Risks and Impacts of Oil Exploration and Production on Local Communities in the Western Region of Ghana

By

Matilda Owusu-Ansah

A Thesis Submitted to
Saint Mary's University, Halifax, Nova Scotia
in Partial Fulfillment of the Requirements for
the Degree of Masters of Arts in
International Development Studies

August 2012, Halifax, Nova Scotia

Approved: _____
Dr. Henry Veltmeyer,
Supervisor

Approved: _____
Dr. Anthony O'Malley
Reader

Approved: _____
Dr. Edgar Zayago Lau
External

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Abstract

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By Matilda Owusu-Ansah

The oil and gas Industry has become engine to jumpstart the economic growth process in a number of developing countries. Therefore, the importance of the oil and petroleum industry to Ghana's social and economic development cannot be over emphasized. The neglect and under-development of communities where oil exploitation takes place is the result of conflicts and tensions stemming from host communities towards government and multinational oil companies. This thesis utilizes case study on the impacts of oil exploitation as well as its benefits to the local communities in Ghana to determine whether oil and gas development is a strategy for sustainable development. Field research was conducted to find out from local people how they perceive the impact of oil exploitation on their lives. The study found that oil exploitation has a dramatic impact on the socioeconomic fortunes of local communities and also on the livelihoods of people in these communities.

July 27, 2012

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Chapter One:
Introduction

The global dynamics of oil and gas exploitation and production have become a highly contested theme. Oil is not just viewed as a vital natural resource for powering and fuelling a modern industrial economy, but an engine to jumpstart the economic growth process in a number of developing countries such as Ghana. As a result, non-oil rich countries are forced to foster and maintain strong relations with oil rich countries in order to have access to their oil resource. For instance, China has the second largest and fastest growing economy in the world. But despite the fact that oil is crucial to its growing economy; the country does not produce oil. It therefore depends on other countries that produce oil to meet its high demand for oil and fuel. Some oil producing countries like the United States still depend on other oil producing countries to meet their oil needs because of depleting oil reserves. In so doing, their high need for oil and other raw materials for the sustenance of their economies are met. Research shows that some oil-rich countries have been able to manage their natural resources to help improve their economic outlook while others prove the contrary.

In many developing countries that have oil reserves, there are numerous oil-related problems ranging from spillage, lack of regulatory framework, neglect of other sectors to conflict and strive. Botswana is one country that is considered a success story regarding oil revenue management in developing countries. However, countries such as Angola, Nigeria, Equatorial Guinea and other oil rich states of the

global South have shown widescale failure and struggles. Most of these failures are measured in line with the fact that though these countries are resource rich they wallow in poverty. Their natural resource wealth does not reflect in the quality of life of their people.

This situation is attributed to the phenomenon of a resource curse and the Dutch disease emanating from rent-seeking and natural resource over-dependence (Acosta, 2009; Norman, 2009; Sachs and Warner, 2001). However, the solution to these problems at least, according to most authors and researchers in the area lies to a larger extent in proper governance, a regulatory regime in which appropriate institutional guidelines are put in place to better manage oil revenues. In constructing a better system of natural resource governance, accountability and transparency in oil operations and contracts in order to manage spending is important (Weinthal & Luong 2006; Mahon, 2005; van der Ploeg, 2007 and Brahmbatt & Canuto, 2010).

Other scholars argue that the problem of converting abundant natural resources into a successful economic growth strategy has nothing to do with a supposed resource curse but with regulating foreign investment and the operations of global capital in the oil and gas sector. Also, the ability of host government in striking a better deal with the oil companies and capitalist enterprises that dominate global production: the 'new extractivism' (Bebbington, 2009; Burdick et. al. 2009; Grugel & Riggirozzi 2009; Levitsky & Roberts 2011; Silva 2009). Irrespective of the controversies surrounding oil and gas exploitation and production, new oil finds are being discovered in developing countries on a fairly regular basis, one of the latest in recent times being Ghana.

Ghana, a developing country in Sub-Saharan Africa discovered and started oil exploitation in 2007. This, in no doubt raised the expectation of both government and

the people of Ghana because oil always connotes money, and more money is a means out of poverty and the way forward in development. As a recent arrival in the oil industry, Ghana is presented with many lessons to draw on from existing oil-producing countries in the sub region and beyond. Research and debates have been raised to establish whether the oil-find in Ghana is or will be a blessing or a bane. It is this problem that has propelled the study into the impacts of oil exploitation and production on local communities in the Western Region of Ghana. Oil and gas production is an immense source of wealth that helps a country's economic and social development. However, it has been argued and proven that an entire country does not benefit from oil boom (Stanley, 1990; Ikein, 1988). These authors are of the view that scant attention has been given to the socioeconomic impact of oil extraction in host communities leaving them to lag behind in development. This is the current situation faced by some oil rich countries of the developing world, which has resulted in constant conflict and violence wars.

Furthermore, environmental regulation and corporate social responsibility of the oil and gas sector in developing countries is weak. At the time of signing contracts between oil corporations and oil producing countries there is little regard for the welfare of those areas where oil drilling activities will take place. A 1983 report from the United Nations Centre on Transnational Corporations (UNCTC) suggests that "Environmental protection was ignored under the traditional concession agreements and it continues to receive scant attention" (UNCTC, 1983:81). Similarly, in a study, Gao (1994) found that environmental issues had not received much attention in Foreign International Corporations in the oil and gas industry. His conclusions raise the question of whether environmental issues received adequate attention in more recent oil and gas contracts according to Tienhaara, 2010.

Some oil producing countries have had to pay dearly for this oversight through massive oil spills in communities where oil extraction is carried out. One that readily comes to mind is the massive oil spills that occurred in Nigeria's Niger Delta as a result of negligence on the part of Shell, an international oil company. This caused the large scale destruction of farms, farmlands and the displacement of many families. The United Nations Environmental Program (UNEP) released an environmental assessment report in 2011 on Ogoniland, one of the cities of the Niger Delta that has faced massive spills over the years. The report validated claims of damage to the Niger Delta environment. The people of Ogoniland have been exposed to pollution throughout their lives showing the health and environmental impacts. The report said Ogoni communities faced severe health risks, with some families drinking water with high levels of cancer-causing agents. The UNEP report continues to reveal that it will take thirty (30) years for the mess to be cleaned up. More recently, the largest oil spill in the history of the United States occurred in 2010 in the Gulf of Mexico due to such oversights by British Petroleum and the US government. This is a fresh incident that brings to mind the environmental risks posed by the oil and gas industry. It is important to note that even though offshore oil spill is not a rampant or frequent occurrence; its environmental impacts span a long period.

There has been some research on the impact of oil exploration, exploitation and production on the environment. However, the effect of this activity on people's lives, especially those living in oil-producing areas are not taken into consideration. It is a known fact that the environmental impacts of oil extraction are devastating. These impacts sometimes extend to other sectors of the economy resulting in further problems. Accidents occurring in the oil industry especially oil spillages have drawn

public attention to the activities of Multinational Oil Corporations and host the countries.

Posing the problem

The discovery of oil and gas and its extraction has become an issue of concern to governments and policy makers globally as a result of the risks that the industry poses. Environmental effects of the extraction of oil were the initial realm of concern to researchers. There exists evidence of serious environmental problems associated with the oil and gas industry. This is believed to emanate from negligence in the operation of Multinational Oil Companies as well as by host governments (Ikporukpo, 1981; Ikeagwuani, 1984; Tienhaara, 2009).

Environmental regulation of the oil and gas sector in developing countries is often inadequate. When contracts are signed between transnational oil corporations and national governments, there is often little regard to the risks and impacts on the local communities where oil drilling activities take place. This is the case of most oil-producing developing countries especially in the global South. Part of the problem lies in the lack of control mechanisms to enforce compliance on the part of the oil companies, as to whether they are applying proper risk management and safety programs to prevent any grave catastrophe in developing countries. If a developed country like the US was not sufficiently prepared for this unforeseen occurrence at the Gulf of Mexico in 2010, the question is how prepared is Ghana to handle these oil exploration related problems? The effects of oil spillage are so costly and the impact is huge on the country and its development as a whole. Even though the focal point of the study is not the issue of oil spillage, this has proven to cause some socioeconomic problems and have affected the livelihoods and existence of people.

It is evident that in developing countries most oil finds are situated in the poverty stricken communities that are lagging behind in development. Oil producing communities are the most affected by extractive operations and are highly prone to risks resulting from this activity. Nevertheless, the impacts on these communities are both positive and negative. This is because they are always left in the dark as to the detriments of the good resource they seem to embrace, with the hope that it will ease their suffering and bring them good jobs and improve their livelihoods. Ghana's case is a peculiar one to look into because it is presented with lessons from other oil rich countries and as such, can learn from their mistakes to make the oil find in Ghana a blessing rather than a curse. Oil exploitation whether offshore or onshore, no matter how it is done leaves a mark in the area of exploitation.

Ghana's oil exploitation is predominantly offshore located in a rural area surrounded by small villages and towns. There is a wide stretch of coastal communities in the Western region who are impacted either directly or indirectly by this activity. This raises the issue of whether the local people in these communities know the adverse effects of this activity on their lives. Some studies have examined effects of natural resources extraction on Ghana in mining industry. However, it is still not clear what the effects would be in the new oil and gas industry, hence the need for this study. The adverse effects of oil and gas on local communities are not yet evident because there have not been many studies in the area, perhaps, because it is a new industry in Ghana. It is for this reason that this study seeks to find out the effects of oil exploitation and production on local communities in Ghana.

Objective of the study

The main purpose of this research is to find out whether people living in oil communities are reaping the benefits of oil and gas exploration. This will be measured by looking at the impacts of oil exploration and production on local communities in the Western Region of Ghana where oil and gas production has commenced. People living in these communities are mainly farmers, fishermen or both. It is therefore expected that there would be some positive and negative effects on the communities in the oil producing areas. For example, while the oil activity is expected to create jobs for the local people, the effects on their main occupation which is fishing are expected to far outstrip the benefits. This is because the oil production is offshore and this might create problems for fishermen interms of where to fish and where not to fish.

The study is to further determine to what extent the recent oil exploitation has affected their livelihoods, and income. The research will also focus on investigating the extent to which local communities are involved in decision-making concerning oil operations. In this regard, the study will seek to establish to what extent their views influence the final outcome of policy making with regards to the oil extracted from their communities. As indicated earlier, the research was informed by the discovery of oil in Ghana in September 2007 and various debates as to whether this oil discovery is a blessing or curse for the country. Undoubtedly, many oil producing countries have benefited immensely from oil exploitation. However, others such as Nigeria among others have not been able to manage their oil exploitation to the benefit of their local communities. This research would therefore, contribute to expose these issues earlier in the industry to ensure that Ghana do not

become a victim of the eventualities other countries have suffered as a result of oil exploration.

Contextualizing Impacts of Oil Exploitation on Local Communities

There has been extensive research that has been done on the impacts and benefits of oil exploitation. Some authors are of the view that scant attention has been given to the socioeconomic impact of oil exploration and exploitation in host communities (Ikein, 1988; Stanley, 1990). Socioeconomic impacts are viewed with regard to who benefit from the oil wealth and whether this is seen in the life of the people in the area of employment, education and provision of amenities. Ikein (1988), in his study on the "socioeconomic impacts of the oil industry on the indigenous population of Nigeria", noted that the distribution of the benefits derived from oil were highly disproportionate. That is to say, there is great difference in economic and social distribution of the oil wealth between oil-producing communities and non-oil producing communities of a country. Also, MNC's employ expatriate workers who travel to live in oil communities for a period of time. Apart from the fact that local people will have to deal with living with a pool of people migrating into their communities to share the very same resources, they also become exposed to a new way of life unfamiliar to them. However, with offshore oil exploitation where workers are transported in helicopters to work and back, it may happen that they rarely have relationship with local people.

The absence of effective policy guidelines to protect citizens from oil exploitation, elsewhere on the continent, have resulted in costly social conflicts and entrenched poverty in oil producing areas. This can also be said to be among the cause of the wide gaps between the rich and the poor who are mostly women and

deepened inequalities between various social groups including women (Coulombe et al., 1995). As it is expected, the oil discovery in Ghana has become a major point of discussion among both public and private organizations, particularly non-governmental organizations and policy makers, some of who are conscious of the effects and impact of oil discoveries on the poor and marginalized.

The Study area

Ghana is an African country located south of the Sahara, endowed with lots of natural resources. The country started exploring for oil in the nineteenth century and history has it that wells were drilled around Half Asini following sightings of oil seeps in the onshore Tano Basin. To facilitate the search for oil in commercial quantities, the Ghana National Petroleum Corporation (GNPC) was set up in 1983 to oversee this project and a number of fields were found in the Tano Basin which led to the drilling of eighty nine wells offshore and six discoveries have been made so far. Currently exploratory activities are being carried out in the Voltaian Basin. The Jubilee field located in the Western Region is the country's most significant oil find so far.

The study focuses on Cape Three Points, Princess Town, Dixcove and Akwidea located in the Western Region of Ghana. The area has two sites where oil exploration has already started. This region is endowed with natural resources; agricultural lands, gold, manganese and bauxite. However, the major industrial activities in the area are fishing and farming. The population is characterized by high poverty rate, high illiteracy rate and high unemployment in skilled jobs. They also lack social amenities such as good roads, schools, hospitals and so on. Because of this, the discovery of oil in the area and subsequent drilling has shot up the

expectations and hopes of the community and government that their lives would improved.

Ghana today is an economy in transition and as such if faced with this kind of catastrophies mentioned earlier, its developmental goals will be hugely affected and it will be difficult to recover the loss in the short term. This in the end will retard its growth as a developing country. Implementing the right mechanisms, therefore, ought to take into consideration the local community's wellbeing in order to develop appropriate guidelines for the distribution of oil revenue to the benefit of these communities.

Methodology

Generally, this study utilized a mixture of both qualitative and quantitative research approaches. The specific approaches that were employed are structured and unstructured interviews. Unstructured interviews enabled the researcher probe into topical issues that were raised by participants. The respondents of this study were the members of local communities in the Western Region of Ghana who are considered to be 'oil communities' and NGOs and/or civil society organization whose activities and information was relevant to the study. Structured interviews were designed to generate responses that enable the researcher to answer the research question and objectives. This was combined with the technique of direct observation through a combination of face-to-face interviews and focus-group interviews. The Methodology is treated in detail in chapter four to expand on these issues.

Thesis Statement and Structure of Thesis Argument

Based on the background information presented in the problem statement, the thesis will seek to answer the focal question: How do the activities related to oil exploitation and production affect local communities?

I will argue that oil extraction in the Western Region of Ghana has negative implications on the socioeconomic fortunes of local communities as well as on the livelihoods of people in these communities and the environment on which these livelihoods depend.This problem lies in the lack of appropriate mechanisms that enforce citizen participation in matters regarding oil operations. Therefore, this study sought to evaluate the nature, scale and scope of this impact, with a view to recommending measures that can be employed to mitigate the negative impacts and build on the positive ones to ensure sustainable and inclusive development. This thesis elaborates on the uprising contentions on the impacts of oil exploitation and provides detailed empirical evidence.

Specifically, this study is composed of six chapters. This chapter sets the context of the study by discussing the reason and justification for the study in the targeted location. Chapter two explores theoretical issues and perspectives on the topic under study and elaborates on different sectors and the dynamics of natural resource (oil & gas) development through the reviewing of literature. Chapter three concentrate on presenting a general overview on the impact of oil discovery and exploitation in Africa, while setting the stage to discuss the specific case of Ghana by bringing to the fore Ghana's track record in managing its natural resources such as gold, diamond, manganese, bauxite, cocoa, and timber and how that might serves as a template for managing its newly found oil resources. Chapter four will begin with a

description of the methodology used in acquiring the data. Chapter five is a combination of the discussion and analysis of the thesis findings using the data that have been gathered from the field. Finally, chapter six makes logical conclusions from the study as well as recommendations.

Chapter Two:

The Economics of Natural Resources (Oil) Development: A Literature Review

Introduction

Recently, new reserves of oil and gas fields have been discovered in Ghana and elsewhere, due in part to the growing demand for fossil fuels in the world's fastest growing economies of Asia, especially China and to a lesser extent in India and the other 'emerging markets' of the developing world (U.S. Department of Energy, 2004). These discoveries of oil and gas in many countries still evoke mixed feelings, and for justifiable reasons. For one thing, they raise the question of whether it is a blessing or a curse. The experiences of African states such as Sudan, Nigeria and Angola engender a feeling of dread and pessimism regarding the prospects of being an oil-producing nation (OPN). However, the examples of Botswana and the post-neoliberal regimes of South America (Argentina, Brazil, Bolivia, Chile, Ecuador, Venezuela etc.) give hope that other countries well endowed with natural resources such as oil could complete the transition from underdevelopment to development and that the exploitation and exportation of these resources could be the basis of an otherwise impossible transformation in the fortunes of any such fortunate society.

The fears and hopes displayed around the discovery of oil is not any different in the case of the recent discovery of oil in commercial quantities in the western region of Ghana. While news of the discovery was received with the euphoria that such a discovery engenders, there was on the flipside the apprehension and doubt as

to whether this was a source of blessing or a curse. The primary reason for people's mixed feelings about Ghana's discovery is the fact that Ghana's next door neighbour, Nigeria, has been ravaged by an oil war for decades. The executive summary to a 2009 World Bank report on the likely impact of oil discovery in Ghana expresses this ambivalence in no uncertain terms when it declares that "Ghana's reserves are relatively modest by international standards, and will thus not radically transform Ghana's economy into one where oil becomes the major sector. Nonetheless, they are already large enough to deeply affect the future of the non-oil economy, positively or negatively" (World Bank, 2009).

With the offshore oil discovery in Ghana, the major concern for policy makers and civil society has been what can the country do in order not to go down the path of those African states where oil discovery has become a curse rather than a blessing. Enriching foreign investors and multinational corporations in the resource extraction industry rather than local populations who have to bear the exceedingly high social and environmental costs of oil extraction, and generating civil wars over scarce and highly valued resources.[1] It is with this concern and against this backdrop that this study seeks to investigate the impact of oil and gas activities on local communities in the Western region of Ghana. This study argues that whether for good or bad the exploitation of oil in the Western Region of Ghana is going to have a dramatic impact on the socioeconomic fortunes of these communities and also on the livelihoods of people in these communities and the environment on which these livelihoods depend. Therefore, this study seeks to evaluate the nature, scale and scope of this impact, with a view to recommending measures that can be employed to mitigate the negative impacts and build on the positive ones.

[1] See Bannon & Collier, 2003; Onyeuku, 2007; Firger, 2010

While the discovery of oil has been positive for some countries, the same cannot be said for most other countries. For some countries it has turned out to be a disaster and for many a rich endowment of natural resources has turned out to be a curse rather than a blessing. A number of economists and development scholars have documented the fact that the constant expansion of natural resource extraction in enclaves of resource-rich countries of the South in many if not most cases has been insufficient to promote their sustained economic growth (Barbier, 2005). On the contrary, some countries with fewer natural resources have experienced dramatic growth through the effective management of these to advance their development.

This finding—the so-called resource curse—as well as the phenomenon of what economists have termed the 'Dutch disease' (the negative impact of natural resource development on other sectors of the economy via the exchange rate of the national currency) led to the theory of development based on the exploitation of the unlimited supply of surplus labour and the transformation of a agriculture-based economy and society into an economy based on human resource development—the expansion of human capital (knowledge-based development)—and the accumulation of physical capital (what UNEP terms 'manufactured wealth: infrastructure, plant and equipment, etc. embodying advanced technology.[2] The idea was that a labour-abundant South was better placed to benefit from the growing demand for industrial

[2] Traditionally, progress in achieving development has been measured in terms of 'economic growth' (annual increases in GDP, or the rate of growth) and, as of 1990, with the annual publication by the UNDP of its Human Development Report, in terms of the 'human development index (HDI), an amalgam of three indicators—per capita income, schooling and education, and life expectancy. However, in the recent UN Conference in Rio UNEP, in collaboration with the UN University, launched a new development measuring tool based on wealth rather than income (UN- / UNEP, 2012). With this methodology advances in 'development' are measured in terms of the stock or accumulation of 'real' or 'inclusive wealth', an amalgam of three types of productive resources or forms of capital: natural (the stock of a society's renewable and non-renewable resources, mostly land-based); human (the stock of a society's total knowledge and skills); and physical (the stock of manufactured wealth: infrastructure, equipment and plan based on technological progress)..

goods arising from the dematerialization of production. With reference to this idea it was argued that an information-rich or labour abundant development pathway was more likely to yield positive development outcomes, leading to economic growth and development.

As a result, scholars have constructed a number of theories to give an insight into the negative effects oil discovery can have on a nation and the development potential of a resource-base strategy of national development. Most theories of economic development over the past six decades are predicated on the assumption that labour is the most abundant resource or asset that the world's poor have, and that the most effective development strategy would be to exploit and mobilise these resources, to harness them for national development. However, recently, it has been theorised that changes in the global economy based on the ascension of China as an economic power, and the resulting demand for resource-rich primary commodities that embody natural resources such as agrofood or forest products, minerals or fossil fuels for energy rather than labour, should favour or dictate a switch to the primarization of exports, a strategy of primary commodity exports (Bebbington, et al., 2009; Gallagher & Porzecanski, 2010).

In the past, countries that followed this development path witnessed economic stabilization and growth. But, it is contended that the conditions that prevailed have changed to the degree that indeed a number of governments both in Latin America and Africa have embarked on a resource extraction and commodity export strategy as a development pathway. As pointed out by Barcena, Secretary General of ECLACa number of countries in Latin America have moved forward, achieving poverty reduction, economic growth driven by the exploitation and exportation of commodities (mining, oil and gas, coal), and other natural resources. Those are the

items moving the Latin American economies forward, raising the question of countries like Ghana, blessed (or cursed) with a wealth of natural resources (oil, for example) for which there is a growing global demand, taking a similar pathway of national development.

To address this question, and explore the development implications of the oil industry—both the pros and cons—the next section discusses some of these theories and other key concerns about the topic under study. This study is undertaken with reference to various ideas derived from my review of the literature and several theories of development regarding what the United Nations Environment Programme (UNEP) terms 'inclusive wealth" (UN-IHDP and UNEP, 2012). This literature review (Chapter 2) provides a set of ideas used to guide my research and a framework for presenting and analysing my research findings. The review enables the study to advance an argument in support of the thesis that Ghana's wealth of oil reserves could constitute a pathway of national development on condition that the state steps in to regulate the industry and the operations of extractive capital in the public interest. This requires a participatory form of development and a competent and democratic post-neoliberal state that is responsive to the concerns of the local population for their livelihoods and the environment.

Development Economics

For centuries, the development of an economy has always been measured by economic growth. Nonetheless, economists and theorists in the mid twentieth century gave scant argument on the power of natural resources to induce development. In the neoclassical theory, it is argued that output is a function of capital and labour, constrained by the prevailing level of technology (Solow, 1956). Here, there is no

mention of natural resources but this neoclassical idea has been proven to be false because economic growth cannot only be explained on the basis of capital and labour but other factors as well. Some development economists postulate that natural resource abundance would enable developing countries to make the transition from underdevelopment to an industrial 'take off' according to Rostow's stages of growth (1960).

To sum up these five stages, the first stage is known as 'traditional society'. At this stage, society is simple mainly subsistence activity with low productivity. The second stage, 'preconditions for take-off', is a 'transitional stage' with a pre-requisite of industrial revolution, investments and savings appreciates shooting up growth and the emergence of entrepreneurs. Thirdly, the 'take-off' stage where industrialization increases with the emergence of new sectors and new political institutions. There is a growth stage that is self-sustaining without external outputs. Fourth stage, the 'drive to maturity, with technological innovations the economy becomes more diversified producing a wide range of goods and services and less reliance on imports. Lastly, the 'age of high mass consumption here, there is improved standard of living and high consumption with a thriving sector.

For developing countries to reach the take-off stage requires what Rosenstein-Rodan (1961) terms the 'big push'. Which explains that low income countries, (in this case natural resource rich countries), need to use their oil revenue to finance diversified investments in order to expand their markets. For development economics, the transition from developing to developed can be achieved through three overarching themes; the division of labour, the expansion of trade and the accumulation of capital (Stilwell, 2006). The idea of promoting economic growth is tied to 'development' which according to Woflgang Sachs (1992) was an idea

invented as a means by which the West could impose their will on the economically 'backward' countries emerging from European colonial rule.

It was also to make sure these countries will take the capitalist path of economic management. To further push the development agenda for developing countries, modernization theory which is associated with economic growth evolved as a discourse that believed that development will modernize backward societies through the capitalist system (Toye, 1987; Martinussen, 1997). However, it can be said that globalization has led to the rapid growth of some economies and has led to the global demand for primary commodities including natural resources.

Natural Resources and Development

The literature on natural resources and economic growth and development falls under two broad groups. One group based their argument on natural resource scarcity and economic growth (Solow, 1974; Stiglitz, 1974; Uri 1996; Barbier 1998; Krautkraemer 1998, 2005; Bretschger & Smulders 2003; Simpson *et al* 2005; Wright & Czelusta 2004 etc). While the other group discusses this theme by looking at the relationship between resource abundance and economic growth (Sachs & Warner 1995, 1997, 1999; Gylfason & Herbertsson 2001; Gylfason 2004, 2006; Stijins 2002, 2005, 2006; Brunnschweiler 2006; van der Ploeg 2009a, 2009b; Frankel 2010). Both groups including other authors believe that natural resources play a role in the development of a country. Nonetheless, some factors inhibit this progress from taking place.

There has always been an attempt on the part of researchers and economists to draw a straight line through resource scarcity and economic growth (GIZ, 2011). This idea became a hot theme in the 1970's as a result of the high energy prices and

the Organization of Petroluem Exporting Countries (OPEC) embargo. For some authors economic growth is possible in the midst of resource scarcity when the reproducible factor of production, physical capital, could be substituted for exhaustible natural resources along the economy's balanced growth path (Solow, 1974; Stiglitz 1974). In establishing this fact, both authors as well as others after them used the exogenous growth model to study this effect. The Exogenous growth model was an extension to the Harrod-Domar model that included the new concept of 'productivity growth'. The most important contributor to this model, Robert Solow; in 1956 developed a relatively simple growth model, which fits available data on US economic growth with some success.

Many studies that used the exogenous model of growth posed questions like: how can reproducible factors of production substitute exhaustible natural resources and how this substitution and resource depletion affect the incentives to innovate (GIZ 2011). Seeing that technological innovations relates well in answering these questions, Krautkraemer (2005), in his overview of academic debates concerning resource scarcity and growth stated that, "this issue is whether technological progress and capital accumulation can overcome diminishing marginal returns to finite natural resources." He concludes that humans have, in fact been quite adept in finding solutions to the problem of natural resources, in particular when scarcity is determined by price. Therefore, in his view, natural resources can engender growth through technological innovations and the ability to renew these resources, without neglecting the fact that 'price' plays a huge role. The scarcity of natural resources does pose some challenges for a country seeking to embark on a national development path but the case of Japan and the 'newly industrializing countries (NICS) such as South Korea and Singapore—'new' in the 1970s when they

embarked on a development path based on an industrialization strategy—suggest, if not proves, that the accumulation of human and physical capital are more critical factor of national development than an abundance of natural resources.

A second group of researchers and economists who study the relationship between natural resource abundance and economic growth are of the opinion that natural resources impede or decelerate growth. This has been a widely held notion in the 1980s and 1990s. Natural resource abundance has been associated with slower growth (Sachs & Warner, 1995, 1997, 1999), greater inequality and widespread poverty (Ross 2004; Weinthal & Luong 2006), bad institutions (Tornell & Lane, 1999; Ross, 1999), and an increase risk of conflict and violence (Collier & Hoeffler, 2001). Studies by Ross (2001) and Sachs & Warner (1997) in comparing the performance of resource-rich countries, specifically oil and mineral dependent countries found that these countries were low in the Human Development Index (HDI) and GDP. Also in his work, "The Natural Resource Curse, a survey of some oil producing countries in Africa," Frankel (2010) raised the question as to why some countries like Angola, Nigeria, Sudan and DR Congo that are rich in oil, diamonds and minerals but the people and the country as a whole are characterised by underdevelopment (low per capita income and low living standards), while countries such as Japan, South Korea and Singapore, with relatively few or scarce natural resources,[3] have managed to achieve and advanced level of development and

[3] Natural resources (land, minerals, agrofood and forest products, etc.) make up one of three categories of 'wealth' or capital (wealth- or income-generating assets), or what the UN in a recently released report (UNU-UNEP, 2012) describe as 'the real wealth of nations'. The other two are: manufactured assets (machinery, buildings, physical infrastructure, etc.) and human capital (the population's education and skills). In this new composite measure of society's real or inclusive wealth Japan, for example, ranks as extremely poor on the natural resources index but is ranked as the wealthiest country in the world on the basis of its wealth of physical and human assets.

accelerated living standards.[4] Similarly, scholars such as Van der Ploeg (2007) wonder why some resource-rich countries have experienced dismal growth while others with this same resource have grown rapidly.

The possession of natural resources and the dependence on such resources for a country's livelihood and development can induce or hamper growth. While natural resources play an important role in a nation's development, it is not clear whether the extraction and production of natural resource can be the sole basis for development of a country. The next section discusses the so-called resource curse and Dutch disease.

The Theory of Resource Curse and Dutch Disease

The concept of Dutch Disease refers to conflict, corruption, unequal distribution of revenue, lack of good governance occasioned by natural resources such as oil discovery and bad governance of the resource after discovery. It has become necessary to discuss this concept because of the contention from scholars[5] that there is a negative relationship between natural resources and economic growth. But also important is the counter argument that natural resources can be a catalyst for the development of natural resource rich developing countries. It is logical to expect that resource rich countries should outperform non-resource rich ones, but this is far from

[4] Economists who have reflected on this paradox have come up with the notion of a 'resource curse' to describe (without explaining) it. The idea of a 'resource curse' is an expansion of the idea of the Dutch disease, first coined by *The Economist* magazine in 1977 to refer to how the Dutch discovery of oil in the North Sea precipitated its industrial decline. While the Dutch disease focuses attention on foreign exchange rate dynamics, the '*resource curse thesis,*' as first stated by Richard Auty in 1993, emphasizes the role of conflict, corruption, political instability, and price volatility to explain how countries rich in natural resources have failed to climb the ladder of development (Auty, 1993). While many of these factors help explain the resource curse, they are merely manifestations of the underlying dynamics of imperialism and capitalism.

[5] (see Sachs & Warner 1995, 2001)

the case. The Dutch disease is another mechanism of resource curse. The resource curse thesis was first postulated by Ricard Auty (1993), describing how natural resource endowed nations experience lower growth than their counterpart with least or without natural resource.

In essence, if a country's natural resource base is unable to boost its economy by reducing poverty, then it is said to be experiencing a resource curse explained in studies by Sachs and Warner (1995; 1997). These scholars confirmed that resource rich countries tend to grow slowly than resource poor ones. This, they proved by examining ninety-seven countries over a nineteen-year period, using regression analysis. Additionally, other authors have argued empirically, that resource rich countries [in Africa] suffer from resource curse (Gelb, 1988); Auty, 1990; Berge *et al.*, 1994; Stevens, 2005). This concept has also been explained by some authors by studying the relationship between resource scarcity and economic growth (Stiglitz, 1974; Solow, 1974). Some explanations of the resource curse are rooted in 'structuralist' theories of the 1950s and 1960s (Prebisch, 1950), rent seeking analyses (Tornell & Lane, 1999; Baland % Francios, 2000; Torvik, 2002) and the Dutch disease argument. The Dutch disease is a situation in which resource wealth impedes long-run economic growth. To further explain this phenomenon it is a situation where countries experience booms and busts due to price fluctuations of their natural resources on the global market (African Development Bank, 2009).

Theorists of the Dutch disease argue that a primary commodities boom catapults a country's currency to rise in export earnings to the detriment of other export goods. Most often, oil rich countries are highly susceptible to experience the Dutch disease which stems from rising inflation and exchange rate appreciation of a country's currency. Rajan and Subraman (2005) pointed out that for a country

experiencing the Dutch disease, its growth will be impaired because of exchange-rate appreciation which will in turn impede competitiveness of the country's export sector. For a country to experience this is the result of volatility of world energy prices and other mineral and agricultural commodities, foreign direct investment, and de-industrialization and many others. The question has always been whether the curse lies in the natural resource itself or it is as a result of bad governance and management when exploitation begins. This question is important because the argument in this area is largely focused on resource abundance and resource dependence. But the resource in itself may not be a curse but rather the steps to managing it. This is currently the situation of natural resource rich Africa with low growth and fast growing non-resource rich East Asia. The effects of resource curse can undermine the quality of governance and economic performances (Norman, 2009). This increases the susceptibility of a country to conflict which can occur through the control and exploitation of the resources and allocation of their revenues. Africa has been described as a continent with rich natural resources but with high poverty levels. This is attributed to the fact that the continent is faced with a resource curse syndrome because governments are not able to manage the wealth generated from the production and export of these resources.

Also, high dependence on natural resources is said to affect a country's institutions (Hodler, 2006; Bulte et al, 2005). Studies have shown that some countries with abundant natural resources for example Australia, Canada, and the United States, out grew those resources and are no longer especially dependent on them and their economies are flourishing. On the other hand, resource abundant countries, like Organization of Petroleum Exporting Countries (OPEC) of the developing world depend on their resources for their export needs (Gylfason, 2007) and have not been

able to grow in this regard. Furthermore, Gylfason (2004, 2006) compares two groups of Arab countries: a group of six countries that do not belong to the OPEC (Egypt, Jordan, Morocco, Sudan, Syria and Tunisia) and a group of six OPEC countries (Algeria, Iran, Kuwait, Libya, Saudi Arabia and the United Arab Emirates). He found in this study that non-oil producing countries achieved on average, a significant increase in their total exports relative to GDP since 1960, while OPEC countries declined as a proportion of GDP. It must, however, be noted that some countries would have to necessarily depend on natural resources for their economic growth and development. This is because those countries do not have alternative means of growing their economies apart from relying on the few available resources at their disposal. For example, countries such as Mali and Panama are in that position where there are fewer options available to grow their economies and therefore, have to necessarily rely on the few resources available.

The development of some of these natural resource rich countries in Africa apart from the above mentioned is highly impeded by factors such as economic diversification which encourages growth from excessive reliance on primary production; monopoly of power by some elites and lack of political participation (Gylfason, 2007). According to Lundahl and Sjöholn (2008), this reason is a combination of negative economic effects stemming from volatile revenue, decreasing competitiveness of tradeable goods, increased corruption and institutional inefficiencies. These factors confirm the widely held notion that many resource rich countries fail to bring about sustained development and remain poor (Lundahl & Sjöholm, 2008). Therefore, the question of whether the possession of natural resources is a blessing or a curse has been answered in many empirical studies. Some authors are of the view that, resource abundance is a blessing for countries with good

institutions and a curse for countries with bad institutions (Mehlum et al., 2006). In his work "The Natural Resource Curse: A Survey," in 2010 Jeffery Frankel asked why countries such as Angola, Nigeria, Sudan and DR Congo are rich in oil, diamonds and minerals, yet their people experience low per capita income and low living standards, which other countries that have virtually no exportable resources, such as South Korea and Singapore, have achieved high living standards. His studies confirm previous other studies done by Sachs and Warner, (1995), van der Ploeg, (2010) and Gylfason, (2004), already mentioned. Other developing countries that have experienced this resource curse are: Zambia, Guyana, Brazil, Nigeria, Venezuela, and Malaysia, just to mention a few.

It is this disappointing experience of mineral rich countries that has generated a large body of scholarship aimed at explaining this empirical correlation and a list of prescriptions for combating the resource curse (Weinthal & Luong 2006). Most economists argue that the Dutch disease is inevitable however, it can be managed through increased savings, transparency in revenue streams and controls to prevent corruption and a well developed financial sector to prevent volatility as well as a domestic financial market (Torvik 2002; Moran 2010; Matsen & Torvik, 2005; Ploeg 2007 and Davis 2009). Thus, the literature shows that the possession of natural resources can be a blessing or bane. This has been proven through research by focussing on the correlation between resource abundance and a series of negative economic and political outcomes including poor economic performance and authoritarian regimes across the developing world (Davis, 1995). Recent studies claim that resource curse leads to conflict as a result of poor resource governance and weakness of the state. It is therefore important to understand the extent to which

these claims can serve as a mechanism for conflict generation in those natural resource rich countries. To understand this further, the next section explores the claim that inherent in natural resource discovery and exploitation is the ability to fuel conflict. This is also one of the consequences of resource curse.

Conflict associated with natural resources

The Dutch disease like the resource curse and poor governance can provoke conflict in a nation as different groups fight for their share (Collier, 2003), especially in the regions where these resources are exploited. The world of natural resources has experienced massive upheavals in terms of resource wars over the years in developing countries. For some, the link between conflict and a given resource is not so clear because a country's resource wealth does not necessarily lead to violent conflict, they refer to developed countries like Norway, Canada and developing countries like Botswana and Chile (Heinrich Böll Stifftung Memoranda, 2007). The argument here is that countries that have high dependence on primary commodity exports like mineral, oil, timber, cotton are prone to violent conflict. Some literatures argue that natural resources are always linked to conflict because it fuels and sustains violent conflict directly and indirectly (Le Billion, 2001; Westing, 1986). One study has proven that, a country with a level of primary commodity export dependence of 25% of GDP has a 33% risk of conflict but when exports are 5% of GDP the chance of conflict drops to 6% percent (Collier, 2003; Bannon % Collier, 2003). Resource rich countries tend to be more susceptible to conflict when their resource extraction accounts for a significant percentage of the GDP. Therefore, natural resources in itself is not the source of conflict but its existence makes conflict inevitable. To be specific, oil and gas have been linked to war since the beginning of

the twentieth century. When oil is concerned, there is always struggle for control over the gains generated by this resource (Kaldor et al, 2007).

The greatest spur of conflict in resource rich countries is gaining control over the resource and how to distribute them. Events such as the long standing Sierra Leone civil war over the control of diamonds and distribution which was put up in a movie titled 'Blood Diamond' attest to this fact. Also, other countries like Liberia and Democratic republic of Congo (DRC) faced severe wars over the control of natural resources. The oil industry in developing countries is mostly associated with conflict. Gary and Karl (2003) confirms this by stating that countries that depend upon oil exports, over time are among the most economically troubled, the most authoritarian and the most conflict-ridden states in the world today. Some starkest examples are the 1995 execution of Saro Wiwa and other Ogoni Activists in Nigeria; the continuing violent displacement of minorities in Sudan and Burma; the ongoing civil war in Angola and guerrilla activity around oil installations in Colombia (Swanson, 2002). Most of these conflicts can be attributed to financed wars (Keen, 1998) in which external actors are said to have the backing of 'rebels' to fight for the control of these resources. These external actors can be multinational oil companies, neighbouring countries and other non-state stakeholders. There is also the scholarship that holds that conflict can erupt as a result of weak, weakened and/or unaccountable states (Keen, 1998; Collier & Hoeffler, 2004; Berdal & Malone, 2000; UN, 2001a). On the contrary this is not the case of Chad. The Story of Chad is what Ross (2001) refers to as 'booty futures' where resources matter because revenues can be raised in advance to gain control over them (Humphrey, 2005). It is evident in recent literature that African oil producing states are linked to violent conflict (Shaxson, 2007; Ghazvinian, 2007; Oliveira, 2007; Watts, 2007). This is argued in

relation to the ways in which oil fuels corruption or neo-patrimonialism among African ruling states/elites and the complicity between oil Multi-national Companies and African 'petro-elites', resulting in dysfunctional states or failing states, which can neither govern effectively nor guarantee political stability and security (Watts, 2007: 648-51). In Africa, government mismanagement and huge corruption as well as the neglect of regions where natural resource is extracted is one cause of conflict.

Greed and Grievance Theory

Oil resource wars or conflict has been tied to the 'greed or grievance hypothesis' (Reno, 2000; Collier et al., 2001, 2006; Rosss, 2003; Gary & Karl, 2003; Grossman, 1991, 1999). Grievance theory claims that 'segments of the population, or regions, might feel deprived of the benefits of resource-related income, while possibly carrying the ecological burden of production, and therefore take up arms' (Basedau & Mehler, 2005). Other authors argue that it is not out of the expression of greed rather than true grievance. This is played in the words of Paul Collier about the rebels in the Niger Delta "To my mind this looks more like a protection racket than outrage provoked by environmental damages". 'With an oil well,' he concluded, 'the protection racket is in business." He claims that rebel movements in Nigeria constitute grievance evolving over the course of a decade into greed (Collier, 2003). One group of resource war proponents argue that even though Niger Delta militants groups claim community grievance, their primary motivation lies in opportunities to plunder resources to actualize visions of better life for themselves (Reno 2000; Collier et. al., 2006 and Oyefusi, 2007). Another group elaborates this argument by stating that though the primary motivation for conflict may be grievance, the opportunities for plunder create an incentive for perpetuating conflict. Therefore,

whatever be the motivation, there is a state of aggravation that transforms the motive into greed (Watts, 2007; Ikelegbe, 2006a). Referring to the Nigerian case, Obi and Rustad (2011) write that the proponents of resource war perspective have over looked the historical and structural causes of violent conflicts in the Niger Delta. The greed argument views Nigerian combatants as mere criminals (Omeje, 2008) while militants are considered to be fighting for a just cause because it is based on grievance. Part of the problem stems from alienation and marginalization of the people on whose land the resource is being extracted and extends to cover other factors. Allocation and Management of the resource is also contested for. Also, the conflict is as a result of the emergence and mobilization of various resistance groups against external domination and exploitation in the region—the Niger Delta. For decades, oil accounts for a significant part of national revenue—80%—but the Niger Delta (Frynas, 2000) region has benefited little. As it suffers high level of poverty and lack of basic infrastructure (UNDP, 2006: 17, 56) including environmental and social damages caused as a results of oil exploitation. Considering environmental factors and conflict, grievance can be used as a medium or framework for expressing damage to the environment in the form of degradation, deforestation, pollution as a result of extractive activities and inequality in access to environmental endowments based on race, religion or class (Homer-Dixon, 1994; Gahama et. al., 1999; Nafziger et. al., 2000. This tends to create discrimination among a group that culminates into conflict. In this case, some studies have found that the political economy is more predictive of domestic conflicts than resources and as such should be made the third leg of the greed and grievance theory.

In short, resource conflict has been a major source of economic, social, political and environmental problems in Africa—making the natural resource

endowments a curse rather than a blessing. Recent views hold that good governance through transparency and accountability as well as citizen's participation will spur the development of natural resources.

Natural Resource Governance for Development: The Case of oil

Governance in the natural resource context refers to the management of natural resources, as well as the structures and processes that provide the social and institutional environment in which the management can take place (Bodin and Crona, 2009). In most African countries the governance of natural resources is vested in the state (African Development Bank 2009). For decades, Africa is faced with the problem of bad resource governance as a result of poor decision making, corruption and rent seeking, state predation, socio-cultural and political impacts (Ploeg 2007; Auty, 2001; Auty, 2004; Stevens, 2003; Castells, 2000) among other factors. Consequently, poor decision making by governments is attributed to several factors such as: increase appetite in government spending as a result of large windfall in revenues and the rise in expectation of the population about the development of oil and gas that pressures the government to 'do something'.

A World Bank publication (2005) by Harford and Klein states that:

> Natural resource exports] can damage institutions (including governance and the legal system) indirectly—by removing incentives to reform, improve infrastructure, or even establish a well-functioning tax bureaucracy—as well as directly—by provoking a fight to control resource rents. ... There is growing evidence that [this] effect is the most problematic (2005: 1).

Other authors provide more empirical views to support this postulate (Ross, 1999, 2001a; Leite & Weidmann, 2002; Sala-i-Martin and Subramanian, 2003; Isham, 2005; Bulte, 2005; Hodler 2006). Many authors and policy makers advocate for macroeconomic policies, economic diversification, natural resource funds, transparency and accountability and direct distribution of resource revenue as a means to curtailing the resource curse and managing resource wealth (Weinthal & Luong, 2006). In this light governance broadly refers to a process by which the relationship between the rulers and ruled, the state and the individual, is managed to produce the delivery of services that meet the needs of the latter without threatening the stability and orderly change of the larger society (Obi & Rustad, 2011). Here, the state becomes the vehicle for the exercise of political power in the management of a country's affairs such that the majority of citizens can enhance their chances of enjoying a good quality of life (Guhan, 2000).

In periods of resource boom, the quality of public spending decreases which encourages rent seeking results in improper investments leading to mismanagement and misallocation of resources and revenue—corruption (Ploeg, 2007; Auty, 2001; Auty, 2004; Stevens, 2003; Castells, 2000). Corruption therefore breeds problems of transparency and lack of accountability. It can therefore be argued that resource boom creates a dysfunctional state (Robinson et. al., 2006). This is where well-designed institutions and guiding frameworks as well as growth prone policies need to be enforced in the management of these natural resources to become a blessing.

For some authors, the governance of Africa's oil exploitation is complicated. Karl (1997), in her book *The Paradox of Plenty* explains this complexity to include the following: oil exporters are much more dependent on oil revenues than other primary commodity exporters, for example, cash crops, the economic environment is

difficult, characterized by high price fluctuations, exploitation of resources offers very high rents, which are a strong incentive for keeping the status quo, hindering much needed reforms', and oil extraction is highly capital-intensive and generates little employment. In this regard, the natural trajectory of a state's capacity to control, extract and allocate resources and its ability to create, implement and enforce collective decisions is weakened. Moreover, a policy prescription to control the problems of corruption and governance by the developing world has seen little success. Few exceptional cases are Botswana, Chile and Malaysia.

For Weinthal and Luong (2006) the reason for the failure is because these policy prescriptions presuppose strong state institutions which are widely absent in the developing world. In Africa, this problem takes on a more political nature and influence from external actors. In the fight for proper resource governance and breaking the link between oil and corruption some countries are signing up to initiatives such as: Transparency International, Publish What You Pay (PWYP), Extractive Industries Transparency Initiative (EITI), and Oil Watch, just to mention a few. Not leaving out civil society organizations (CSOs) and Nongovernmental organizations (NGOs) locally and internationally. When it comes to the issue of governance, issues of transparency, accountability and participation are as important as those of economic efficiency and management effectiveness in the conduct of governmental activities if the goal is promotion of the good life of the citizen. The capacity of the state to deliver programs and services through which this goal is achieved is thus an intrinsic part of governance (Ake, 1996). In order to draw a clear line as to where local communities come, we will tackle the concept of accountability, transparency and participation in the next section

Transparency, Accountability[6] and (Citizens') Participation

The concept of governance cannot be properly discussed without taking into consideration transparency and accountability which are elements of good governance. Accountability has become the catchword in contemporary development discourse. Accountability in broad terms refers to holding actors or institutions responsible for their actions. This concept has two wings which is answerability and enforceability. Answerability is the right to get a response and the obligation to provide one. Whereas enforceability is the capacity to ensure an action is taken and access to mechanisms for redress when accountability fails.

Accountability describes the rights and responsibilities that exist between people and institutions that affect their lives, including governments, civil society and market actors. Depending on which institution is being held responsible, accountability takes many forms: Political, Social and Managerial. Bringing in mind the third objective of this study, to find out the extent to which local communities are involved in decision-making regarding the oil exploitation in Ghana. This can only be achieved through citizens' participation and involvement in national issues by the use of social accountability a process where citizens hold governments and its officials to account. And this can be done through social mobilization, press reports, social audit, citizen report cards, citizens' hearings etc. Accountability shapes people's ability to realise their rights. If local communities know their rights they can demand access to resources that has to be provided by the state. A tool that helps in demanding accountability is transparency. In other words accountability cannot be achieved without transparency.

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[6] IDS Policy Briefing (2006) "Making Accountability Count" in partnership with the Citizenship DRC, Issue 33.

Transparency means an openness of the governance system through clear processes and procedures and easy access to public information for citizens (Suk Kim, 2005). By its nature, governance is a multiple-stakeholder process (Hemmati, 2002) and a function of the many ways that individuals and institutions, both public and private, manage their common affairs (Commission on Global Governance, 1995). A high level of transparency stimulates ethical awareness in public service through information sharing, which ultimately ensures accountability for the performance of the individuals and organizations handling resources or holding public office. The problem with transparency in some African countries is where or how to come by information. Since most of the population lack education and also do not have the means to get certain information, they are unaware of decisions of governments. To ensure accountability, there should be transparency of information and participation from citizens. This can be achieved through pressure from grass root associations and civil society.

The discussion is now taking another direction to look at the structuralist vierw on natural resource exploitation and its arguments.

Structuralist Perspective on Natural Resource (oil) Exploitation

Having discussed above, some of the theories with its underlying negative impacts on natural resource led development, scholars have gone further to argue that structural constraints prevent this kind of development. From a structuralists perspective natural resource led development is characterised by booms and bursts. Natural resource booms according to some scholars have negative consequences for developing economies by creating distortions in the economy. This distortion is seen

in the widening inequality gap between powerful groups that have access to the means of production and are able to attain higher productivity and those who don't have access. In other words, this structural problem lies in the unequal distribution of wealth and income stemming from the alienation of a majority of the population from access to resources. One cause of this problem resides in the enclave nature of natural resource base sectors in the extractive industry in developing countries– with relatively few linkages to other parts of the economy (see Hirschman, 1958; Seers, 1964 and Baldwin, 1966). Arguing from a structuralist perspective, natural resource based tends to benefit big landowners and multinational corporations that provide extractive capital in the form of direct investment – one of the driving force of economic growth.

The negative effects of primary commodity exports on the exchange rate for other exports—what economists have described as the 'Dutch disease' is one explanation for the effects of natural resource booms. Structuralist literature places on the relationship between productive structures and economic growth (Botta, 2010). In line with economic literature, this view assumes that natural resource boom and the primary commodity export alters the productive structure of developing countries. Making some scholar to argue that natural resource extraction has resulted in underdevelopment and the impoverishment of the 'owners' these resources (Acosta, 2009; Norman, 2009; Sachs and Warner, 2001).

Developing countries exportation of primary commodities to developed countries has been considered to be the structural underpinnings of a global dependency dynamic. Many have argued that resource-based growth has created a cycle of underdevelopment and dependence in many countries of the Global South. Various factors have been listed as to why many developing countries do not fully

benefit from natural resources – example of these factors include multinational extraction of the resources, foreign ownership of other key sectors such as banking and manufacturing, and exports contribute highly to the national expenditure (Girvan, 2005, p. 7).

As a result, the consequences for these can include developing countries' dependencies on the commodities market and a reliance on the global economy to keep expanding. An influential dependency theorist, Ruy Marini (1991), argued that although countries in Latin America had achieved independency in the 1800s, they were still dependent on the capitalist system of trade. These newly independent countries were inserted in the capitalist system of international division of labour. The terms of trade have created a "super-exploit"; the world economy was turned into a cycle of exploitation of the underdeveloped countries. This, thus, creates a stable system by which the raw materials are supplied by the developing countries to the industrialized economies. Marini posited that an unequal exchange between the centre and the periphery always creates a dependency because the values added to items have a higher return on income. However, when primary goods increase in price this does not necessarily mean that depended countries will develop faster (Martin, 2009).

Currently, the post-neoliberal theories have advocated for a more state interventionist policies that would be more inclusive of the other factors such as the environment, the 'softening' of social costs associated with resource extraction (Veltmeyer, 2012). In developing countries, what has happened more frequently than not has been an ever increasing rentier/monopolistic/oligopolistic policy-making hierarchy which has benefited the most from the natural resource extraction (Cypher, 2010: 568). Indeed, the neoliberal destruction of state-led development models in the

1980s, followed by current post-neoliberal world order that includes a focus on social development has emphasized an over faith of an economic growth potential of the resource sector.

The current natural resource boom, which has been fueled by Asia's expansion, is assumed to create economic growth in some resource-based economies. However, many critics argue that this economic growth is not resulting in structural improvements for developing nations. For instance, Cypher (2010), through analysis of Latin America, argued "in short, the commodities boom would leave Latin America with some impressive short-term growth and virtually no development of productive capacities" (p.568)[7]. Moreover, the current structures that are reinforced by the resource sector seem to trickle down to societies in the global south. Hence, the structuralist approach proposes that alternative industrial trajectories will have lasting consequences on economic development (Botta, 2010). With the objective of this thesis in mind, it was deemed necessary to explore the structuralist perpective on the theme of the study, to form part of the basis for analysing the data in this study.

Natural Resource and Sustainable Development: Corporate Social Responsibility

The importance of the oil and gas industry cannot be overemphasized however it poses huge amount of threat to the environment and community where extraction takes place. Major stresses on the environment as a result of industrial and agricultural production which contributes to air pollution and the release of dangerous chemicals into the environment has come to the attention of policy

[7] As Cypher sees it, the commodities boom definitely created a potential moment of opportunity to seize the economic rents flowing into South America, but there is scarce evidence that the commodities boom led to the application of strategic policies that would engineer a shift toward higher value-added and more stable forms of production and specialization

makers. Concerns for environmental protection led to the formulation of the Sustainable Development Approach, a term that has gained popularity in development discourse. The sustainable development concept was coined in 1987 by the World Commission on Environment and Development also known as the Brundtland Commission. To enhance and sustain development this concept seeks to meet the needs and aspirations of the present without compromising the ability to meet those needs of the future (Bruntland, 1987).

A background to the sustainable development theory can be traced back to the recommendation by the United Nations Conference on Environment and Development (the Earth Summit) held in Rio Janeiro in 1992. This is based on the need to come out with comprehensive programs of action needed to achieve a more sustainable pattern of development in the next century globally. A portion of the Rio Declaration states that the right to development must be fulfilled so as to equitably meet development and environmental needs of present and future generations and this tie into the goal of sustainable development. The Rio declaration further states that in order to achieve sustainable development, environmental protection shall constitute an integral part of the development process and cannot be considered in isolation from it. Since the Earth Summit in 1992, many countries, international organizations such as the Organization for Economic Cooperation and Development (OECD, 1994) and other environmental agencies have been working to develop indicators for environmental performance in order to achieve environmental sustainability. It has been acknowledged in the UK Sustainable Development strategy (1994) that most societies aspire to achieve economic development to secure rising standards of living both for themselves and for future generation including protecting and enhancing their environment now and for the future.

Also, Multinational oil corporations have joined in the campaign for sustainable development. These corporations use the term to refer to their combined environmental, social and financial performance—the so-called triple bottom line (Elkington, 1998). The preservation of a country's natural resource especially in the area of environmental degradation is important. Sustainability of the environment depends on a strong environmental protection sector. Multinational Corporations in the oil and gas industry as a result of institutional pressures faced in the area of climate change, biodiversity, renewable energy development and social investment have adopted sustainable development oriented practices. These pressures emanate from stakeholders' claims common across an industry—inducing changes in the organizational milieu where MNCs operate (Freeman, 1984; Payne & Raiborn, 2001; Peterson & Vredenburg, 2009). At the business level MNCs come up with strategies through which they can increase their environmental and social performance while increasing financial performance. However, scholars argue that sustainable development does not guide corporate behaviour there is no administrative enforcement that can ensure compliance (Rugman & Verbeke, 1998b). This is especially true in resource rich developing countries where some sort of power is exerted over governments, which leads to their inability to enforce regulations to make sure sustainable development is achieved in the operations of MNCs.

Many MNCs have developed environmental and social responsibility policies in response to the broader critique of industrialization that emerged in the 1960s and 1970s (Banerjee, 2002). Banerjee cites evidence that public perceptions of environmental problems along with increased environmental legislation are two key reasons why the environment became an important issue for corporations resulting in the need for companies to 'sell environmentalism' in order to be perceived green. As

to whether environmental legislation especially in developing countries seeks to control environmental impact of the activities of multinational oil corporations has not been identified. This stems from the fact that multinational corporations that operate in developing countries have been accused of environmental degradation and pollution by host communities and countries, especially those with prominent oil operations.[8] This is said to be the root cause of most of the conflicts between host communities and multinationals in Niger Delta, Nigeria (Eweje, 2006). Therefore, it is argued that corporate social responsibility implies more attention to company relationships with governments and other stakeholders (Kolk & Van der Veen, 2002). In this regard, Bowe (1990) asserts that it is a function of governments to come up with regulations for environmental protection. In order to achieve sustainable development it demands the integration of natural resources management and development to be incorporated into policy projects. The concept of sustainable development has been a problem for developing countries over the years.

Sustainable Development of Natural Resources in Developing Countries

Sustainable development set new challenges for developing countries. Developing countries argue that they cannot be expected to take care of important but less pressing environmental matters (Abdel Wahaab, 2003) while they have other equally important issues to deal with. This can be attributed to the level and pace of socioeconomic development in developing countries. The rapid social and economic development in these countries influence the political will to initiate and enforce appropriate environmental policies and laws. In the 1972 Declaration of the Human Environment Conference (Stockholm Declaration), developing countries are said to

[8] Interview with the President of the Ogonis' of Niger Delta of Nigeria – Mr. Mitee, 15 April, 1999, Port-Harcout, Nigeria.

experience a bigger conflict between conserving the environment and fulfilling their developmental needs (Ntambirweki, 1991). Most of the decision-making in these countries tend to favour economic growth than environmental protection. This is evident in cases where large national projects are considered like oil production and the revenue it generates, for which sometimes no environmental and social impact assessment is done. It can be argued therefore that whenever governments prioritize economic interest over environmental protection, it is the local communities that suffer most. This is because there are either no mechanisms to involve them or the existing mechanisms are not enforced.

Oil and gas communities in developing countries have particularly suffered this faith because decision-making regarding exploitation of the oil is centrally made (Schwarte, 2008; NSI, 2011) .One of the mechanisms that have been used as a decision making tool regarding the environmental protection is environmental impact assessment (EIA) (Adomokai & Sheate, 2004). However, the implementation of this decision-making tool is fraught with problems such as inadequate opportunities for public involvement (Adomokai & Sheate, 2004). Scholars have therefore advocated that for local communities to benefit more from these resources (oil and gas) there is need for the formulation of appropriate environmental protection laws and regulations to serve as a control mechanism on the activities of the multinational oil companies. These laws should also provide adequate opportunities for community involvement in decisions that affect them. For a more sustainable operation of the oil and gas industry for local communities to derive the full benefit, these laws must encourage bottom down decision-making approach. The next section discuses one of the frameworks for ensuring sustainable development in developing countries is

community based natural resource development.

Environmental Concerns in the Oil and Gas Industry

Over the years environmental and social concerns have been a bone of contention between Multinational oil companies and host country government. According to Millstone and Watts (1992), regulations and initiatives like recycling and energy efficiency that began as a grassroots effort is quickly becoming a mainstream issue of concern to consumers, investors, politicians and business people alike. Environmental organizations, company managers and consumers now view environmental responsibility as involving a comprehensive approach that includes assessing business products, eliminating waste and emissions; maximizing efficiency and avoiding practices that damage the environment. Companies have indeed embraced a variety of these initiatives, while integrating environmental responsibility as a core business value at all levels of operations and ignore such myth that the costs associated with environmentally sound strategies are significant (Gabriel, 2006).

The literature on environmental regulation of the upstream oil and gas sector in developing countries and economies in transition has focused largely on domestic legislation as well as a number of intergovernmental agreements and, more recently, voluntary industry initiatives. Much less notice has been taken of environmentally relevant content of contracts negotiated between international oil companies and petroleum producing states, which often have a significant if not dominant role in shaping the regulatory regime for oil and gas operations (Tienhaara, 2011). A study conducted by Gao (1994) concluded that environmental issues had not received enough attention in the oil and gas contracts that he had reviewed. This scant attention given to the environment results in huge costs for both host government and

multinational oil companies in times oil accidents or spills occur. However, some surveys indicate that oil and gas contracts negotiated and signed in the last fifteen years generally give greater attention to environmental protection than those signed previously, but the coverage of specific topics varies widely as does the strength of terms (Tienhaara, 2011). In developed countries the oil industry faces increasingly strict environmental standards. On the contrary as noted above, developing countries are less stringent both in conception and application of environmental laws. This is because they are economies in transition, who often lack sophisticated regimes for environmental protection. Even when legislative frameworks are well developed, there are often deficiencies in capacity and willingness to monitor and enforce environmental regulation (Gallarotti, 1995; Tienhaara, 2011) because multilateral corporations use their influence and money to defeat or water down regulations designed to conserve and protect the environment (Bowe, 1990).

The oil industry faces severe environmental challenges. As continual demand for oil and gas increases there comes the need for more drilling and this creates more problems with the environment. There have long been concerns about whether the current rate of consumption is sustainable from an environmental and economic perspective (Bromley et al., 2006). Environmental concerns have also arisen not only as a result of the sustainable development concept but also by environmental legislation due to concern for human health. Therefore there have been measures taken to curtail air pollution, provision of clean water, and to minimize risk from waste disposal. The concern for public health remains a fundamental consideration in environmental policy.

Social Impact Assessment

One concept that has gained notoriety within the Natural Resource Management is Social Impact Assessment (SIA). Indeed, SIA has become the norm when it comes to assessing the overall Environmental Assessment policies that many mining companies must undertake when starting a project—with many international and national entities requiring some form of SIA to be completed before backing the project. SIA is employed with the recognition that all development projects do have an impact on social structures. To begin, SIA is defined thusly: "Social impacts include all social and cultural consequences to human populations of any public or private actions that alter the ways in which people live, work, play, relate to one another, organize to meet their needs, and generally cope as members of society" (Burdge and Vanclay, 1996: 59). This is in addition to the various other purposes that an SIA tries to achieve which include understanding both the short term and long positive and negative impacts that are associated natural resource extortion (Kilian, 2008: 22). Notably, other factors are taken into account to ascertain the full and complete impacts such as cultural impacts that can be altered due to a project (Burdge and Vanclay, 1996). SIA has under gone major phases in its adoption with the natural resources sector.

The historic trajectory of SIA can traced back to National Environmental Policy Act (NEPA) the United States in acted in 1969, which was enacted with the stated purpose: "To declare a national policy which will encourage productive and enjoyable harmony between man and his environment; to promote efforts which will prevent or eliminate damage to the environment and biosphere and stimulate the human welfare and health; to enrich the understanding of the ecological systems and

natural resources important to the Nation; and to establish a Council on Environmental Quality" (DOE, 1970). Ever since that law was enacted many governments around the world began instituting similar policies that include the full impact of the natural resource extraction (Burdge & Vanclay, 1996). Multilateral institutions also followed suite and started mandating that SIA be utilized on projects financed through their funding. For example, the World Bank has released several studies that analyze the full social impacts of everything from climate change to large hydroelectric construction projects.

As such, there are many benefits have been identified which are derived from implementing SIA, these include reducing uncertainties, the inclusion of the local communities, and could save money in the long run (Burdge & Vanclay, 1996: 61). However, criticisms have been raised as what the full extent of SIA has on development projects. These criticisms include masking the full effects of a project by emphasizing the economic benefit that would be derived from that project—merely public relations ploy designed to gain the acceptance of the local populous. Moreover, within the various scholarly disciplines, debates have raged as how to theoretically basis for SIA. Ultimately, this leads to faulty data collection, interpretation and analysis (Burdge & Vanclay, 1996: 67). Even with the debates about SIA, it remains a relevant force within the natural sector development around the world—both developed and developing.

Environmental and social impact assessments are used to address the detrimental effects of extractives activities and enhance benefits delivered to local communities. Some of these impacts can cause a change of life which can be both positive and negative.

Conclusion

This chapter discussed the theoretical underpinnings relating to resource development in light of oil and gas exploitation globally, and in developing countries such as Ghana. It presents the theoretical framework which set the platform for the study of the impacts of oil exploitation on local communities in the Western region of Ghana. The epistemological and philosophical analysis in this study revolves around the normative question of whether the possession of natural resources such as oil and gas is a blessing or a curse. The theoretical framework addressed the root causes of the resource curse and the Dutch disease which characterized natural resources analysis in international development studies. The theories reviewed reaffirmed, and confirmed the school of thought that argued that the potential for natural resource to be a curse rather than a blessing and or what some scholars termed the Dutch Disease is indeed, inevitable. Nonetheless, with quality governance policy and good political will, the curse associated with natural resource extraction can be avoided.

The central findings that emerged from the discussion of these theories and the literature falls into two parts. First, the discussions indicate that natural resource extraction could be a hindrance to economic growth and nation building. For example, the literature discussed pointed to the fact that natural resource extraction, especially in the area of oil and gas, has generated numerous conflicts around the world. On the other hand, natural resources extraction and production can induce growth when the communities where production takes place see less of the negative impacts and more positive impacts on, and in their lives.

It is found that the catalyst for maximizing the full potential of natural resource extraction is through quality governance and other economic performances.

In other words, conflicts can be avoided when people are satisfied with the decisions and management of these resources, eliminating the greed or grievance factor associated with resource extraction. However, the literature consistently points to the fact that local communities where the resource is found, and extracted, are always at the receiving end regarding major decisions on how the resource is extracted and used.

In view of this, international development scholars have urged strongly, that governments put in place, strategies that ensure transparency, openness, answerability and accountability. This could be achieved by boosting the level of citizen participation in key decision making points. Also, for sound resource management, governments are urged to make environmental and social impact assessments a key component in the planning and decision making process. This allow for the interest of communities to take precedence over the mere attraction of oil companies. This, according to many development scholars, would help achieve a sustainable natural resource development. In conclusion, the potential for natural resource extraction to cause the down fall of a nation is inevitable, however, if properly harnessed, poverty in oil producing communities can be reduced, and in the long run, affect the entire country by catapulting its development for the better.

Chapter Three:

Impact of Oil Discovery and Exploitation in Africa

Introduction

In this chapter, the research discusses the contemporary literature and history on the impact of oil discovery and exploitation in Africa. The starting point for the discussion is a general overview of the history of oil exploration and its impact on oil producing countries in Africa. The next stage focusses on the specific case of Ghana and how its natural resources have been managed over the years. This is to highlight Ghana's track record in managing its resources such as gold, diamond, manganese, bauxite, cocoa, and timber and how that might serves as a template for managing its newly found oil resources.

General Overview of Oil and Gas Industry in Africa

Africa has historically been referred to as a continent with rich natural resources but with high levels of poverty and illiteracy. Indeed, Africa is considered to be well-endowed with natural minerals, including fossil fuels, although the exact economic potential of these resources is not exactly known. However, Africa is estimated to hold about 12 percent of global energy production and trending upwards (AfDB, 2009). Some writers have categorically emphasized that Africa is of little relevance 'because no important economic interests are greatly affected' (Strange, 1998). In essence, Africa's contribution to global economic interest is not significant and not reflective of its human development. But Africa's oil and gas is one of the few outstanding exceptions to the perceived insignificance of Africa (Frynas & Paulo,

2007). New discoveries of oil and gas in Africa in locations never before thought to hold such resources in significant amounts prove that the continent is still a 'virgin' in many aspects regarding exploration and exploitation of oil and gas resources.

From a historical perspective, arguably extraction of oil in Africa started just prior to and after decolonization[9]. Algeria, which had extracted small amounts of oil from 1918, began producing significant quantities when Algeria's Edjeleh and Hassi Messaoud oil fields began production in 1957 (Aissaoui, 2001). Also, in 1957 the first tanker load of crude oil was exported from Gabon (Yates, 1996), and Nigeria started producing oil in December of that year (Frynas *et al.*, 2000), while Libya started producing oil in 1961. Africa's oil output increased more than 20-fold between 1960 and 1970 (see Table 1). Events of international significance such as the Yom Kippur war in 1973 and the Iranian revolution in 1979, further underlined Africa's importance as an oil producing region. It led to major political, economic, and social transformations in some of the key oil-producing states in Africa, including Libya, Algeria, and above all Africa's most populous country Nigeria. From a level of 20,000 barrels per day in 1960, Nigeria's daily oil production rose to over two million barrels in 1973. However, the country's oil production today is only slightly higher than that achieved in the 1970s (Frynas, 2000). This rise in crude oil output was reflected in oil's share of Nigeria's total exports (an increase from 10.75 to 83.14 percent between 1963 and 1973) and oil's contribution to Nigeria's total government revenue (an increase from 26.3 to 82.1 percent between 1970 and

[9] In the modern era, the first search for oil in Algeria took place in the late nineteenth century and in Nigeria before the First World War. Production started in Egypt in 1910, and Egypt became the key African oil-producing country. But Africa's role in the international oil markets was limited until decolonization (Table 1).

1974).[10]

Table 1. African and world oil output (million metric tonnes) (1950–2005)

	African output	*World output*	*Africa as percent of total world output*	*Africa's main oil-producing country*
1950	2.6	522.1	0.5	Egypt
1953	2.9	659.4	0.4	Egypt
1955	2.0	774.0	0.2	Egypt
1957	2.7	887.4	0.3	Egypt
1960	13.8	1,056.9	1.3	Algeria
1961	23.7	1,125.4	2.1	Algeria
1962	38.9	1,220.8	3.2	Algeria
1963	57.1	1,309.4	4.4	Algeria
1964	82.4	1,409.6	5.8	Libya
1965	106.5	1,566.3	6.8	Libya
1966	135.4	1,700.6	8.0	Libya
1967	149.1	1,824.7	8.2	Libya
1968	191.0	1,990.9	9.6	Libya
1969	242.7	2,141.2	11.3	Libya
1970	292.3	2,355.2	12.4	Libya
1971	273.8	2,492.7	11.0	Libya
1972	275.1	2,636.6	10.4	Libya
1973	287.1	2,866.6	10.0	Libya
1974	264.9	2,875.2	9.2	Nigeria
1975	242.5	2,734.4	8.7	Nigeria
1976	289.0	2,969.0	9.7	Nigeria
1977	303.4	3,073.3	9.9	Libya
1978	298.0	3,103.1	9.6	Libya
1979	326.4	3,233.1	10.1	Nigeria
1980	300.6	3,087.9	9.7	Nigeria
1981	239.4	2,910.0	8.2	Nigeria
1982	230.5	2,795.6	8.2	Nigeria
1983	233.3	2,759.2	8.5	Nigeria
1984	248.8	2,814.6	8.8	Nigeria
1985	260.9	2,792.1	9.3	Nigeria
1986	260.6	2,936.0	8.9	Nigeria
1987	260.2	2,947.2	8.8	Nigeria
1988	274.9	3,069.1	9.0	Nigeria
1989	296.7	3,102.9	9.6	Nigeria
1990	320.9	3,170.6	10.1	Nigeria
1991	328.3	3,160.4	10.4	Nigeria
1992	335.3	3,189.7	10.5	Nigeria
1993	332.0	3,188.4	10.4	Nigeria
1994	333.9	3,236.9	10.3	Nigeria
1995	339.3	3,280.9	10.3	Nigeria
1996	355.9	3,375.9	10.5	Nigeria
1997	370.4	3,480.9	10.6	Nigeria
1998	363.9	3,547.6	10.3	Nigeria
1999	361.2	3,479.3	10.4	Nigeria
2000	373.0	3,613.8	10.3	Nigeria

[10] Ibid, p. 24

Table 1. Continued

	African output	*World output*	*Africa as percent of total world output*	*Africa's main oil-producing country*
2001	375.2	3,593.7	10.4	Nigeria
2002	379.6	3,572.0	10.6	Nigeria
2003	399.6	3,705.8	10.8	Nigeria
2004	441.0	3,865.3	11.4	Nigeria
2005	467.1	3,895.0	12.0	Nigeria

Source: 1950–64 data from Jonathan Baker, 'Oil and African development', *Journal of Modern African Studies* 15 (1977), pp. 175–212; 1965–2005 data from *BP Statistical Review of World Energy* (BP, London, 2006).

In the past, and importantly now, there has been scramble for Africa's oil. This scramble of African oil started in the 1880s and 1890s but in a significantly different process as compared to now. This period (the 1880s and 1890s) witnessed European nations including Britain, France, Germany, and Belgium turning Africa into colonies following a formal partition of Africa at the Berlin conference between 1884 and 1885. The Berlin conference provided those European nations with the legitimacy to govern Africa politically, militarily, and economically according to their spheres of control[11]. Consequently, access to natural resources such as oil in the colonies was dictated by the colonial power that provided the human expertise, capital, and technology to ignite the oil boom that followed. Key characteristics of the nineteenth century scramble are missing from the current expansion of interests in Africa. Currently, there are clear spheres of interest or spheres of control arising from the Western World as well as from new emerging economies. Also, foreign investment was neither particularly important before the Berlin Conference in 1884 nor important in the immediate period afterwards, in contrast to the current expansion

[11] On the nineteenth century Scramble for Africa, see e.g. G.N. Sanderson, (1974), 'The European partition of Africa', The Journal of Imperial and Commonwealth History 3, 1 pp. 1–54.

that is driven by foreign investment. But, above all, the role of Africans in the nineteenth century scramble was very different, in that the process was driven and dictated by European colonial interests, whereas today African leaders act in the role of decision-makers. Overall, Africa's oil boom in the 1960s had much more of a colonial imprint than the oil rush we are witnessing today.

The development of oil resources in African colonies was pursued for strategic and economic interests of the colonial powers. Also, private and public firms of the colonial powers developed the oil sector. For example: In Anglophone Africa, a Shell–BP venture was given an effective monopoly for oil exploration and production in Nigeria and a 1914 colonial ordinance stipulated that only British oil companies were permitted to obtain oil licenses in Nigeria, allowing Shell–BP to establish an effective domination of the country's oil production (Frynas *et. al.*, 2000).

In Francophone Africa, French oil interests dominated the oil industry at independence (Aissaoui, 2001). In Algeria and Gabon; the new Algerian government was even made to sign a guarantee that French oil companies would receive preferential treatment in the granting of oil concessions for six years after the country's independence. The situation was perhaps less clear-cut in many other African countries, but it is less than a coincidence that, for instance, the Italian oil company Agip had become by far the largest foreign oil-producing firm in Italy's former colony Libya (Gurney 1996). In contrast to the first oil boom around the time of decolonization, today's oil boom has few marks of neocolonialism, as American, Chinese, and other firms compete against each other to gain endorsement among African governments, who remain firmly in charge of decision-making. On the superficial level it is African governments, not external actors, who dictate terms for

foreign investors today. However, at the decision-making level there are political and economic forces behind Africa's oil rush.

Africa is an important player in global oil and gas production, with a total share of 12.1 percent in 2006. The major producers are Nigeria, followed by Angola, Algeria, Libya, Egypt, Equatorial Guinea, and Sudan in succession (see figure1). The four major producers in Africa (Nigeria, Algeria, Libya, and Angola) together account for 77 percent of the continent's production and contribute 9.2 percent to world oil production. Figure 2, illustrates the trend of oil production in Africa. It is worth noting that Libyan production dropped sharply from 3,300 barrels per day (bpd) in 1970 to 1,514 bpd in 1975.

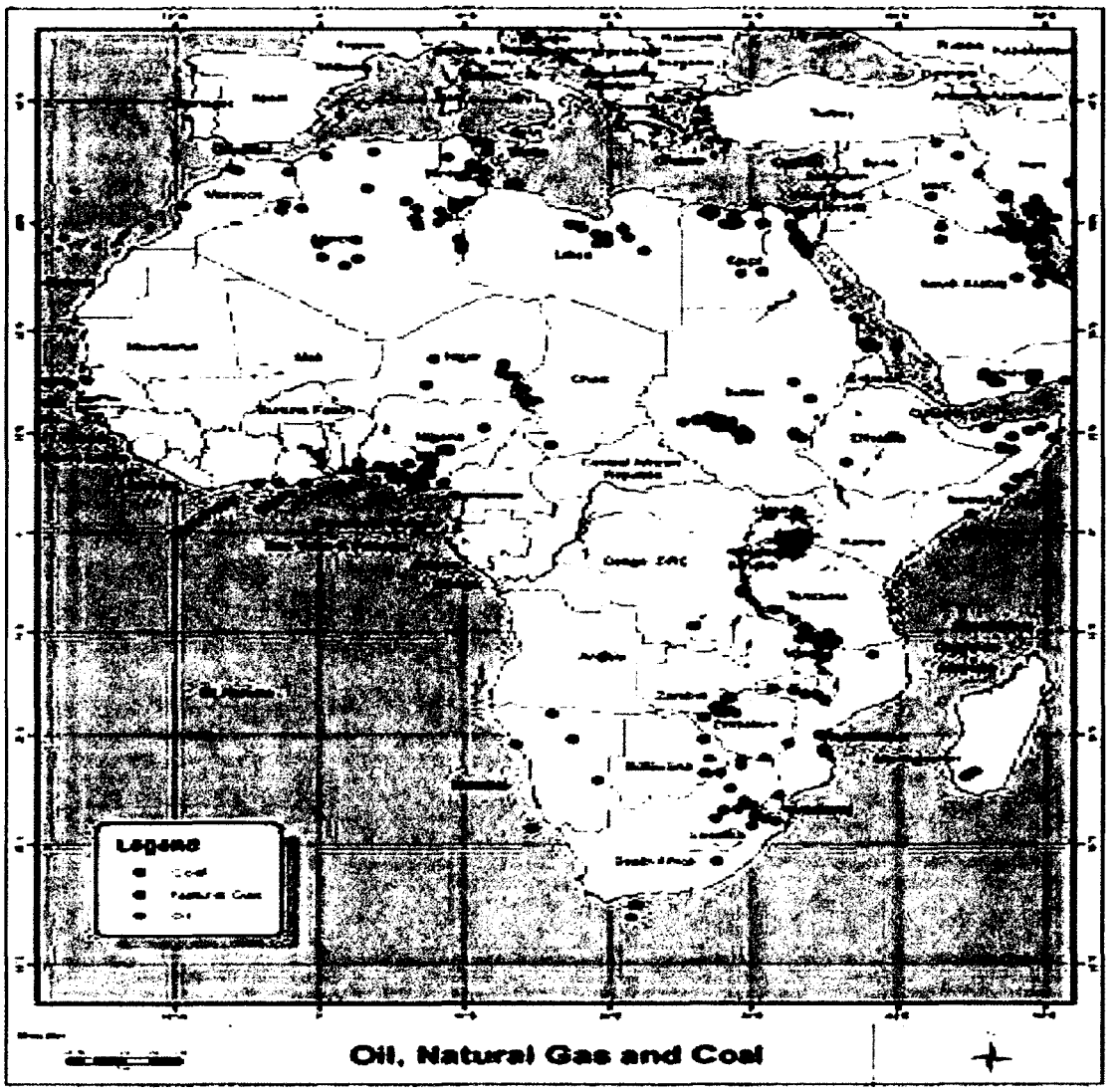

Figure 1.Source: Oil, Gas and Coal Reserves in Africa (Council for Geosience, 2007)

At the same time, Nigerian production rose from 1,084 bpd in 1970 to 2,256 bpd in 1974. In 1982, African production fell to its minimum of 4,814 bpd following the world economic recession. However, in the last decade virtually all oil producing African countries have registered a steady increase in production. Oil production in Africa started in earnest in the 1960s and has been increasing gradually ever since,

except for a slowdown in the early 1980s owing to the collapse in oil prices. Figure 3 shows this trend, from 2.2 million bpd produced in 1965 to about 10 million bpd in 2006.

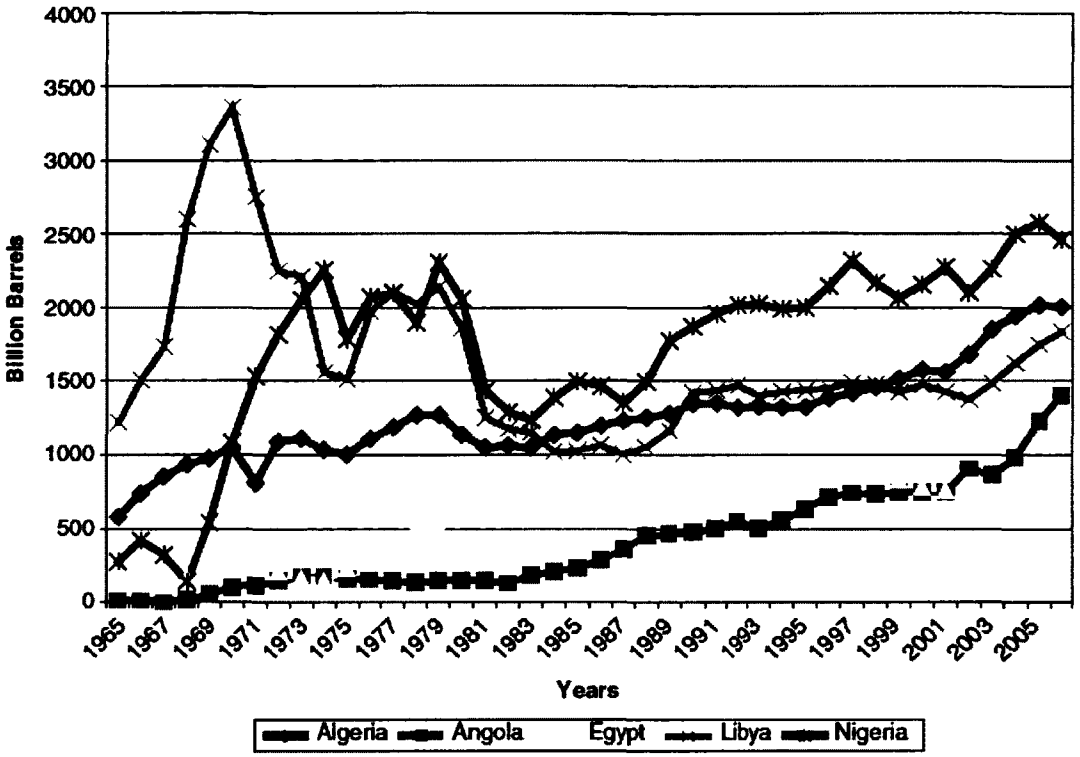

Figure 2. Source: Oil Production in Africa by Countries, 1965 - 2006 (Authors, with data from BP Statistical Review of World Energy, BP, 2007)

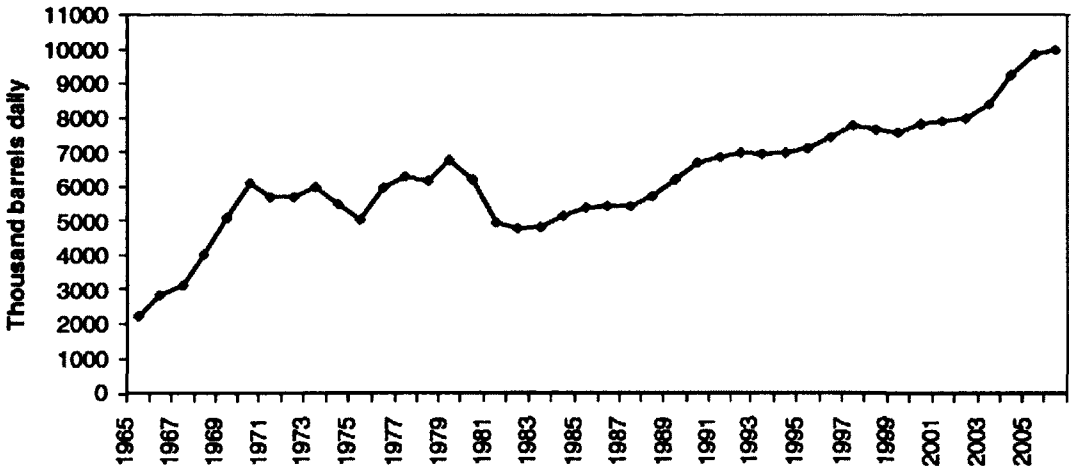

Figure 3. Source: Africa's Average Oil Production per Year, Daily Production bpd (Authors, with data from BP Statistical Review of World Energy, BP, 2007).

Africa's Oil exploration and exploitation activities are generally led by mostly foreign oil companies. It is rare for governments to directly lead these activities, although nationalized or state-run oil companies are often involved. Oil exploration efforts in Africa have been boosted significantly in recent years, as illustrated in figure 3 by the rate at which proved reserves are growing over time. It is worth nothing, however, that exploration, as well as estimates of reserves, increased gradually even in the 1980s, when oil prices were declining most likely illustrating that exploration in Africa was underpinned by geopolitical and oil supply security motives mostly from Western nations, in the early phase, and increasingly with emerging countries such as China, and India.

Conventional wisdom holds that oil exploration increases when oil prices rise. This is attributable to the availability of large profits that companies can channel to exploration activities. At present, countries such as Ghana, Kenya, South Africa, Mozambique, Tanzania, Uganda, and several other African nations are being explored for hydrocarbonates, offshore and onshore. To date, large deposits of

natural gas have been identified in Tanzania, and substantial probable oil deposits found in Albertine Graben (Uganda) and in the western part of Ghana (offshore). There are also potential significant oil discoveries in South Africa, Mozambique, and Tanzania. Africa's oil is attractive to the international market especially that of the Gulf of Guinea is gaining the most attraction due to a number of reasons: new discoveries are constantly being made there and it's predominantly offshore which makes it less costly for exploitation and lowers the risk of turmoil onshore. Its oil is of high quality and low in sulphur, and Africa's oil markets are opened to foreign participation. (Gary & Karl, 2003).

Today, despite all these scrambles and neocolonialism worries, Africa's natural resources constitute a principal source of public revenue and national wealth. Crude oil and natural gas, in particular, contribute significantly to the economies of resource-rich African countries listed above. Taking a country like Nigeria for instance, the oil Industry is the cornerstone of her economy for over five decades (obadan, 1998). The oil industry has risen to the commanding heights of the Nigerian economy, contributing the lion share to gross domestic product and accounting for the bulk of federal government revenue and foreign exchange earnings since early 1970. Nonetheless, it is argued strongly that petrodollars do not reduce poverty but rather exacerbated poverty (Gary & Karl, 2003). The inability of petrodollars to reduce poverty in Nigeria and other oil producing countries in Africa has been attributed to mismanagement or for want of a better expression, the bad governance of the oil resources. The concerns raised by scholars about mismanagement and bad governance of Africa's oil resource stems from the fact that most oil producing economies depend heavily on the oil resource to balance their budgets. In spite of this reality, harnessing the resource to maximizing the benefit to alleviate or reduce

poverty remains a far cry. In this regard, the next section discusses the objectives informing the need to maximize the benefits of the oil resource for the benefit of the present generation and future ones.

Maximizing Oil Benefits for Sustainable Development

Most resource rich African countries are exhibiting signs of the 'paradox of plenty' (Karl 1999). What can be done with the 'plenty' (the resource) for socioeconomic benefit? For centuries the resource curse theory has always been the story of Africa. The potential of minerals [oil and gas] to contribute significantly to economic development (Ascher, 1999; Davis, 1998; Deaton 1999), comes with overcoming some external pressures and internal challenges for the continent. Oil dependent Africans nations are sometimes blamed for their persistent problems because they are among the most economically troubled, the most authoritarian and the most conflict-ridden states in the world today (Gary & Karl 2003). Some authors see the oil exploitation to be one of the factors aggravating Africa's problem of slow growth and persistent poverty.

This is because policy makers are pretending they are not aware that the current energy models will keep compounding [Africa's] problems no matter how much money is invested (Bassey, 2012). Even the World Bank (2002) points to the severity of the problem by stating that the industry is a "foot print industry" thus it leaves an environmental, social and economic impact wherever it finds itself. According to Bassey, "the simple answer to the crisis in the Niger Delta is that the oil should be left in the soil or in the sea, the coal in the hole and tar sands in the land" (Bassey, 2012: 117). As if this is possible, we realize in the literature that extractive activities are heavily relied upon because they are the driving force for economic

development of most developing countries (Dias & Begg, 1994; Zank, 1995). Thinking logically about it, if the negative impacts far outweigh the benefits, then some NGOs are right in pushing for an abolishment of the extractive activities (Thomson & Joyce, 1997). Moreover, it has been clearly established that persistent natural resource export dependence leads to poorer quality of institutions, closed economy and slow growth (Sach & Warner, 1999). Contrary to this view, it is clear from previous discussions that some countries need revenues generated from oil and gas exploitation. Even though in the case of Ghana it isn't like they cannot survive without it. However, it is needed to boost development and accelerate growth. Hence, oil and gas rich African countries need to make it their objective to optimize the benefits to strategically cater for social, environmental and other sectors of the economy.

The objective of maximizing oil and gas resource revenues and benefits for current and future generations can be broken down into four key elements, which correspond to different stages, from extraction through revenue flows to expenditure: (1) The first concerns contracts with exploration companies and appropriate fiscal regimes; (2) The second, transparency in natural resource payments and spending of the resulting revenues (including suggestions for more effective public sector financial management); (3) The third, the timing of natural resource expenditures, in particular, how this can benefit the general population and future generations; and (4) The fourth, investment and consumption decisions.

Another major concern in maximizing the benefits of oil and gas in Africa is that governments receive inadequate share of the rents. For the African Development Bank, some reasons for this is that, oil contracts and regimes are not designed to extract maximum rents; and current oil and gas policies were not designed to cater

for changing global dynamics and national interests (AfDB, 2009). The Bank advises that, sustainable development of oil and gas principles, policies and practices should seek to produce for the benefit of future generations. It is therefore, incumbent on African leaders to address the problem of high and volatile prices of oil and the growing external and internal demand for oil and gas as well as import dependence of African countries. The ultimate aim for the adoption of sustainable practices and policies is to curtail the problem of corruption, ensure accountability and transparency. In the end, creating an enabling environment for strong citizen participation and involvement.

Oil and the Poverty in Africa

Minerals (in this case oil and gas) are a gift of nature available to be developed, sold and used to better the lot of a nation's citizens (Eggert, 2002). Can oil exploitation better Africa's lot by taking into consideration those who are heavily affected by the chaos the industry generates—the poor? Considering the experiences in Nigeria and elsewhere, Africa's oil boom can make matters worse for the poor if revenues keep on being channeled through governments that lack transparency and accountability (Gary & Karl, 2003). This study seeks to find out whether Ghana can make a difference by considering its poor and making sure the oil communities reap the benefits of the oil and gas as extending to the entire country. Ghana can be said to have an upper hand over its counterparts because it is the only country in Africa acclaimed to be on the way to success even before the oil discovery:

> Ghana has been a multiparty democracy since 1992 and its citizens enjoy a high level of freedom in the media, speech, and political associations. All five of its elections have been, if far from perfect, of very high credibility and are widely

> believed to reflect the public will (Carter Center, 1992; Jeffries & Thomas, 1993; Jeffries, 1998; 2005; Carter Center, 2008). Ghana was one of only twenty countries (and the only country in Africa) identified by Carothers as "en route to becoming successful, well-functioning democracies" (2002). Ghana has steadily improved since the data began in 1996 in terms of World Bank governance indicators in 'voice and accountability' and 'rule of law'. Perhaps more importantly to Ghana's democracy, there is evidence that Ghanaians themselves are satisfied with the quality of democracy in their country. The Afrobarometer surveys find that Ghanaians are much more satisfied with the quality of democracy in their country than the average African and that satisfaction has risen between 2000 and 2005 by 16 percentage points, even as the region as a whole has seen a decline (Bratton and Cho, 2006; cited in Young & Moss, 2009).

This is not to say that Ghana is different from other African countries. What is it that other African countries are not doing right that Ghana can do to make a difference? At the moment Ghana is under pressure, all eyes are on the country. Some researchers refer to this period of oil boom as 'Ghana's biggest Test' (Gary, 2009). What the country will do in this period of oil boom should be reflected in the lives of its poor especially those in oil communities.

Local communities are of the hope that oil and gas exploitation holds a promise for them. All they are seeking is for a change in their living standards. One representative of Hess Company lamented that; "There is incredible opportunity for wealth creation for local people" while speaking of the potential of oil wealth of SãoTomé.[12] What is actually the expectation of the poor when it comes to the benefits from oil? The answer to this question was cited from the work of Gary and Karl "Bottom of the Barrel: Africa's Oil Boom and the Poor", that "InWest Africa the hopes of people watching new pipelines built through their communities or

[12] PFC Strategic Studies, August 2002 Presentation, "Sudan: Projected Oil Production and Revenues," copy onfile.

seeing the impressive installation of offshore platforms can be palpably felt (2003). They believe that oil will bring jobs, food, schools, healthcare, agricultural support and housing. "We were told by the company that we would have a new school, with books and electricity and water," a village chief in Congo- Brazzaville reported" (Odunyi, 2002). However, evidence from diverse research shows the contrary. These authors although not being pessimistic state emphatically that the gap between the promise of petroleum and the perversity of its performance in recent times is enormous.

In Africa, extractive communities seem not to have a say in the oil discourse due to the fact that the government holds in trust all natural resources for its citizens (AfDB, 2009). Hence, governments have the power to make decisions and allocate resources while considering the needs of the poor. This implies that the government act in the best interest of the entire nation. Consequently, considering what people have to suffer it seems Arvind Ganeson from Human Rights Watch remarks "the government's take is not necessarily the public's take. It may just be the government's take."[13] In essence, African governments tend to act in their own interest with no or little regard for their poor.

Oil and gas' bitter promise is seen in the lives of communities in the Niger Delta of Nigeria. Seen in the works of Nigerian scholars, it is evident that oil communities made up of mainly poor and peasant farmers 'enjoy' the cost rather than the benefits of oil. Omeje notes that:

[13] BBC News, "Shell Nigeria closures continue," March 24, 2003. http://news.bbc.co.uk/go/pr/fr/-/2/hi/business/2880955.stm

> "[d]espite its vast oil reserves, the Niger Delta region, not unlike the rest of the country, remains poor with more than 70 percent of the inhabitants and indigenous living in rural communities" (Omeje, 2006).

Similarly, Ike Okonta and Oronto Douglas in their book "Where Vultures Feast" describes the situation by expressing that "four decades of oil productions have led to major dislocations in the lives of the people of the oil producing communities of Nigeria's Niger Delta, and violence done to their environment has translated into direct violence against the people" (Okonta & Douglas, 2003).

These situations still persist yet extraction continues daily. It seems petrol dollars holds little premise for the poor and as such Nnimmo Bassey, an environmental right activist suggest a way forward out of this predicament by stating that:

> "Decades of oil extraction in Nigeria have translated into billions of dollars that have spelt nothing but misery for the masses of the people. It is time for Nigeria to step back and review the situation into which it has been plunged. The preservation of our environment, the restoration of polluted streams and lands, and the recovery of our dignity will only come about when we stand away from the pull of the barrel of crude oil and understand that the soil is more important to our people than oil" (Bassey, 2009:9).

There is a strong call from the Civil Society Platform on Oil and Gas and other NGOs as well as other stakeholders that Ghana should in no way repeat Nigeria's mistakes. This is to say that, Ghana has to break the cycle of the resource curse. With all its high rankings in performance indicators, Ghana's must surely have a different story.

Ghana is being beckoned to learn from Botswana, Norway and Alaska (Young and Moss, 2009). To Young and Moss even though the secret of Botswana's

success is unclear they pin it to good economics leading to good politics and vice versa. This is translated into being able to have an oversight that stems from citizen participation and involvement as well as holding government accountable. They propose "a complementary policy option that will attempt to build the relationship between citizens and their state: direct distribution of the oil revenues to citizens. Sharing out oil funds directly to Ghanaians will provide them with an immediate highly-visible welfare benefit and, just as importantly, a direct incentive to actively participate in monitoring the revenue flow" (Young and Moss, 2009).

Ghana's Natural Resources in Perspective

While literature on the discovery of oil in Ghana is recent, enough material has been generated within the short period after the discovery that throws light on the key issues that warrant attention and analyses. While this is not a comparative study, the philosophy behind a popular African proverb "When your neighbour's beard is burning, it is prudent to have some water in reserve just in case yours also catches fire" underlines the prudence in reviewing literature on the Nigerian Oil industry. Nigeria is Ghana's West African neighbour and shares several socio-economic, cultural and historical characteristics which make a comparison of the two countries within the context of this study imperative. Both being former British colonies, both share a common official language, English, which makes them very close neighbours in the sub-region despite the fact that they are not geographically contiguous. Separated by Francophone neighbours, there is historically a strong link between the peoples of the two countries which cannot be overlooked in a study that seeks to establish the impact that events in these countries impact each other. It is these links among several others, which are beyond the scope of this study that inform the

reference to and review of literature on the oil industry in Africa.

To this end, the next section discusses Ghana's oil industry in relation to citizens expectation and anticipation.

Overview of Ghana's oil Industry: Citizens Expectation and Anticipation

The announcement of oil discovery by Komos Energy an oil company in 2007 was graciously welcomed among ordinary Ghanaians. Expectations were high, part of which can be said to have been fueled by the statement made by the then President John Agyekum Kuffour:

> Oil is money, and we need money to do the schools, the roads, the hospitals. If you find oil, you manage it well, can you complain about that? Even without oil, we are doing so well, already. Now, with oil as a shot in the arm, we're going to fly.[14]

In the midst of the euphoria, some Ghanaians have expressed anxiety that the oil exploitation will aid more corruption and do little for poor people, pointing to the sorry state of mining communities in Ghana as well as oil-rich but dirt poor communities in neighbouring Nigeria (Gary, 2009). Citizen's expectations have grown significantly regarding the impact of the oil and gas on the entire economy. The ordinary citizen anticipates waking up in the morning with a drastic change of life at the snap of the finger lots of employment opportunity to spur up growth as well as pro-poor initiatives from government and more citizens participation and involvement.

Many have called for the need to manage the high expectation arising from the public. As expressed in the words of Dr. Joe Asamoah, the managing director of

[14] "UK's Tullow uncovers oil in Ghana," BBC News, June 18, 2008, http://news.bbc.co.uk/go/pr/fr/-/2/ hi/business/6764549.stm.

EnerWise Africa, "the management of Ghanaians' expectation in the light of oil discovery demands full attention. The government and its agencies, NGO research and academia and religious body must work together to disabuse the minds of Ghanaians to the notion that oil production is a panacea for all socio-economic problems."[15] This statement not being warning enough, expectations are heightened as a result of numerous lifts that have been done and the figures that are being flared around. Meanwhile, the ordinary Ghanaian cannot be blamed when current estimations shows that considering a barrel of crude oil at the price of US$75, the country stands to gain US$1billion annually over the spun of 20 years. This amount is significant enough to boost socioeconomic development, at least for a country that is heavily dependent on donor funding.

Ghana's Jubilee Field

The country has already started producing oil from the Jubilee field which is the country's most significant find. It is said to be one of the biggest finds in West Africa of the last decade[16] and has attracted global attention with a number of oil companies and investor flying into the country. Ghana set a world record by commencing production three years after discovery. In all eighty-nine wells have been drilled offshore with six insignificant discoveries made. The Jubilee field is straddled with two licenses, which are Deepwater Tano and West Cape Three Points, off the Western Coast of Ghana as shown in figure 4. Production is estimated at 55,000 barrels a day and will vamp in 2013 -2015 at 120,000 barrels of oil per day (bpd) and this is going

[15] Ghana energy journal July – September 2011, pp 39
[16] Source: AFP – http://www.google.com/hostednews/afp/article/ALeqM5j3aTsDnOyqXDuSNMT6zl_Gm4R1zw see also http://mergersandacquisitionreviewcom.blogspot.ca/2011/05/ghana-recent-oil-discoveries-and.html

to last for 20 years (Tullow, 2011).

The Jubilee field has the potential to generate USD 1.8 billion per annum at peak production as illustrated in figure 5. Currently, Jubliee field is producing around 80,000 bpd of oil from seven wells according to Tullow Oil. Ghana's Jubilee field is situated in a water depth of 3,609 feet (1,100 meters) and is operated by Tullow (49.5%). Other partners on the Deepwater Tano license and Jubilee field include Kosmos Energy (22.05%), Anadarko Petroleum (18%), and the Ghana National Petroleum Corporation (10%).[17] Ghana's search for new oil finds continues and there are more vessels at sea carrying out seismic and exploratory activities

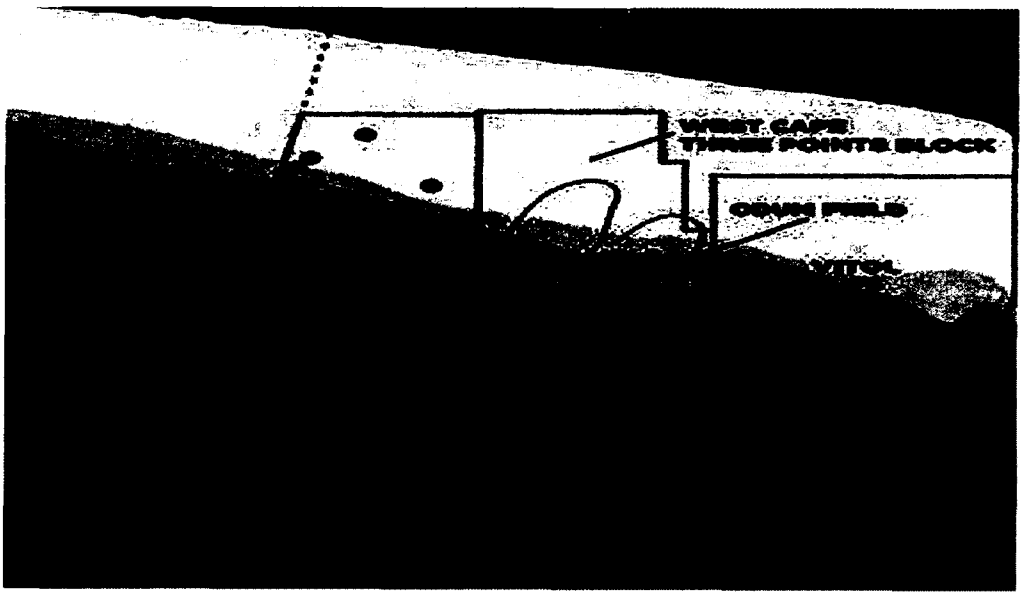

Figure 4: Source: Ghana's Jubilee Field straddles two licenses: Deepwater Tano and West Cape Three Points (Source Tullow oil, 2010)

[17] http://subseaiq.com/data/Project.aspx?project_id=382&AspxAutoDetectCookieSupport=1

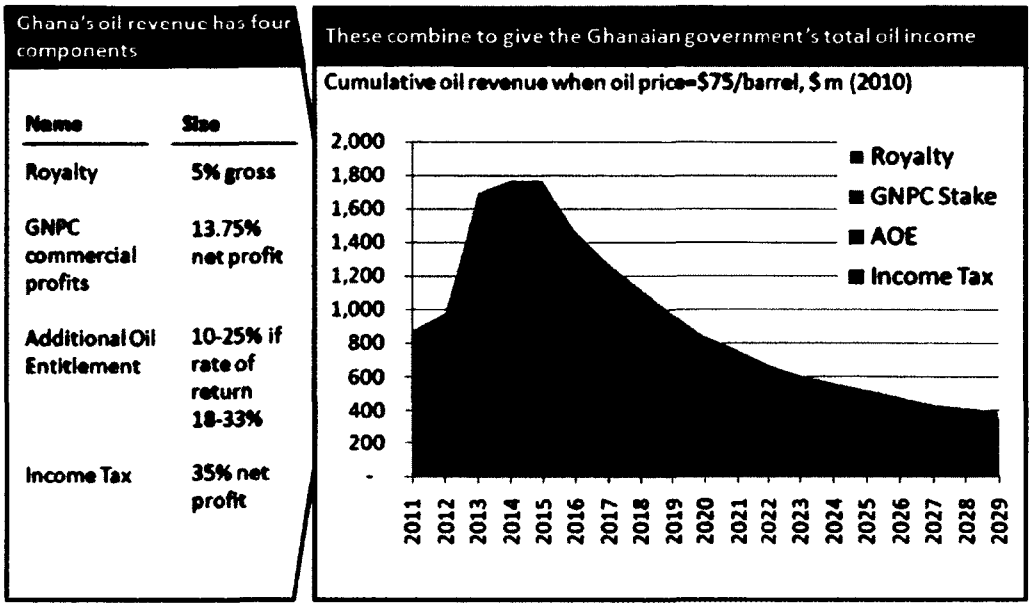

Figure 5: The Ghanaian government's oil income has four components (source: World Bank, 2009; Tullow Oil, 2010, team analysis)

The country made its first lift of oil in March 2011 followed by subsequent lifts in the course of the year (see Table 2). Owing to this, oil made significant imprint on the economy according to a World Bank report, "in 2011 Ghana's economy grew at 14.4 percent boosted by new oil production and a rebounded construction sector."[18] In the light of doing well, oil discovery and exploitation in Ghana has be hurled as 'Ghana's Biggest Test' (Gary 2009). It is indeed a test for the country in that being an oil producer comes with its challenges and benefits.

[18]http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/GHANAEXTN/0,,menuPK:351962~pagePK:141132~piPK:141107~theSitePK:351952,00.html

Table 2: *Jubilee Crude oil Production from inception to June 2011*

Month /Year	Daily Average Production (BBL)	Production Days	Quantity Produced (BBL)
Nov 2010	36,563	3	73, 125
Dec 2010	36,932	30	1,107,963
Jan 2011	44,220	31	1,370,827
Feb 2011	44,974	23	1,034,395
Mar 2011	63,687	31	1,974,289
Apr 2011	62,086	30	1,862,578
May 2011	66,740	30	2,062,202
June 2011	64, 395	12	772,737
Total			10,198,116

Note:Production commenced on November 28, 2010. (2) June Production figures up to 12th.
Source: Ghana Energy Journal (July – September 2011 edition)

Ghana's Potential Benefits from Oil and Gas

Ghana has been labeled as the 'black star' of Africa for being the first to have gained independence 1957, currently has multiparty and enviable democracy in the sub region. This is a plus for Ghana, given that few African countries have been able to meet the democratic consolidation after independence (Lindberg, 2006). The country has been rated as having high performance indicators in the area of peace and democracy in Africa. This amongst others has boosted the country attraction to the international market. To confirm this, Moss and Young (2009), sum up six variables namely: peace and stability, democracy and governance, control of corruption, macroeconomic management, poverty reduction, and signs of an emerging social contract to suggest the country's admirable political and economic progress. Consequently, Ghana is widely seen by donors and others as a 'model country' in terms of macroeconomic and political stability, investor friendliness, good governance, and efforts to reduce poverty. As such, it has received billions in donor assistance and debt relief over the past two decades (Gary, 2009). For this reason, the World Bank says that "overall poverty has declined from 52 percent in 1992 to 28 percent in 2006, and Ghana is on course to exceed the 2015 Millennium

Development Goals (MDG) of halving her poverty," while in Sub-Saharan Africa overall, there has been no comparable decline in the poverty rate. Irrespective of this statistics, the country is still wallowing in poverty as its people barely survive under $2 a day (World Bank, 2009). Ghana scores above the 50th percentile in the World Bank Institute's Worldwide Governance Indicator rankings and has been making steady progress in these rankings over the past decade. (The rankings cover issues such as the rule of law, government effectiveness, regulatory quality, and 'voice and accountability'.[19]

In the same vein, to further elaborate on Ghana's challenge, some studies states that "Oil wealth tends to erode democratic accountability and Ghana's challenge will be to ensure that the right institutions and transparent policies are in place before oil production starts" (Gary, 2009). Key government development objective is to grow the economy to rapidly accelerate development and industrialization. Thus the hope that the oil and gas sector will be a channel of growth to the reduction of poverty and the general prosperity of the people of Ghana. Other studies also pose the question, whether oil will build or break Ghana's democracy (Ross, 2010). These concerns arise from the already mentioned problem or contention of making the oil find a blessing. Most studies are based on the oil's ability to promote development on the projection of proper functioning frameworks and better management (see Gary, 2009; Ross, 2010; van der Ploeg, 2011). This accounts for some of the problems that emerged after the commencement of production.

[19] World Bank Institute, "Governance matters 2008: Worldwide Governance Indicators, 1996–2007," www.govindicators.org

Challenges Emerging from the Oil Sector of Ghana

One of the issues that became a contested topic is Ghana's preparedness to begin oil production. Some of the concerns raised in this regard are that four months into the onset of oil production vital laws and institutions to govern the industry were still under discussion. The Civil Society Platform on Oil and Gas whose membership is drawn from both individuals and organized groups evaluated the performance of government in managing the challenges emerging from the oil sector. They came up with a readiness report card, in which they graded overall performance in April 2011. The report points to the fact that Ghana embarked on production without a regulatory framework in place regarding the activity and the role of oil companies and institutions that will be operating in this arena. There was also no enabling legislation to establish an independent regulator for the oil and gas sector. The concern of most analysts and observers is Ghana's ability to avoid the curse that plagues many countries. The report evaluates government performance in 10 thematic areas as follows:

No	Theme	Grade[20]
1.	Transparency	B
2.	Independent regulation of the sector/role of Ghana National Petroleum Company (GNPC)	D
3.	Licensing and contracts	D
4.	Citizen Participation/ public oversight	B
5.	Petroleum revenue collection	C
6.	Oil revenue management/oil funds	B
7.	Linking oil revenue spending to development planning	C
8.	Budget openness and public financial management	C
9.	Social and environmental issues	D
10.	Local content	D

Now as far as this study is concerned, there are two of the thematic areas

[20] Interpretation of Grading: A –Excellent, B – Good, C – Fair, D – Poor, E – Fail

reviewed in the readiness report card that is keen interest to this study. One is citizen participation and public oversight and social and the other is environmental issues. These notwithstanding, the research will shed light on some of the other areas as well.

The Petroleum Revenue Management bill was passed in March 2011, more than a year after production began. The delay in passing the Petroleum Exploration and Production bill generated some agitation in the local communities about lack of transparency in oil contracts because these are shrouded in legislative and contractual secrecy (Ross 2010). This has resulted in the fear that the objective of Local Content and Participation Policy may not be achieved (Akolgo, 2011). Initially, contracts were concealed from the public but the President Professor John Atta Mills had directed in March 2009 during a visit by the Vice President of the World Bank for Africa, Obiageli Ezekwesili that oil contracts be made publicly accessible. However. the part of the agreement that has been made available is of little use for anyone wanting to undertake a comparative analysis[21]. Oil companies in letting themselves off the hook about the secrecy of contracts have published that "these agreements remain confidential at the request of host governments for commercial reasons. However, their terms are in line with agreements signed around the world. The main beneficiaries in both Ghana and Uganda will be the people of those two countries. Should either government that is party to the agreement on behalf of its people, choose to make it public, we would fully support this" (Tullow, 2009: 43): "Why are your petroleum agreements in Ghana and Uganda confidential?).

[21] News Updata, "AfREIK-Hub Hosts Dialogue on Contract Transparency" Ghana Energy Journal April – June 2011 pp 18 – 19

Also, it was noted that there were flaws in the existing Petroleum Exploration and Production law (PNDC law 84), which was subject to debate. The point can be made emphatically that Ghana treated the issues of regulations lightly. This nearly led to the mining company, Komos Energy going scot-free without being held responsible for having spilled 698 barrels of Low Toxicity Oil Based Mud (LTOBM) into the marine waters of Ghana within five months (December 2009 – May 2010) of commencement of operations. The government of Ghana as part of taking measures fined the company. It was reported on Xinhua, a Chinese News Website that Komos has in a three page strongly worded letter, referred to the fine as being "totally unlawful, unconstitutional, ultra vires and without basis." Section 17 and 18 of (Petroleum Exploration and Production law) PNDC Law 84 spells out the obligations of companies in case of spillage but does not include a fine. And this is where Kosmos has a point in refusing to pay the fine. "It was as a result of some of these occurrences why civil society groups, individuals and experts with knowledge of the oil and gas industry has advocated the establishment of regulatory and institutional frameworks ahead of oil production," said Mr. Edjekumhene, Director of Kite (Resource Watch Agenda, 2010):

> Opportunities for citizen participation, one of the objectives of this study, were offered by the government through forums organized by the Ministry of Finance and Economic Planning on the proposal for managing petroleum revenues. Also, the Ministry of Energy also published the draft local content policy as well as held public forums in parts of the country to solicit public views on how Ghanaians could benefit from the industry. Parliament further held three public forums in some cities -- Sunyani, Accra and Takoradi on the petroleum bills. These forums did not only serve as a platform for citizens to contribute to the policy and legislative development for the petroleum sector but also to manage public expectations. From discovery of oil to date discussions are held on radio and television relating to the petroleum revenue management, the

> heritage fund, the 10% demand for oil revenues by the Chiefs[22] of Western and the proposed public interest and accountability committee (PIAC)[23] as well as the citizens hopes and fears about the country's oil wealth.

In the readiness report card it is stated that most of these forums and discussions were largely uninformed and speculative without proper understanding of what the country's oil could offer in terms of development opportunities, jobs and incomes. Citizen demanded transparency in the management of the oil revenues, spending oil money in productive sectors such as education and job creation; and preventing environmental disasters. On the contrary, the report goes on to criticize that the role of citizens in monitoring to ensure that these demands are met is limited. This is due in part to the availability and understanding of relevant information on the petroleum sector which may be hampered by the delay in the passage of the Right to Information Law, confidentiality clauses and non-disclosure of contracts and field developments.

The next theme of great importance to this study captured in the readiness report card is social and environmental issues. An environmental and social impact assessment (ESIA) was done by Tullow and Komos Energy financed by the International Finance Corporation. The ESIA has been critiqued as being inadequate because it defeats internationally accepted rules of ESIA. This theme scored D (poor) in the readiness report card. The gaps in the ESIA are pointed out as follows: reliance on historical data rather than trend data, weak assessments of social impacts

[22] The Western Regional House of Chiefs demanded to be allocated 10% of all future oil revenue to develop the region. This however did not happen rather they were assured by the President that they will be given the pride of place as far as development is concerned. (see Ghana Energy Journal, January – March 2011, Vol. 1, issue 1 ISSN:2026-6030)

[23] Public interest and accountability committee (PIAC) is a committee made up of thirteen institutions inaugurated September 2011 to monitor and evaluate how the government manages and uses petroleum revenues for the benefit of Ghanaians.

particularly on livelihoods and its chain effects, inconsistency with international norms and standards and the absence of any form of sensitization and preparation of the coastal communities for public hearing. Community engagements are hereby deemed ineffective because it was only limited to public hearings. At these hearings, information was disclosed in formats and languages that make it difficult for potentially affected populations to understand.

Having discussed some of the emerging issues, the following chapter elaborates on the methodology and data collection techniques used on gathering data from the field.

Chapter Four:

Methodology and Data Collection

Introduction

This chapter presents a brief background to the study area. This then leads into a description of the methodology employed in the fieldwork. This will be followed by a case study discussionand analysis of finding in the subsequent chapter.

Study Area

Ghana's Resource Endowed Western Region

The Western Region of Ghana is endowed with both renewable and non-renewable natural resources. The region covers an area of approximately 2,3921 square kilometers which is about 10 percent of Ghana's total land surface. It is located on the South-western part of Ghana, bordered by Ivory Coast on the west, Central Region on the east Ashanti and Brong Ahafo regions on the north and on the south by 192 km of coastline of the Atlantic Ocean. The region has 24 forest reserves which constitute about 40 percent of the forest reserve in the country. Some namely: Cape Three Points National Park, Bia Reserve and the Ankasa/Nini Suhyien Forest and Game Reserve. The Western Region is the wettest part of Ghana with a double maxima rainfall pattern averaging 1,600mm per annum. The population size has increased from 1924,577 in 2000, to about 2.4 million in 2010. There are migrations

from neighbouring African countries as well to the region. The recent oil discovery has affected the region's population growth rate.

The region possesses enormous natural resources and produces all the five major export revenue earners of Ghana: Gold, Cocoa, Timber, Foreign remittances, and Tourism. The oil find is going to be the sixth revenue earner for the country found in the Western region. It is currently the largest producer of cocoa. In 2005/2006, the region produced 420,000 tons of cocoa, constituting 60% of the total national production. The production of gold and other minerals have grown to out strip that amount of cocoa produced. The region is the second highest producer of gold in the Ghana from five major gold mines. Minerals have consistently provided between 30 and 40 percent of Ghana's total exports with gold constituting 34 percent. Commercially viable manganese mine which have been exploited over 70 years is still operating and provides 1.3 percent of country's total exports and 3.6 percent of mineral exports. The region also produces bauxite constituting 0.6 percent of the country's total exports. Also, the region has the largest and only commercially viable rubber plantation in the country.

According to the Ghana Statistical Service report in 2005, the natural resources of the Western Region if effectively harnessed and managed, hold the key to Ghana's future breakthrough to becoming a middle income nation. The region has the highest concentration of fortes and castles built by colonial masters. Hence an importance space for tourism. These mineral resources on the land are matched by the petroleum reserves offshore and are expected to annually ally contribute as much as US $1.0 billion/year for the next 10 years to the nation's economy for decades to come.

The major economic activities in the region is farming and fishing. The people are

also engaged in petty trading, agro-based industries, hairdressing, dressmaking, furniture manufacturing, block-making and auto-mechanic. Dixcove, Akwidea and Princess Akitakye among others are major fish production centres. Farming is mainly on a small scale level since most farmers are small land holders with a land size of 0.35 hectares and therefore cannot cultivate on a large scale. These areas have arable land and favorable weather conditions as well as good soil that is conducive for agricultural production. Oil palm and rubber are the main cash crops in the region. There also food crops ranging from cassava, maize, plantain, and vegetables. Most of the people living in coastal areas are predominantly into fishing; communities such as Princess Aketakye, Princess Town, Cape Three Points, Dixcove, Butre, Miemia and others. Dixcove is the oldest fishing community noted for the catch of sharks, tuna and lobsters. The participation of local people in fishing has gone down from 30% to 25% (Ahanta West District Assembly, 2008). There is great opportunity for tourism to thrive in the region due to early contact with the whites who left behind fortes and castles in these places. Some of these fortes and castles are tourist attractions whilst other has been left to dilapidate - the Dixcove forte. They also have beautiful beaches namely; Monica Beach, Victoria Beach, Busua Beach among others in the country.

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Brief Description of the Communities

Cape Three Points has no pipe borne water, it has one well at the entrance of the village, one basic school built by a missionary group. The village has no electricity; it has a power house that uses a generator serviced by the Ghana port authority. It has an eighty year old lighthouse at the cape. The road from the major urban town Agona to the town is about hour. The road is untarred and very dusty and difficult for travellers to commute when it rains.

Akwidae's proximity to the Atlantic Ocean, Cape Three Points Forest Reserve, oil palm plantations, rubber plantations and mangroves, means that any visitor to Akwidae has easy access to pristine beaches, lush greenery, wildlife, river activities and rich local culture. It is also a farming and fishing community. It has one of the oldest fortes and is a tourist site. Akwidae is situated 12 kilometres from Dixcove and 6 kilometers from east of Cape Three Points.

Situated on the shores of a rocky cove, Dixcove is a colourful and animated fishing town, dominated by the brightly white Fort Metal Cross, which was built by the British in 1692. Dixcove has a natural harbour that is big enough for small ships. As to be expected, fishing, fish processing and fish mongering are the main economic activities of the town.

Princess Town, also known as 'Prince's Town', and by its local name 'Pokesu' or 'Bokaso', is best known as the site of the elegant Brandenburg-built Fort Gross Friedrichsburg, constructed in 1683. The once-ruined Fort Gross

Friedrichsburg has been partially restored, and it now serves as a tourist attraction and a rest house. Princess Town has one of the most beautiful beaches in Ghana. Although its clean, pristine beach has won national acclaim, it remains largely undisturbed and very relaxing, since it is off the beaten track. Princess Town is one of the fringe communities of Cape Three Points Forest Reserve

A demarcation of a reasonable extent of geographical space is required in this study due to resource constraints but in line with the achievement of research objectives. In this light, a part of the obviously selected areas: Western Region in Ghana was selected for being the area where Ghana's oil activities are more predominate. Cape Three Points, Dixcove, Princess Town, and Akwidae were then selected as the target locations for the selection of respondents for the study. The selection of these locations was influenced by their close proximity to the oil exploitation site which is Jubilee field and also because these areas have traditionally been known for fishing, farming, trading and other forms of economic activities. It must be stated that the place selection for this study was not without its problems for the methods in the study. While the clustering of respondents in the more urban communities within the Western Region made them accessible and easy to organise for FGDs, it was not the same for those communities that were far apart from each other. Targeted respondents in these more rural communities lived far from each other making the organisation of FGDs unrealistic given time and resource constraints. As such, no FGDs were organised in communities that were too far, for instance Princess town.

Notwithstanding all of the above, the region and its communities not only the ones in this study are facing severe poverty. They have low education, poor water and sanitation, bad roads, unemployment and some communities do not have access

to electricity. The region has been marginalized for decades because all the natural resources they have are not able to push forward their development. The hope of the people is that with the oil and gas exploitation in the region, their problems will be resolved.

Research Design and Methodology

Qualitative research methods were used as the tool for addressing the objectives of this study. The practice of qualitative research and the application of its diverse techniques does not privilege any particular set of methodological approach. This therefore allows for the possibility of using multiple theoretical frameworks within the various techniques. In this regard, qualitative research is very interpretative in nature (Hesse-Bieber & Leavy, 2004: Denzin & Lincoln, 2005). Interpretations are done through the observance of meaningful interactions which are created by the connotations social actors attach to their everyday interaction practices (Hesse-Bieber & Leavy 2004). Qualitative research embraces and thrives on this interpretative diversity which results from the different backgrounds and world views that the different researchers and social actors possess.

The choice of a qualitative case study for researching into the Risks and Impacts of Oil Exploration and Production on Local Communities in the Western Region of Ghana is significantly influenced by the method's ability to strongly construct and establish the validity and reliability of evidence for the phenomena under study based on the reliance on multiple sources of data for evidence (Yin, 2003: 97). Though it has traditionally been misconceived that case studies are best suited for exploratory research, Yin (2003) indicates that the method can also be used

appropriately for descriptive and explanatory investigations. This study is mainly descriptive with overlapping explanatory aspects.

The use of qualitative study design for addressing the objectives of this study is primarily influenced by its strength in obtaining explanations and providing descriptions of phenomena under study within a given context (Hancock & Algozzine, 2006). The decision making process in relation to oil exploration process has the potential to be dominated by government officials because the governance of natural resources is vested in the State (African Development Bank, 2009). It is Therefore important for researchers to independently engage the people who are likely to be affected by this activity but do not have the channels to express their concerns. In this study, the common context of the oil activities changing the social, economic and environmental conditions in the Western Region for families offers the opportunity for the use of the case study approach without attempting to manipulate factors that could affect the context.

As indicated by Hancock and Algozzine (2006), the approach offers an understanding of a phenomena understudy from the perspective of the respondent through the use of interviews and focus groups whilst offering opportunities of triangulation from the use of other sources such as observations and other documentary sources. Patton (1999) indicates that no single method is adequate enough to solve the problems of rival explanations. The use of the multiple methods also allows for the preservation of the significance of context which is a very necessary component in the case study approach. It makes possible for necessary information regarding a phenomenon under investigation to be obtained with each method compensating for the weakness of the others.

Methods used in undertaking case study designs are pragmatically driven

rather than being driven by specific paradigms (Rosenberg & Yates, 2007). This helps avoid any kind of dogmatism in methods used for researching phenomena that might be inherent in the adoption of particular paradigms. This is particularly important as case study research seeks to retain the context of the case and the associated complexity therein. The importance of retaining context complexity typically leads to the utilization of mixed methods in the collection of data. Research methods are thus adopted and used for their ability to contribute meaningful information to the investigation process.

The Case study is a preferred method when investigating present-day activities where relevant behaviours cannot be manipulated. There is the opportunity to interact with social actors involved with the phenomena under investigation. This makes it possible for "operational links needing to be traced over time" to be done (Yin, 2003: 6). In this study, operational links in the chain of connections involved oil and gas related effects are traced. This is done by researcher tracing to the affected communities and interviewing people identified earlier (fishermen, farmers and traders) who are likely to be affected by the oil activities.

The adequacy of information required for addressing the questions and objectives in the study also points to the ability of case study design to address the relevant issues investigated. In this study, the overarching research question is what are the Risks and Impacts of Oil Exploration and Production on Local Communities in the Western Region of Ghana? The adequacy of required information is shaped by clear definitions of the 'case' and the terminologies therein (Baxter & Jack 2008).

The Case Study Approach

Although case study design has been variously defined, there are several tenets of the

approach that remain constant with the various definitions. Significantly, all the various definitions indicate that this approach can be applied in studying an individual, group or community, with its greatest strength being the concurrent use of multiple methods. This naturally makes the design well suited for effects of oil exploration studies which can also be studied at regional, national, community, household and individual levels (Maxwell, 1996). The scope of case study investigations could cover a continuum ranging from studying an individual to a community and an even larger entity (Chaiklin, 2000). The 'case' in the case study approach has been defined as "a phenomenon of some sort occurring in a bounded context" and the case is, "in effect, your unit of analysis" (Miles & Huberman, 1994: 25). The establishment of boundaries for a case is important to ensure the research focuses on only the relevant issues pertinent to the study. This requires setting up appropriate boundaries for the case under investigation.

According to Baxter and Jack (2008), boundaries do not just define the appropriate target population for a study but are very important indicators of the breadth and depth of the study. They are also important in determining key issues under investigation in the study which helps keep the practical data collection process directly in close connection with the objectives of the study.

Respondent Selection Strategy and Interview Location Selection

A thorough purposive sampling procedure was adhered to in the selection of respondents for investigating whether people living in oil exploratory communities are reaping the benefits of oil and gas exploration. The main criteria for the purposive sampling used in obtaining respondents for the study centered on members of local communities in the Western Region of Ghana who are considered to be 'oil

communities' and NGOs and/or Civil society organization whose activities and information will be relevant to the study. In the Western Region, the target population for the study were farmers, including fishermen and women and traders whose source of income comes from farming and fishing. The target population included NGOs because they possess relevant information regarding the actual effects of oil activities on local communities independent from what government officials and oil companies might have. Household heads were also targeted because in local communities in the study area, they control the use of all household resources such as proceeds from their fishing and farming activities.

Polkinghorne (2005) suggests that since the purpose of qualitative studies is to enrich the understanding of an experience or phenomena and not its distribution, selection of respondents or examples has to be based on their potential to contribute to the clarification of the examined topic. This process is purposeful by its very nature since it involves individuals currently having the experience or those who have previously had the experience.

This study is focused on this region because it is endowed with natural resources; agricultural land, gold, manganese and bauxite and yet the major industrial activities in the area are predominantly fishing and farming. Nonetheless, the population is riddled with high poverty rate, high illiteracy rate and unemployment in skilled jobs. They also lack social amenities like good roads, schools, hospitals and so on. But the discovery and exploration of oil in the area and subsequent drilling has shot up the expectations and hopes of both the community and government and the whole country. This study therefore offered an opportunity to understand the dynamics and nuances of oil and gas exploration and its effects on the local communities.

The target population in the Western region was reached at places of convergence such as market centres, the beach and at 'Hometown Community Groups' meeting locations. These community groups are formed by fishermen associations and other local community groups. Meetings are regularly organized to discuss members' welfare and those of the relatives. They hold deliberations on how they might help one another cope with social and economic conditions in the area. These meetings are generally organised on Sundays and market days when farm work is generally not undertaken. To avoid convenience sampling, respondents in this study came from different communities (Cape Three Points, Dixcove, Princess Town, Akyitakyi, and Akwidae). Respondents were also selected based on their involvement in the activity of fishing and farming in the area and not because they have second hand knowledge of the effects of oil exploration on themselves and their communities.

Though there are other areas where oil activity is ongoing, Western Region offered an easy point for the recruitment of prospective respondents who are involve in either fishing or farming in general who resided in these communities. This allowed for possible respondents to be met even before commencing work in the Western Region. It reduced the potential dilemmas/difficulties involved with having to decide what kind of sampling strategy to adopt in order to capture the targeted population of fishermen and farmers.

In the Western Region, the communities afore mentioned were selected for the purpose of conducting interviews and focus group discussions. The predominantly agricultural villages within these districts are home to people who are likely to be affected by oil and gas exploration in the Western Region. That is the rationale for choosing the stated districts. Focus group discussions (n=3) and in-

depth interviews (IDIs) (n=9) with farmers and fishermen who undertake their trade in the area. In the Western Region, interviews were conducted at one of three places, respondent's residence, a market location or the beach. Market places and churches are places of convergence for most farmers when they were not engaged in farming activities and they also serve as venues for the various Hometown Community Groups. Market places were the most visited place for recruitment and interviews in this study. Details of their specific origins of interviewed migrants were taken. The researcher made efforts to trace some of the respondents to their homes if that was the convenient way to be able to get them involved in the study.

In the Western Region, contacts were made with the prospective respondents using names of community members and other respondents from the study areas. Upon reaching the specific community of interest, directions were sort from the community dwellers to help locate the specific household of interest by using the family names. However, for confidentiality purposes, pseudonyms and codes were used for transcripts and field notes. Household heads were then interviewed, usually upon a subsequent visit after consent had been sort and an appropriate time selected for the conduction of the interview. In the communities, most interviews were conducted at the market place of the respondents.

In-depth Interviews

In-depth interviews and focus group discussions were the methods used to solicit responses from the targeted population. In-depth interviewing as a method of data collection may be seen as a means of obtaining knowledge from more than one perspective in an interactive manner (Miller & Crabtree, 2004). An interview process is one of a partnership which is both a communicative and a conversational

journey which ensues between the interviewer and the interviewee. Silverman (2005: 111) states that "perhaps we all live in what might be called an interview society in which interviews seem central to making sense of our lives". This description of interviews denotes the importance of our everyday human interactions and its importance in the creation of knowledge about the environment, people, places and events for our daily use.

Although usually considered as a weakness of the interview method of data collection, the homogenous nature of the gathered data from the sole perspective of the interviewee was one of the reasons for selecting this method. This way overlapping and concurrence of issues within the various interviews help give credence to the characteristics of the phenomena under investigation. Besides, fishermen and farmers exposure to the effect of the oil activities may vary between households due to difference in socioeconomic characteristics of the households and this difference needs to be recognised. This method offers the opportunity to delve deeply into issues such as difficulties involved in determining the extent to which different households rely on fishing and farming for their livelihood and coping strategies to deal with effects of oil exploration on their trade. All interviews for this study were conducted between February and March of 2012. Interviews in the Western Region were conducted in selected communities of Cape Three Points, Dixcove, Princess Town, Princess Akyitakyi, and Akwidae.

Interviews in the research were conducted in Akan, the language of all interviewed respondents of the area. The researcher's knowledge of the culture of the people and fluency in Akan as a native speaker was usually a good starting point to get talking with prospective respondents to develop a good conversational relationship before the commencement of interviews. Generally, for respondents in

the Western Region, shared native language between researcher and interviewees was good enough for them to feel comfortable to grant interviews. This was the result of the fact that these respondents live in a cultural setting, their native culture and thus people who share their origin are readily accepted as part of them.

Focus Group Discussion

The focus group discussion has been characterized as 'somewhere between a meeting and a conversation' (Agar & MacDonald, 1995: 80) where issues for discussion receive contribution from all group members of similar status in society. This minimizes the production of a homogenous text of discourse otherwise obtained from the individual interviewing data collection method. Group members compare their views with other members of the group and challenge each other where necessary. There was a general similarity in the socioeconomic background of respondents in this study. Most participants had no education with a few haven previously receive some form of basic education. The similarity in socioeconomic background of recruited focus groups respondents facilitated comparisons, an easy way of relating experiences among peers (Kidd & Parshall, 2000), and forming of the community's image of the subject under investigation. A well moderated focus group epitomises the views of a community appropriately described as a 'thinking society' which reveals structures and process around a subject in conversational and argumentative manner (Kidd & Parshall, 2000). Thus, care was taken not to allow the dominance of a single individual in the group since this potentially would not reflect the true feelings and beliefs of all the members in the focus group forming a rather distorted community image of the subject under study based on views of the dominant individual.

The three focus groups used in this study were conducted in two communities. Two focus groups made up of eight members, four in each group were conducted in Cape Three Points. Another FGD made up of four members was also conducted at Princess Town. All FGDs were conducted on three separate days – two market days and then on a Monday. Market days (Wednesdays) are the days when farmers are usually not working actively on their farms and found around accessible communities where they could be interviewed by the researcher. Initial contacts for these focus groups were made with prospective respondents and details of the study were explained to them to obtain their consent to participate in the actual focus group which was to take place on a later date, with the venue and time agreed by participants. At the end of both individual interviews and focus groups, recorded interviews were played back for respondents to listen. In one instance, an interviewee requested to be re-recorded for him to set the facts straight on a particular question.

Other Data Sources

Field Visits and Field Observations

Observations are an important source of primary data in community studies providing supplementary information and clarifications on participant interviews (Polkinghorne, 2005). Observational data range from facial expression, clothing, vocal tones and gestures of interviewees to the general physical characteristics of the environment within which interviewees live. Relevant observations are those that would contribute to understanding and clarification of issues under study.

Field observations were to help throw more light on the second and third objective of this thesis and to help offer rich context. This was done by documenting

the road conditions, general living conditions and environments of respondents among others through to the physical observation of their living conditions. During field visitations for the purposes of setting up appointments for interviews, observations of general environments were noted. Observations were also carried out and field notes made during random field visitations undertaken solely for the purpose. These observations were intended to help for easy comprehension and appreciation of the living conditions of respondents so as to put responses received in interviews to the issues under investigation in the appropriate perspective. This way of undertaking qualitative studies is not a novelty from this research as its uses have been noted by Silverman (2005) as being fundamental in qualitative research. The observational method of research matches qualitative studies and it is a desired method to understand another culture or subculture (Silverman, 2005). Field visit observation notes were used for the purposes of illustrating issues relating to the phenomena under investigation.

Data Analysis Techniques

Recorded interviews were transcribed from Akan by the researcher. Transcripts were read thoroughly for editing purposes. QSR NVIVO was used primarily as an organisational tool for coding themes. Organisation of codes based on themes from interviews and FGDs started during the transcript editing process. During the hardcopy editing of transcripts, emerging themes were noted on margins of the transcriptions and subsequently compiled after editing. This is in line with open-coding techniques. The open coding process deals with the assignment of ideas to text beside sentences as they emerge (Crang, 2005). This method allowed for the assignment of all major ideas to specific codes thereby reducing the data to a

manageable size. After transcript editing was done, all transcripts were uploaded into NVIVO. The initial compilation of themes served as the basis for the initial coding and organisation of themes in NVIVO. To ensure that the context of transcription was not lost, relevant portions of recorded interviews were coded along text transcribed codes. This allowed for constant play back to ensure that meaning and context of the interviews was not lost.

Initial emerging themes were coded under 'coping strategies', 'community participation and involvement' and 'environmental and social impacts'. These were done separately for the interviews and FGDs. With the emergence of distinct categories based on reading of transcripts, the codes were refined by merging similar themes into various branch nodes. Major themes were determined based on the number of mentions within the codes. Emerging themes gave indications of effects of oil exploration, how extensively they rely on fishing and farming within a year as well as difficulties of turning to other ways of making a living in place of fishing and farming.

Ethical Considerations

This study abided by the principles of the Canadian Tri-Council Policy Statement for ethical conduct in research involving humans (TCPS): the respect of human dignity; the respect for free and informed consent, respect for vulnerable persons; and the respect for privacy and confidentiality; respect for justice and inclusiveness; minimizing harm and maximizing benefit.

As a mandate, informed consent was sought from participants before taking part in the study (see the Appendix). All participants were informed of their rights in

partaking in the research and it was made known to them that they are under no obligation whatsoever to participate. They are free to decide to withdraw and withdraw at any time they wish and also their information could be withdrawn upon request before the compilation of the thesis. After conducting interviews, participant feedback letters were given to participants to direct them in channelling any grievance, objection or change of mind about information given by them.

Summary

This chapter described the study design and the methods utilised in obtaining the results of this study. Specifically, this study adopted the qualitative case study methodology. It gives that relevance of the choice of qualitative methods and qualitative case design in particular in addressing the objectives of this study. The multiple methods as well as the ability to look at phenomena at various scales of analysis were cited as some of the reasons for the choice of the qualitative case study approach. The chapter discussed details of participant selection and how interviews, FGDs and field observations were used in the study to gather data for the study. The data analysis techniques utilised also describes how themes presented in the results of this work were obtain.

Chapter Five:

Presentation of Data, Discussion and Analysis

Introduction

This section presents the main results of the study. It addresses the primary objectives of the study which were to:

- Investigate whether people living in oil-rich communities in the Western Region of Ghana are reaping the benefits of oil and gas exploitation;
- Determine whether this activity has affected their livelihoods such that they are forced to look for an alternative source of income; and,
- To investigate the extent to which local communities are involved in the decision making process regarding oil operations.

These objectives were achieved by looking at the impacts of oil exploitation and production on local communities in the Western Region of Ghana where oil and gas production has commenced. The findings from the study (Focus group discussion, Interviews and Field Visits) are organized into key themes some of which include: Impact on occupation, coping strategies of local people, loss of fishing grounds, community decision making among others. In order to contextualize the findings, each major theme is further divided into sub-themes, with quotations from participants. Bio data for respondents such as sex and age are provided at the end of each quotation. In this chapter, data will be analysed in relation to theories discussed in chapter two and also inline with some issues in chapter three.

Impacts of Oil Exploitation on Local Communities

Impact on Occupation

The main occupation in the communities under study are fishing and farming. In the

interviews, it was revealed that peoples' occupation have been significantly affected by the ongoing oil production. The section that follows presents the results pertaining to how the affected communities' major occupation of fishing and farming has been impacted by the oil activities.

Impact on Fishing: Restricted Zones

In general, respondents during the interviews alluded to the fact that the fishing industry has been greatly affected by the oil activities in their communities, and these effects have impacted negatively on their daily lives. The study found that fishermen now have restricted zones to fish at sea (a 500 meter exclusion zone around drilling ships and a 1,000 meter exclusion zone around the Floating Processing Storage and Overload). This is done to prevent fisher folks from going near the oil rig. These fisherfolk are not happy with this restriction. During the Focus group discussion, Participants stated that this restriction is causing a decline in fish catch and subsequently a decline in earnings. This is because the fish are attracted to the light surrounding the oil rig and as such, has gravitated towards the restricted fishing area. The Fisher folks bemoaned this barrier to their occupation and their source of livelihood. This sentiment was well articulated by this fisherman in the area:

> "The oil exploitation has brought my occupation into jeopardy and this is making things difficult for me. I am unable to make the amount of catch I used to because the fish are attracted to the rig lights and move towards that direction. We cannot chase them because we are not allowed to go there" (Yaw, M, 32).

Another serious issue which came up frequently during the interviews concerns the noise produced by the oil rig. Some participants indicated that the noise emitted from

the oil rig coupled with the light intensity, make fishes swim away from the delineated fishing area towards the rigs. As already indicated, fishing close to the oil rig is prohibited thus, rendering small catches. This has resulted in a significant reduction in their income since the oil activities started. It is becoming extremely difficult to make a living from fishing in order to meet their household needs.

Underlying these concerns is the issue of whether fishermen actually fish close to the rig or not since this is prohibited. This issue is important to them because fishing too close to the rig could lead to arrest and prosecution. To this end, there were arguments among fishermen during the interviews, mostly to the effect that they never got too close to where the rigs are for the fear of being prosecuted. In one of the communities interviewed, some fishermen stated that they have not been to where the rigs are. However, in another community some confirmed that they do get to the rigs and beyond. This was also confirmed during the focus group discussion as well.

Loss of Fishing Grounds

According to accounts of the respondents; "before the commencement of oil activities, we fishermen owned the sea just like a farmer owns his land and farms where he pleases". They further stated that they used to fish anywhere they like and as a result could make a good catch and earn more income. Furthermore, there were no demarcations to show where to fish or not to as it is currently the case. According to the fishermen, this constitutes a loss of fishing grounds and subsequently a loss of income. This situation has generated strong arguments over ownership of the sea by fisher folks and by extension, the people living in the western region.

The loss of fishing grounds has forced fishermen to fish in areas where it is

very difficult to make any good catch. Instead, what they catch in their nets is sea weeds which cause great damage to their fishing nets. The view of this fisherman echoes the problem confronted by these fishermen:

> "Our net only catches sea weeds and debris instead of fish. This sometimes causes our fishing nets to sink because it is heavy and in an attempt to pull, our nets are destroyed. Also it is time consuming to remove weeds from the nets." (Agya Koo, M, 45).

The picture below taken in the field shows how weeds gets stuck in fishing nets and how time consuming it is to remove them. Some fishermen claimed that these weeds while afloat, make it impossible to tell where fishes swim. One fisherman had this to say:

> "We have a way of telling where the fishes are in order to cast our nets but because the weeds are floating on the surface of the water we are unable to tell whether fishes are under so we just cast out net in our wildest guess". (Koo Nimo, M, 45)

Figure 5: Source: Picture taken from the field in one of the affected communities (A group of fishermen removing weeds caught at sea from their net).

Most of the fishermen have become aware that they are gradually being kicked out of their occupation which is the source of their livelihood. This is because the authorities feel that oil exploitation is more important than fishing. Kuma a local fisherman illustrated this in the interview:

> "I didn't use to have anyone telling me where to fish whenever I am ready to go to sea. I have never had to think about having to deal with other vessels or enter into confrontation with some people on speeds telling me I am trespassing. Now, I begin to worry when I am going to sea because I don't know what to expect. I thought I was providing food for many but oil has gained precedence over my work". (Kuma, M, 46).

Traffic and accidents at sea

Another problem which came up during the interviews is the fact that the numerous oil vessels at sea have increased traffic on the water, which obstructs fishing. This Traffic is created by the many sea vessels supplying the oil rigs as well as those in search of new exploration grounds. There is a constant movement of supply vessels moving within fishing lanes that destroy fish pots and nets, for which fishermen are not compensated, a chief of fishermen in one of the communities under study, lamented that there is obstruction to fishing at sea because of increased traffic at sea.

The vessels transporting the oil at sea have also created some problems for the fishermen. A key informant told the researcher that there have been many accidents at sea involving oil vessels and small canoes used by the fishermen in their trade. According to this respondent, in such instances oil vessels ran over canoes with the excuse that they could not see them because they are small.

Depending on the community that a fisherman is from, some may use huge boats that are motor driven while others use small canoes that are operated manually. Generally however, this problem mostly affects those who use small manual canoes and they constitute the majority of fishermen in the affected area. A significant number of respondents further revealed that there have been occasions where fishermen have suffered damages done to their nets by oil vessels. However, they are not compensated because they do not know whom to hold responsible. This can be frustrating for these fisher folks. It can push them away from their own jobs as they do not find it lucrative and interesting any longer.

One fisherman in particular confirmed that he made numerous reports of his

nets being destroyed by oil vessels and the Navy but to no avail. Fishermen in these communities do not have any avenue to report these acts or any means by which their voices can be heard as it relates to whom to hold responsible. During the FGD, it was alleged that naval men from the Ghana Maritime Academy are using coercive means on fishermen who are caught close to the rig. This further frustrates the fishermen to the extent that they feel as if they are been pushed away from their source of livelihood. This view captures the feelings of one respondent:

> "Now, I am faced with a problem of having to deal with naval speed boats at sea. I always have the fear that they will confiscate my fishing apparatus and that will be the end of my job. As a result, sometimes I don't feel like going to sea because of these happenings" (Kwakye, M, 30).

The issue of Fish Mongers

The study also found that while the mainstream fishermen are the worst affected, those who process the fish catch are also feeling the adverse effects of the oil activities on their trade. Fish mongers who are mostly women are the ones who usually process the fish and sell it directly to consumers. These Fish mongers work hand in hand with fishermen to buy their fish and smoke it on fire then send the fish to the market. Some of these fish mongers are the wives of fishermen. The study found that the oil exploitation is impacting negatively on the jobs of these fish mongers. Now, it is important to mention here that even though the study is not about women, it is very vital to capture their experiences because they form part of the supply chain. Most of the women interviewed were the wives of fishermen who complained about a significant drop in household income. From one of the focus group discussions which were made up of women in one of the communities under

study, one female fish monger had this to say:

> "We get fish supplies from the men when they go to sea. We the women smoke the fish and take it to the market, since they are unable to make good catch our business is also affected. This in turn has also affected out household income (our source of income) and we can't get jobs from the oil people because we don't have the qualification (Akosua, F, 30).

From a gender perspective, these women losing their source of income will in the long run affect their decision making power. The implication here is that it is not only their jobs that is affected, but it also takes away their decision making power.

Coping Strategies of local people

The recent oil and gas exploitation has brought frustration and loss of interest in the job of fishermen. Also they do not find the job as being lucrative anymore because of some of the obstacles they are facing now. The youths especially are forced to migrate to other urban centers in search of jobs. This situation is articulated by this participant:

> "As a result of the oil exploitation we do not get enough catch when we go to sea. Because of this some of our young men have left the town to engage in 'galamsey' in nearby mining towns. They don't see themselves making a living to the level of taking care of a family and having other dependents from fishing any longer (Paapa Neama, M, 50)"

Such frustrations have forced a number of them out of their original occupation to learn skills that will enable them get jobs in the oil industry. The alternative work some are engaged in is 'galamsey'—a local term for illegal mining. They travel to the nearby mining towns to do this. Two participants Kofi and Manu said they had to move to the urban centre to learn trade. Others are learning to become drivers and gold smith.

Some participants told the researcher that they want to be directly employed either by the state or the oil companies to work as coastguards since the oil business has deprived them of their jobs. To this end, three of the participants stated that since their jobs have been affected they would like to be employed as coast guards on the sea since they possess the know-how as well as the skills and will be able to alert authorities when any foreign vessel is on sea and to report any illegal activities at sea. During one of the Focus group discussion meeting with leaders of fishermen groups, they challenged the government to come and engage them in dialogue and to reassure them that their occupation is not over as well as to compensate them so that they can look for alternate means of survival.

Throughout my field visits, fishermen have been expressing their grievances to local authorities, including regional house of chiefs, to the effect that if the joblessness continuous, coupled with the other issues raised earlier, these could be a source of conflict in coastal communities.

Community participation and involvement in oil and gas decisions

When asked whether the local community played/plays a role in decision making regarding oil operations, participants responded overwhelmingly in the negative saying they have not been involved. The researcher probed further to ascertain whether they have had forums and community meetings where government officials were present but again the answer was negative. A local authority mentioned that government officials came to inform them about the discovery and have since not returned to the community.

The government in part has joined forces with a private institution known as the Management Development and Productivity Institute (MDPI) of the Ministry of

Employment and Social Welfare and has initiated a program in oil and gas training to ensure the full participation of Ghanaians at all levels in the emerging oil and gas industry. The program is open to all Ghanaians with basic and secondary level education to be trained to work in unskilled areas; Ghanaians with diplomas and first degree level professional, academic and technical education to be trained to work as semi-skilled and then the fully qualified Ghanaian professionals, masters and experienced practitioners to be trained to work as managers, consultants and or advisors.

It is clear that the program is opened to people with basic education because some level of literacy is required. Further discussions and technical consultations on strategic provision of participation opportunities to District Assemblies (Local Government Bodies), the National Youth Employment program, Constituencies (Member of Parliament), and some for the general public with priority for candidates of the oil communities has been determined. However, this institute is located in Accra the capital city of Ghana causing a disadvantage to citizens all over Ghana who would like to undertake courses. Another hindrance is the cost of tuition and the associated expense of living in Accra. For some Participants and NGO's this is not enough to constitute community participation.

A key informant told the researcher that civil society groups forums were held in some communities but was not done in a language that will be understood by the local people considering their low educational level. Also, documents were not translated in the local language, resulting in local people unable to comprehend and give their views in the issues under discussion. I personally observed that the final outcome of the Jubilee field environmental and social impact statement was only printed in English. It was not taken back to the people for community hearing when I

asked them during the focus groups discussions.

Community Expectations and benefits from oil and gas sector

The vast majority of participants stated that they have not benefitted from the oil exploitation in their community. By benefits according to them they are expecting to see major infrastructural changes in their communities and economic improvement in their lives as well. One respondent boldly stated:

> "As for me, for the weeds and dirt that I see, my community and I have not seen any benefit from this activity even though we always hear the name of our town being mentioned on radio that we are oil communities. The way we can see that the oil is bringing us benefit is if our dilapidated roads are fixed and we are given electricity so that our children can have light to study at night and other developments. We are not seeing any of these and as such we are made to think that government does not think about us we are nowhere in their plans". (Appiah, M, 50).

Needless to say, some kind of employment has been generated which caters for some select groups. In all the communities interviewed a company by the name of Zoil Oil Services Ltd, a subsidiary of Zoomlion Ghana Ltd, has employed some 20 youths in each of these oil communities to clean up debris that come up shore. Informants told the researcher that 'the harsh reality of all of this is that the communities are not benefiting from the exploration activities because the only way for them to benefit is through job creation which is not fort coming. He further pointed out that:

> "There is a case where one crane company got a letter of intent from Tullow oil to supply them with cranes and the guy based on that letter of intent raised money bought all the cranes and set up. When it was time for the contract to be awarded it was given to a Lebanese company, right here and he's a Tarkoradi boy so now what should the guy do with the cranes? These are the harsh realities that we are facing". (Blankson, M, 45).

Participants in the interviews perceived mismanagement and inequitable distribution of the benefits of oil and gas production. They made inference to the malfunctioning of the mechanism for distributing royalties in the mining sector as the communities concerned do not benefit from the mining revenue. Interviewees, whose work has been impacted negatively, are looking forward for compensation for having been deprived of their livelihood. When I enquired from a government official about the claims made by participants, the response was that their argument is frivolous, and that the oil find is offshore and no community has a right of claim to preferential treatment in benefits sharing. Participants in the Focus group discussion expressed this perception in these words:

> "We don't want to experience what happened in the mining communities where one gold mining company some time ago showed up with a letter from Accra and dislocated about 2000 farmers who are also local investors. And then some became destitute, they are not able to pay for their children's school fees, some drink their life away to death, their families are displaced, some became galamsey operators. That is why there is endemic poverty in the mining communities. This was the situation we found ourselves in before the oil. So when we heard this we mobilized our chiefs and our leaders to engage government to make sure we don't suffer the resource curse that we were suffering in the case of mining. We didn't negotiate for the mining as for the oil we don't want it to go the same way. But not long we heard that the oil is deep in the sea and that the oil is not for Western Region and we knew that we were in trouble". (Asafoagyei M, 35)

In all three focus group interviews, participants were asked what they expect to gain from the oil exploitation. Most of them responded that they wanted their children to get scholarships to be educated as they cannot afford tuition for them. Participants in the male FGD pointed out that because they do not have the education that will entitle them to get a job in the oil sector; they have decided to send their children to

school instead of training them to become fishermen. Having said this, participants still have the hope that they will be able to gain employment in the oil sector to be able to do work as non skilled labourers or errand men.

Local communities are expecting to see infrastructural development in the communities. Apart from Cape Three Points whose major need is electricity, all communities share common needs such as the need for good roads, schools and hospitals. This concern has been well expressed by this respondent:

> "Getting good roads that connect from Agona a major urban town to the community will be a great relief because during the rainy seasons cars cannot commute the roads. Also in the dry season, one cannot travel without being smutted in dust from head to toe" (Kusi, M, 45).

These are their short-term needs and in the long term they would like to see major developments in the area of job creation. The setting up of companies and the generation of all kinds of jobs that will allow their people have 'better employment', was the main hope of one community leader. Local communities are expecting oil companies as part of their corporate social responsibility programs to set up scholarship funds for students which will go a long way to motivate people to enroll in schools. This request stems from the fact that most persons in these communities do not continue their education after junior high or senior high school. Among the participants interviewed, the highest level of education was high schools. Many are drop out of high school while some only completed junior high.

It was also noticed that the recent oil and gas activity have changed the people's perception about acquiring education. In the past they didn't take keen interest in it because there was no driving force. Kusi once again mentioned this in the FGD that they are disappointed they cannot get the oil jobs but if their children

are able to get the training they didn't have, it will go a long way to impact the entire community in a positive way.

Accommodation Hikes

The previous sections discussed the direct effects of the oil exploration on areas such as occupation (fishing, farming, trading etc) among others. These sections present the results on other issues that the oil activities affect indirectly but remain essential to communities' daily lives. As the oil business expands, more people migrate to these areas to find work in the oil fields. These people certainly need accommodation and other related housing facilities. This has brought a lot of strain on the few available accommodation facilities. The result of this situation is an increase in rents, accommodation, hotels, rental of office space etc.

During the interviews, this issue featured prominently among the concerns raised by respondents. Respondents indicated that they are not only facing high price in basic rental facilities, they are actually being pushed out of their communities since they cannot afford the high rent prices. According to the respondents, this issue has been exacerbated by property owners who have capitalized on this activity in the western region to make money. In the interview, participants stated that landlords and property owners are taking US dollars as payment for rents. Secondly, rents have increased to in excess of a hundred per cent and more since exploration begun. From my experience, I witnessed this when the landlord of the house where I was staying during the period of collecting data, told me he had an office space to give out to the oil people for $2000 a month.

As indicated earlier, this recent price hike in accommodation is rendering people homeless and driving people from the urban centre to look for

accommodation in rural areas since they cannot afford urban housing. The prices of food, clothing and other consumer goods have also been affected. The discussion revealed that property owners are using the excuse that their family members are coming from abroad so I need the house in order to eject tenants. This is also having serious implications for those who work in the city as it takes a longer time to commute and at additional transportation cost as well. The Resource Watch Agenda confirms this in a recent publication of its newspaper where it said that the oil-pull facto has increased the population in Takoradi and its environs thereby putting pressure on the already in adequate housing and office accommodation in the city (Resource Watch Agenda November 11, 2011: 6)

Further Information gathered by the researcher revealed that as a result of the influx of people to the city, they are now experiencing constant power cuts and water shortages as well as traffic congestion on their roads. The informant categorically stated:

> "I know of a hotel that used to take $65 a night but is not taking $300. At the high end I think the hospitality industry is benefiting a lot but the sad thing is not many of these businesses belong to the local people. Currently there is a lot of construction going on in the area. One developer for example is building a hotel with 238 rooms while others are building apartments for rent (Charles Kofi, M, 30).

The study also found that apart from the increase in rents, there is a proliferation of oil and gas training schools in the western region some of which organize courses that span for six months. After students graduate from these schools they can not get any Job to do. These people are taking advantage of the oil exploitation only to make money.

Conflict over Relocation of Gas Processing Plant

The study found that while all the issues discussed appeared to be a major concern for all the communities, there is intra-community concerns related to the location of oil related infrastructural facilities. The concern specifically has to do with which community host what infrastructural facility such gas processing plants since getting a facility in a community could provide jobs for the people in that community. To this end, data gathered on the ground showed that there was an agitation that had arisen between the youth of Jomoro District and Ellembelle regarding the construction of a Gas Processing Plant (GPP) in their town. The initial recommended site for the building of the gas plant was Domunli near Bonyere in the Jomoro District but it was adjourned to be moved to Atuabo in the Ellembelle District. The basis of the conflict was attributed to the fact that two people - Member of Parliament for the region and the Chief Executive Officer of the Ghana National Gas Company (GNGC) were scheming to have the project transferred from its initial site to Ellembelle because they were natives of the town.

Acording to account from respondents, the government had already negotiated with the people of Domunli who had in turn accepted and offered an 18.9 square kilometre of land by clearing all the vegetation on it to make it ready for the project to begin. The argument for the relocation was alleged to be as a result of technical and economic considerations. The youths were angry because they hope it was going to generate about 5,000 jobs for local people. The overall Chief of the Western Nzema Traditional Area, Awulae, Annor Adjaye had this to say:

> "We strongly believe that the MP and the Executive Director are greedily motivated by the fact that they have had access to the Subsidiary Loan Agreement and have full knowledge of

> the benefits that the catchment area stands to gain. We therefore find the whole relocation attempt as personal and parochial interest motivated other than technical and economic considerations" (Chief Ajaye, M, 65).

This agitation was a source of concern for the Western Regional House of Chiefs who appealed to the youths to exercise restraint in order to look for better ways of solving the problem.

Analysis in Relation to Literature Review

Introduction

This final part of the thesis gives a clearer understanding of the concepts and arguments discovered in literature as it relates to topic. The discussion is essentially an analysis of the results of the study within the context of current literature. Emphasis is placed on the key findings of the impact of oil exploitation on local communities especially in developing countries. The issues highlighted below were identified as some of the critical areas in which the exploration of oil impacted adversely on local communities in the Western Region of Ghana: Occupation (fishing, farming, and trading); community involvement in decision making; and conflicts. Other area of focus include community expectations and benefits from the oil and gas sector, and the coping strategies adopted by the people to make a living due to the adverse effect of oil exploitation on their traditional occupation.

Discussion of the Major Issues

Analysing empirical field data in line with the theoretical landscape surrounding natural resource development is considered highly necessary for achieving the objectives of this research. The analysis of the results of this study revolves around

the normative question of whether the possession of natural resources such as oil and gas is a blessing or a curse for local communities surrounding the areas of discovery. The study demonstrated that while the discovery of oil and gas may be good for the country's economy, it has place a burden on the sustainability of the local communities in western Ghana. It has disrupted greatly the way-of-life for the people of this region.

Unfortunately, it appears that at this time there is so much attention to the oil exploitation activities that the human side has been neglected. The provision of alternative livelihood support programmes for the affected communities is almost non-existent. The signs are eminent that the wanton neglect of these stakeholders in the local economy of the oil producing communities could plunge them into a quagmire of poverty. From the natural resource curse perspective, the argument is that the over-concentration on natural resource such as oil and gas to the neglect of other areas of the economy could constitute a curse. This is so because, in as much as the oil activities have deprived the local folks of their livelihood, they are yet to benefit in any meaningful way from the oil production. This, according to Sachs and Warner (1995, 1997, and 1999), has been the problem of oil rich countries who over relied on oil and gas exploitation to the detriment of other important sectors of their economies.

In more specific terms, this study found that the fishing industry in the Western region has been impacted by the 500 metre zone restrictions, traffic at sea and loss of fishing grounds. This led to low catch as a resulting of fishing moving towards light from the oil rig. I argue that there seems be less interest in these areas of the economy due to oil exploitation. This can be seen as the negative effects of primary commodity boom (natural resource) on others of the economy, to a larger

extent weakening their competitive capacity – the Dutch disease

Though Ghana's situation is containable at the moment, compared to other oil rich developing countries especially, in the Western African sub region such as Nigeria, if the situation continuous as it is, Ghana may be heading the same direction. The implication here is that, the negative impact of natural resource development on other sectors of the economy, what some scholars termed the Dutch disease is what those local communities are beginning to experience. This is confirmed by the rapid dwindling of the fishing industry, coupled with a long term adverse effects on the agricultural sector which is being swallowed by a practice called land grabbing. These lands are needed by estate developers to build houses to accommodate oil workers and also, to build oil related infrastructural such as offices.

All this, is at the expense of the farming sector. It is not in doubt that this would have potential negative effects on the local communities in the Western region, and by extension, economic growth in the long run in the entire country. This is because other sectors of the economy in the country are being out-competed. Bearing in mind the substantive focus of this thesis, it must be stated that the study did not set out to measure Ghana's growth in the oil sector in comparison with other countries as the theory stipulates. The foregoing analysis is supported by the debate in Chapter Two in which it was highlighted that most natural resource endowed countries experience resource curse.

Apart from the fact that Oil exploitation and production has gained precedence over the fishing industry, its activities are beginning to generate inter-community conflict in the Western region. There are already contentions between communities regarding the construction of a gas processing plant in one of the communities. This confirms the contention by some scholars that if resource rich

countries fail to bring about sustained development, it does not only breed poverty, Dutch disease and resource curse, it creates fertile environment for conflict to flourish (Collier, 2003, Lundahl & Sjöholm 2008). The argument that natural resources are always linked to violent conflict has long been settled (Le Billion, (2001). It must be noted that the local communities that play host to Ghana's are not in a serious conflict situation based on this study, nonetheless, there are signs and this could escalate if not properly managed.

As I indicated earlier, though Ghana's oil communities are not conflict ridden, there are grievances. This grievance is as a result of the feeling by the local communities that they are being alienated from a resource found on their lands. This gives credence to the grievance hypothesis that where 'segments of the population feel deprived of the benefits of resource related income – in this case resource related job(s) - (Basedau & Mehler, 2005), people would be aggrieved. This is the case with the youth of Jomoro, an oil community in the Western region who feel that, it is their right to have the gas plant built in their community because the government had approached them first which made them give up their land to the point of clearing all the land of its agricultural contents.

The reasons given above seem to have their root cause, which does not lie in the resource per se, but stems from how it is managed. I stongly agree with Norman's (2009) and Mehlum et al., (2006), that bad governance of the oil resource could also lead to natural resource curse and vice visa. One of the steps in managing the oil resource is when transparency and accountability is brought to bear on the governing institutions. The catalyst for ensuring sound management of this resource is when communities that are affected by the oil activities are involved in the decision making process. This study found that the local communities where this

resource is extracted have not been involved in the decision making. This suggests that community involvement in the management of Ghana's oil resource, at least in the Western region, remains an illusion.

Analysing the data presented above from a structural perspective, an argument can be made that oil exploitation can be a source of economic backwardness by affecting the relative importance of domestic manufacturing compared to natural resource industries. This is because the fishing industry is being swallowed up gradually, alienieting middle income earners from the development process by widening the gap between the elites and the poor and increasing poverty. This weakens the competitive capacity of the fishing industry as well. I therefore agree with the structuralist view that posits that natural resource booms alters the productive structures of developing economies because the extractive industy resides in an enclave that has no or little linkage with other sectors of the economy.

Clearly, from the foregoing analysis, this certainly was not what people were expecting to be confronted with, as a result of the oil discovery in Ghana. There was euphoria in the larger Ghanaian community, and in particular, in the Western region where the oil was found. The people were highly expectant that the oil will make their lives better than before. But as this study found, this euphoria has been replaced with despair. This desperation has pushed people to adopt coping strategies to overcome their joblessness among others. While some have learnt from this problem quickly and are training themselves in oil related disciplines, some have resorted to migration. Thus this adds concrete evidence to the arguments put forward by Acosta, 2009, Norman, 2009, and Sachs and Warner that more often than not natural resource development results in underdevelopment and impoverishment of the deemed resources owners.

Conclusion

In summary, this study has found that the oil exploitation has negatively impacted on local communities in the Western of Ghana even though the situation is not as bad as it is in other oil rich developing countries. The study also found that the hardest hit in terms of impact is the fishing industry which forms the fulcrum of the economies of the local communities in the Western region.

Chapter Six:

Conclusion and Recommendations

Introduction

The study sought to answer the principal question: How do the activities related to oil exploitation and production affect local communities? This question was set against three objectives: the first was to investigate whether people living in oil rich communities in the Western region of Ghana are reaping the benefits of oil and gas exploitation. The second was to determine whether this activity has affected their livelihoods such that they are forced to look for alternative sources of income; and, finally to what extent local communities are involved in the decision making process regarding oil operations.

Conclusion

With backing from literature reviewed, oil exploitation can make matters worse for the poor even though there are opportunities of wealth creation for local people. At the national level, a country may benefit from oil exploitation while it's local oil producing communities become immersed in the negative impacts on their environment and in their lives. Livelihoods have been impacted negatively because the recent oil exploitation has led to a reduction in family income and loss of interest in the fishing occupation. This has pushed fishermen to look for other means of survival while others have left fishing to acquire education as revealed in the findings of the study. Local communities' involvement in decision making regarding the oil activity is very limited and was not properly carried out during the environmental

and social impact assessment.

The study dwelled on a number of theories to back its argument – the resource curse, Dutch disease, Conflict theory and resource governance theory just to mention a few. These theories juxtaposed against the findings in this study, from whatever standpoint supports both schools of thought. That is those who contend that oil and gas can be a blessing if properly managed and those believe outright that it could be inflammable to countries that found it.

In Africa, extractive communities do not have a say in the decisions regarding oil operations because government hold natural resources in trust for its citizens according to their constitution. However, opportunity for locals to make an input concerning this activity is created through the environmental and social impact assessment process. This study found that this is not strictly followed; as such local communities are not able to make their voices heard in matters of this nature. Therefore, local citizen participation at this level was found to be very poor.

From the analysis, a number of conclusions can be drawn. Firstly, from the study it can be concluded that people living in oil producing communities in the Western Region of Ghana are not reaping the benefit of oil exploitation in their community. Conversely, communities are being adversely impacted by the exploratory pursuits. This clearly emerged in the analysis presented in chapter five under the subheading: Community expectations and benefits from the oil and gas sector. Community members look forward to be employed in the oil sector but due to their low level of education this dream is impossible. Rather they have started experiencing negative impacts of oil exploitation on their jobs, and on their lives which in turn is making them adopt a coping strategy by engaging in other occupations they feel it's more lucrative and can earn them a living.

It is not immediately clear as to why local people were not properly consulted. But what is certain is that involving the community in the assessment and decision making process would mean commiting more resources into the project. This is not in the interest of the oil companies since their aim is to maximize profit and minimize cost. The community could also have mobilized themselves and participated in this process but they may be constraint by resources to be able to do this effectively. The government is also reluctant in invoving the communities effectively in the decision making process perhaps, because community involvement might compel the government to be more transparent in how the oil resource is managed. It might also mean that government would have to cede power and control of oil resource, and be monitored by a third party which is the communit, and this is not certainly in the interest of government because of parochial reasons. These reasons could be political because people would judge the performance of the government in relations to how the oil is mangaged, and determine whether or not to return a particular government to power.

The implication of these findings is also that oil and gas exploitation in Ghana brings to the fore, the structural imbalance in resource control and distribution in Ghana. The control of the oil management and direct dealings with the oil companies is in the hands of government decision makers. The communities where the resource is found are not empowered both economically and with the technical know how to be able to challenge government on these issues. This leaves the afftected communities to cope with the government unilateral prescribed solutions based on what the government know would be better for the people and not necessarily what the people believe would alleviate their plight or the reality on the ground. As long as these structural imbalances continue to exist in the Ghana oil management sector

where local communities suffer the consequences of the negative effects of oil production and do not benefit from it, the oil and gas exploitation would be a curse and not a blessing.

In order to ensure that Ghana's oil resource is managed to the benefit of the local communities where the resource is found, the study makes some recommendations. These recommendations for the most part, are directed to the government but also, to the local communities, civil society organisations and oil companies.

Recommendations

The study found that oil and gas extraction offers little room for improved living standards of the poor in the oil communities because they do not possess the capacity or skills needed to effectively take advantage of the sector. Therefore, this activity will benefit oil communities only when opportunities of growth are created to reduce their poverty. There should be proper dialogue between local communities, governments and oil companies. Here, invited spaces should be created for strong citizen participation where locals come to the dialogue table with their own voices to deliberate and discuss issues bothering them about the oil exploitation at every level. This should not be based on whether they are educated or not since they are the ones that shoulder the negative consequences of this activity for the entire country.

To encourage participation between government and oil companies, there is the need for government to create the enabling environment that ensures access to information and transparency - enforcing answerability for government and institutions.

In the literature, it was revealed that the root cause of all these problems is

lack of quality governance. The state becomes the vehicle for the exercise of political power in the management of the country's affairs such that the majority of citizens can enhance their chances of enjoying a good quality of life.

In order for natural resources such as oil and gas to become a blessing for resource endowed countries, there need to be well designed institutions and guiding frameworks as well as growth oriented policies for the management of the resources. Moreover, in the particular case of Ghana, governemnt should put better policies in place for dealing with conflict. Also, there is the need to protect non-oil/industrial sectors. Therefore, there is need for clear policies to protect the fisheries and agricultural sector. Government should provide funding for local communities to enable them participate in social impact assessments where they can raise their concerns to oil companies and government agencies.

The communities can also mobilize themselves and present a strong and unified voice to government and the oil companies regarding how they can benefit from the oil and gas exploitation. Civil society organisations can also step up their campaign to continue to hold the government of Ghana and the oil companies accountable to Ghanaians in general and the local communities in particular who are the most affected by the oil and gas activities.

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