expectations of three communities adjoining Ghana's jubilee oil field, namely Cape Three Points, Dixcove and Shama. In order to achieve this purpose, I attempted to answer the following research questions:

1. What are the expectations of local people or communities regarding Ghana's oil discovery?
2. Are these expectations likely to be realized?

In order to find answers to these research questions, I applied the qualitative research methodology of data collection. Methods used included primary data such as interviews, observations and group discussions; and secondary material in the form of text and document analysis of relevant literature.

### **9.1 Linking perceptions, expectations and the good life**

The study found that there is a link between local people's perception of the oil industry, and expectations of what the industry could offer them. Among all the stakeholders in the oil industry, foreign oil companies are the closest to the people. This is because it is on their territories that they undertake their operations. Local people also serve as recipients of corporate social responsibilities of organizations. A peaceful relationship between these two actors is hence, is necessary for local communities to enjoy the maximum benefits from the oil.

Evidence gathered from my fieldwork suggests that two out of the three communities visited (Cape Three Points and Dixcove) have negative perceptions of what oil can offer them. First of all, they explain that with the ban on fishing close to the rig, oil production has started impacting negatively on their livelihoods. Some also base their responses on the experience of the local communities in Nigeria's Delta region. For others, they have seen at firsthand how local communities have been ignored in mining communities in Ghana, and fear being in the same situation soon. For such people, they do not really have any expectations of the oil industry because in the first place, they do not have any confidence in the oil companies to fulfill their social responsibility towards them.

In the third community, Shama, however, the respondents were positive that oil companies will fulfill their CSR responsibilities to them, because Tullow Oil had started building science laboratories and building bore holes which provide pipe-borne water to other coastal communities. Again, Tullow Oil appeared very popular in Shama because a local NGO, Friends of the Nation, which is located near Shama, links activities of oil companies to the local people of Shama first, due to proximity.

The above notwithstanding, data gathered from the study suggested that across all three communities, people mentioned almost the same expectations from the oil and gas industry. These are: creation of employment, provision of educational structures and scholarship schemes, infrastructural development, training of youth in acquisition of skills and institution of micro credit schemes are paramount on the list of expectations.



## **9.2 Managing Expectations**

Considering the fact that oil revenues do not necessarily translate into economic growth and enhanced livelihoods in the short to medium term, there is the need for educating local people on this fact and for the country to have a means of containing the upsurge of expectations. There are a number of ways in which expectations can be managed.

Though the oil find holds some promise for the country's economic problems, it is not a one-touch solution to solving all of its problems. From my study, I observed that the media (print) gave a lot of attention and writing space to oil and gas issues. Repeated inflammatory statements carried out by the media has the potential of causing expectations of local people to rise above the normal level. Thus, it could result in upheavals and conflicts when their expectations are not met. A group of people I spoke to alleged that there were rumours that chiefs were taking huge sums of monies in return for their lands. The youth in the communities spoke against this and threatened to bring the culprits to book.

## **9.3 How does oil impact on the livelihoods of local people?**

Oil impacts both positively and negatively on host communities. Whiles there are promises of jobs, government revenue, and opening up of new areas of investment which brings in foreign exchange, oil also impacts negatively on the livelihoods of host communities.

From my empirical data, there are four ways in which oil impacts on the livelihoods of local people. These are impact on fishing, environmental impacts, socio-cultural impacts, sea-use clashes and land-use clashes.

Most people living in the three coastal communities make their livelihoods largely through fishing. Already, many fishermen interviewed described how the

ban placed on light fishing by the Ghana Navy has resulted in depleting catches of fish, as they are not allowed to fish close to the rig, where there is more fish. Before the oil find however, one fisherman explained that he was earning about a double of what he is earning now.

Continued confrontation between the Ghana Navy and local fishermen who fish close to the rig has resulted in the seizure of their generators, and destruction of fishing nets. This has incurred additional costs to fishermen who have to pay to have their nets sewed, or buy new nets altogether. Others complained that they buy premix fuel at high prices, only to go to sea and bring home little or no fish. The economic effect of this could be felt as I noticed a number of children have dropped out of school. The biggest threat on the communities which they fear is the fear of a major oil spill. Their contention is that, the government should institute a fund set aside for emergencies, and also to help fishermen who are affected by oil spills.

The loss of lands is another challenge of the new oil industry, as communal lands are being sold to oil companies and other investors, without consultation with the people.

#### **9.4 Re-assessing Ghana and the resource curse**

As said elsewhere in this thesis, whether or not a natural resource will bring benefit the local people or the citizens of a country depend on the ability of the country to manage the resource efficiently and effectively.

##### **What can oil learn from the extractive sector?**

Extractive industries dates as far back as Ghana's colonialism, and has been one of the country's main sources of income. However on some occasions there have been a lot of criticism leveled against foreign mining companies by host

communities on the destructive nature they treat the environment. Also, the many legal and policy loopholes in mining contracts and regulations have been exploited by the foreign companies and personnel, to the detriment of the people of Ghana.

Foreign players have been known to exploit legal loopholes and violate both human rights and environmental regulations. At the same time, Ghana's take of the revenue generated from mineral extraction is by many estimated to be far too low. It is feared that these problems will be passed on to the oil and gas sector.

Many of the problems in Ghana's extractive sector can be ascribed to the difficulty of civil society and ordinary citizens to properly access information about activities, regulation and revenue flows within the sector. Without proper information, they struggle to hold policy makers, state institutions and companies accountable for their actions.<sup>61</sup>

As Ghana has become an oil producing country the need to promote transparency and accountability in the extractive sector has become even more urgent. With the country's signatory to the global EITI process, things look set for a transparent and more democratic sector.

From my interactions and interviews in the communities, there need to be a lot of education on the real prospects that oil and gas can offer to the people. Many of my local respondents seem to think that with the oil, their lives will be transformed totally, that monies will be given to them by companies to build

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[http://www.ibiswestafrica.com/index.php?option=com\\_content&view=article&id=20&Itemid=76&lang=en](http://www.ibiswestafrica.com/index.php?option=com_content&view=article&id=20&Itemid=76&lang=en). Accessed 13.09.2011

houses, and that new businesses will be set up for them. Education has the potential of preventing the resource curse; when people are educated about the real benefits which abound to them from the oil, their high expectations to brought down to normal, realistic levels. Thus any future community agitations and violence regarding the unfulfilment of the perceived positive impacts of the oil is curtailed.

## **9.5 Future Prospects for research**

This study was an assessment of the expectations of local people in Ghana's oil discovery, as well as how to meet the expectations. In the course of my readings and fieldwork for this study, I stumbled upon some themes and areas where I think further research will be worthwhile.

First, I noticed that not a lot of work has been done on the role of civil society organizations in Ghana's oil discovery. CSOs are emerging as one of the potent stakeholders in Ghana's oil industry. Their contribution to the discourse on oil and governance cannot be ignored hence I call for further research in this area.

Another potential area which will make for interesting research is the role that social-cultural patterns like taboos play in the regulation of the oil industry. In Ghana, many communities have different values by which they are governed. In my research, I noticed that even within the three communities I visited, there were varying degrees of laws and taboos, exploring how this works therefore will be interesting.

Many researches done so far on Ghana's oil have tended to argue from a layman's point of view, in terms of the treatment of local people in host

communities. It will be interesting to see how human rights lawyers advocate for the protection of the rights of oil communities in Ghana.

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## APPENDIX

### *Appendix 1.*

#### *Ghanaian regimes since independence*

Regime	Leader	Dates	Description
Convention People's Party (CPP)	Nkrumah	1951-1966	Ghana achieved full independence in 1957 and republican status in 1960. Regime overthrown in coup d'état
National Liberation Regime (NLM)	Ankrah	1966- 1969	Coup d'état regime. Supervised elections in 1969 and handed over to constitutional government
Progress Party (PP)	Busia	1969-1972	Second Republic. Overthrown in coup d'état
National Redemption Council (NRC)	Acheampong	1972-1975	Military Regime. Composition of executive and name of ruling council changed 2 times after internal power struggles.
Supreme Military Council (SMC)	Acheampong, Akuffo	1975-1978 1978-19679	Overthrown in a military uprising of young officers and other ranks
Armed Forces Revolutionary Council (AFRC)	Rawlings	June to September 1979	Supervised elections and handed over to a constitutional government

People's National Party Regime (PNP)	Limann	1979-1981	Third Republic. Overthrown in coup d'état
Provisional National Defense Council (PNDC)	Rawlings	1982-1992	Coup d'état regime. Called elections and succeeded itself
National Democratic Congress (NDC)	Rawlings	1993-2000	Fourth Republic Democratic Regime
New Patriotic Party (NPP)	Kufuor	2001-2008	Fourth Republic Democratic Regime
National Democratic Congress (NDC)	Atta-Mills	2008 to date	Fourth Republic Democratic regime succeeded the NPP. Won presidential and parliamentary elections

*Source: Modified from Tsikata and Seini 2004.*

## **Appendix 2. INTERVIEW GUIDE FOR KEY INFORMANTS**

### **Preamble**

I am a student from the University of Oslo, conducting my thesis on the topic? 'Aimed at investigating how Ghana's oil and gas resources can be governed for effective development. Through question and answer (interview) format, I am here to discuss your expectations and fears of the oil and gas industry in Ghana, issues pertaining to governance of these resources, as well as opportunities and challenges. This research is for academic purpose, hence all responses will be kept with the strictest confidentiality it deserves. Thank you for your time!

### ***Government /Oil company officials***

- What are your views on the recent oil discovery in the country?
- The industry is in early stages yet. Do you have any concerns about the emerging industry? What are some of your expectations and fears of the industry?
- Can you give a brief history of the oil and gas industry in Ghana?
- What is your outfit's role in the oil and gas industry?
- How is the relationship like between the government regulators and agencies with foreign oil companies?
- How do you see the country's readiness for the industry?
- Is there any legal regime on the petroleum industry on Ghana? Do you have any laws and regulations in place to regulate the industry?
- How effective are these laws?
- What is the relationship between the oil industry and local communities in the jubilee field?
- In your opinion, what are some of the governance issues which are pertinent to the industry?
- Does the government have conflict-resolution mechanisms in place for the industry, both at the national and district levels?
- 

### **Oil and local livelihoods (Fishermen and Fish related livelihoods)**

- What do you do for a living?
- What is your educational level?
- Have you heard about the discovery of oil in this area?
- What are your opinions, expectations, and fears of the industry?
- How do you see the relationship between your community and the oil companies?
- What do you think will be the impact of the industry on your livelihood and on your community?

- What challenges and prospects do you envisage that the oil and gas industry will bring to your community?
- In your opinion, how can the challenges be curtailed?

**Civil Society Organizations/NGOs**

*(FON ISODEC WANEP KAIPTC CEPIL GHANA ENERGY CONSORTIUM)*

- What is the mission statement of your organization?
- To what extent is your org involved in the oil and gas industry?
- What is your role in the oil industry?
- Do you organize seminars to educate the local people about the oil industry?
- If yes, what forms do these take?
- How would you assess the participation of other civil society organizations in the industry?

**Media**

- What role does the media play in the oil and gas industry?
- How would you assess the flow of information between governmental and private oil companies on one hand, and the media on the other hand?
- Are there any challenges in acquiring information about oil and gas industry?

**Appendix 3- INTERVIEW OVERVIEW OF KEY INFORMANTS**

<b>Informant</b>	<b>Title/ Affiliation</b>	<b>Location</b>	<b>Date and Time Interviewed</b>
Mr. Appal zi	Senior Geologist, GNPC	Tema	03.08.2010@ 3:44pm

Mr. Tetteh	Geologist, GNPC	Tema	03.08.2010 @ 3:44pm
Mr. Edward Appiah - Brako	Principal Human Resource and Administrative Officer, GNPC	Tema	03.08.2010, @ 4:54pm
Mr. Kwame Jantuah	Chief Executive Officer, African Energy Consortium Limited; Vice Chairman, Civil Society Platform for Oil and Gas	Accra	
Dr. Kwesi Aning	Head, Conflict Prevention, Management and Resolution Department (CPMRD) Kofi Annan International Peacekeeping Training Centre (KAIPTC)	Accra	07.07.2010, @7:33am
Mr. Emmanuel Sowatey	National Peace Council	Accra	05.08.2010, @ 1:03pm
Gilbert Sam	Programmes Coordinator, Friends of the Nation	Sekondi - Takoradi	20.07.2010, @ 4:58pm
Kodjo Efunam	Senior Geologist, EPA	Accra	07.07.2010, @12:4 4pm
Dr. Steve Manteaw	Campaigns Manager, ISODEC/ Member, Ghana EITI Steering Committee	Accra	
Hon. Moses Asaga, MP	Member of Parliament/ Chairman, Parliamentary Select Committee on Mines and Energy	Accra	09.07.2010, @12:3 8pm



Mr. Tsatsu Tsikata	Former GNPC Chairman	Accra	
Hon. Inusah Fuseini, MP	Deputy Minister of Energy	Accra	03.08.2010, @ 3:37pm
Dr. Issah	Director, Ministry of Environment, Science and Technology	Accra	06.07.2010 @ 4:24pm
Dr. Vladimir Antwi-Danso	Senior Research Fellow, Legon Centre for International Affairs and Diplomacy (LECIAD)	Accra	12.07.2010, @ 10:07am
Dr. Dominic Ayine	Legal Expert, Natural Resource Law/ Executive Director, Centre for Public Interest Law (CEPIL)	Accra	06.08.2010
Mr. Emmanuel Bombande	Executive Director, West African Network for Peace (WANEP)	Accra	09.07.2010
Mr. Ben Ephson	Editor, the Daily Dispatch Newspaper	Accra	
Mr. Samuel Ablordeppey	Journalist, Daily Graphic	Accra	03.08.2010
Mr. Emmanuel Kwablah	Journalist, Business and Financial Times	Accra	05.08.2010, @ 1:05 pm

Nana Kobina Nketsia V	Paramount Chief, Essikado Traditional Area	Essikado	16.07.2010, @ 3:25pm
Nana Kweku Bena II	Paramount Chief, Shama Traditional Area	Shama	15.07.2010, @ 4:07pm
Nana Kwasi Mensah	Chief Fisherman and Chairman, Canoe Fishermen Council	Shama	15.07.2010, @ 3.22pm
Awulae Annor Adjaye	Omanhene[1] of the Western Nzema State	Beyin	
Nana Acheampong	Chief Fisherman	Dixcove	22.07.2010
Maame Mansah	Representative, Women Fishmongers Association	Dixcove	22.07.2010 @ 1:37pm
Richard	Former District Assembly Representative/ Fisherman	Cape Three Points	22.07.2010
Nana Asante Bediatuo	Constitutional Lawyer	Accra	30.07.2011

#### ***Appendix 4- Forums and Meeting Attended***

- ***Participant*** , “Oil and Water: A short documentary on the impact of oil exploration of the fishing community in Effasu, Western Region Ghana” at Alisa Hotel. **28<sup>th</sup> June 2010** - organized by Joy FM, Accra.

- ***Participant*** at a durbar in Nawule on conflict resolution between local people and foreign Limestone company. 15.07.2010
  
- ***Observer, Meeting of*** The Civil Society Platform on Oil and Gas, organized by ISODEC. Meeting discussed the contributions from various CSOs and their suggestions which will be presented to the Draft Oil and Gas Bill Committee, Parliament. 23.06.2010
  
- ***Observer, Public forum between FON*** and fishermen and canoe owners association of Shama, about the dos and don'ts of the oil industry.27.06.2010