Information and Knowledge Management
ISSN 2224-5758 (Paper) ISSN 2224-896X (Online)
Vol.5, No.3, 2015

Attacking the Resource Curse: Are Ghanaians Huge Expectations on the Oil and Gas Production Real?

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Abstract

The aim of the study is to review Ghanaians huge perceptions and dependence on the oil and gas resources especially residence of Sekondi-Takoradi Metropolis and the surrounding communities. The study will provide a credible data in policy-making process on the allocation of the oil and gas resources that will improve the living standards of citizens. It will also educate the inhabitants of the resources base on the problems of natural resources to minimize conflict and other social vices. The methodology adopted for the research is participatory poverty assessment. Some questionnaire and personal interviews were used to gather the data. About 200 participants took part in answering the questionnaire and expressing their views. Simple percentages were adopted as the data handling techniques to analyze the data collected. The major findings from the survey were that the oil and gas revenue can help to reduce poverty and create wealth for Ghanaians. The result also indicated that the poor road network in the Western Region, which has been abandoned, will be improved and accessible. The members were optimistic that if there is real accountability and transparency among the various stakeholders, Ghana can avoid the resource curse known as the "Dutch Disease".
Keywords: Ghana, gas, oil, participatory, poverty, resource curse

1. Introduction

The discovery and production of oil and gas in Ghana provide a unique opportunity to fast-track the economic development; transform society and reduce poverty. However, oil and gas resources are non-renewable, and a double-edge sword. The associated revenues can be immense to increase the citizen's standard of living if properly managed. According to Oteng-Adjei (2010), there will be an accelerated economic growth and infrastructural development and create more jobs, reduce poverty and improve the overall living standards of Ghanaians if the oil and gas sector developed and managed.

Statistics and experience indicate that, the impact of mining of rich natural resources such as gold, diamond and bauxite in the Western Region, which produces the highest amount of minerals in Ghana, is mostly negative. The region's road network has not received the needed attention to match its resources and state allocation (GNA, March 29, 2013). The communities where these hydrocarbon resources produced are 90% optimistic that the road area will improve to be accessible, and enhance the area economic activities and prevent loosing of lives (Addei I., Addei C. and Broni-Bediako, 2010). It is important, therefore, to carry out such a research to educate and minimize Ghanaians hopes about the benefits and consequences of the oil and gas resources. It is ideally, also, to explore other income generating ventures such agriculture that could support families' incomes and minimize the dependence on the oil and gas

Revenues from these resources also have the ability to undermine the macroeconomic stability, budgetary allocation and governance structures that cemented over a long period leading to waste if there is no proper management. Mainstream natural resources literature; report that the rich resource abundance in a nation could generate conflicts and instability leading to the so-called resource curse (Kideghesho, 2008; Meshack, Ahdikkari, Doggart, and Lovett, 2006). The poor and vulnerable group in the society will be the worse off than the rich and politicians. In order to maintain a sustainable macroeconomic growth and better transformation of the society beyond the oil and gas era, the leadership and other stakeholders in the revenues arena have to put in best practices managing the oil and gas revenues in a manner that will enhance the creation of wealth for Ghanaians and promote the other sectors of the economy, for example, agriculture.

There are some fundamental challenges as Ghana has newly joined the league of oil producing countries, and this has become a concern to many Ghanaians with regard to negative tendencies and experiences from other oil producing countries in managing the revenues generation from oil and gas resources(). The challenge in Sub-Saharan Africa, endowed with these enviable and abundant hydrocarbon resources is harnessing them for economic growth and reducing abject poverty. Bategeka, Kiiza, and Ssewanyana, 2009; Gary, 2010) cited Nigeria and Chad countries whose citizens huge expectations were not met in managing the oil and gas windfalls that led high oil crisis, conflicts, crime and political instability.

Instead of these countries developing economies and providing sustainable security for their people, the events in these countries, dominate with a political crisis, civil unrest, conflicts, poverty and robbery (E.g. Nigeria, Angola, Sudan, Chad and Libya). Majority of the citizens in these countries live in extreme poverty in spite of the enormous oil and gas resources. On the other hand, Norway, Malaysia, Brazil, Azerbaijan, Botswana and other utilized their oil and other natural resources for rapid economic development and social other interventions for the well-being their people. The literature placed Ghana in a better position to learn from the unpalatable results and best practices of those countries in managing its oil and gas resources.

The study seeks to review some of the huge perceptions by Ghanaians and their dependence on windfalls from the oil and gas especially residence of Takoradi and the surrounding communities. Participants from Cape three points are of the view that, the government can judiciously allocate the revenue from oil and gas to the benefit of the host communities, and the overall development of Ghanaians.

2. Methodology

Some communities and members selected from the Western Region, which hosts the highest natural resources in Ghana. The selection of the location is significant because the Cape Three Points [hub of Ghana's oil and gas] are found and produced in this area. The inhabitants are not satisfied with the mainstream development activities in the area though the region contributes so much to the nation's growth. The participants randomly selected from the streets of Sekondi-Takoradi Metropolis and some communities near the Cape Three Points. Views and opinions also sorted from youth groups, opinion leaders and chiefs. The handling and analysis of the data based on the result obtained from this process. The figures finally drew using simple percentages.

The adopted research design for this study is PPA review approach based on beneficiary surveys. The sources of data are from both primary and secondary. The secondary data came from extensive analyses of Ghana Living Standard Surveys (GLSS 5) report, other government documents, and mainstream published literature. The data was obtained by administering closed-ended questionnaire to the members, who required evaluating the current and future trends in Ghana. 186 members mostly the youth completed and submitted the questionnaire from the 200 copies administered. The researcher used the opportunity of the observations of members to study the ongoing gas project in the Western Region. Participants were asked to give a "positive" or "negative" perception about government interventions and development programs.

3. Discussion and Result

The table bellow represents the findings from the survey about the perceptions of the oil and gas discovery, production stages and current conditions in Ghana. The participants were asked during the interview to express their views about the oil and gas industry on the following selected areas on the table.

Table 1: shows expectations on Infrastructural development and basic necessities

Expectations on Infrastructural development and basic necessities [such as; water, food, energy etc.]	Percentages expressed				
	Very High	High	Not Sure	Low	Very Low
Energy security	41.7	40.8	3.2	4.2	0.1
Employment opportunities	55.1	26.6	1.9	3.4	2.5
Road network	23.2	62.1	0.6	3.3	0.3
Education facilities	39.5	41.5	3.6	4.3	0.4
Health facilities and delivery	35.3	43.4	5.3	7.6	4.4
Water insecurity	39.4	37.6	2.7	7.4	2.4
Agriculture and food insecurity	33.1	37.8	5.7	9.7	3.3

Source: Field's Survey, 2012

3.1 Infrastructural Development

There is evidence from the table that eighty-one percent (81%) of members captured in the survey expectation

were very high or high that educational facilities will add to enhance educational standard of learning the area. Majority of the respondents (62.1%) were highly optimistic that the road Infrastructure will develops either by the government or private oil companies. The communities were also expecting new industries to set up in the production areas. About (85.3%) of the respondents were in this dimension which linked with the views of Addei, I. Addei, C. and Broni-Bediako (2010). As reported earlier in the introduction, the area possesses the highest minerals in Ghana, but the infrastructural development has not been impressive, the road sector for instance. This echoed the aspirations of the chiefs and people of the city that the revenue will inject new infrastructural development and reduce poverty. Seventy-nine percent (79%) of the participants interviewed said they expect the existing health facilities will upgrade and expand to the deprived areas for safe delivery of health care services.

3.2 Employment and Job Creation

The huge expectations of the Ghanaians mostly the youth are that the production of the oil and gas will be a source of wealth creation, massive job creation and poverty reduction. Over half (55.1%) of the youth expectations were very high in accessing jobs and better living conditions. This echoed by Oteng-Adjei (2010) who posited that the development of the business will strengthen the economic growth, add employment opportunities and alleviate many Ghanaians from poverty. This will be realizing if the business integrate fishing and farming activities with incentives which are the traditional occupation of the communities in the production areas. According to Addei, Addei and Broni-Bediako (2010), majority of the members interviewed were optimistic about job creation to improve their households' income. Chiefs and opinion leaders captured were of the view that the oil and gas sector will provide job opportunities and expand their income structure (Torgoh, T. N. I., 2010).

As the Chiefs and opinion leaders express their hope for jobs and more benefits form the oil and gas industry, they raised concerns about the future of the existing fishing and farming activities which are the major sources of income in the area. Because this huge job expectations, it will cause a fundamental shift and rush from agricultural activities towards the oil and gas sector by the youth in the locality.

3.3 Water insecurity

Ghana's water has diminished from 40,000 barrels to 10, 178 barrels yearly per person from 1960 to 2013. The Food and Agriculture Organization (FAO) disclosed that about sixty percent (60%) of Ghana's water had dwindled within 53 years. According to report, the available water in 1960 with a group of about 6.5 million, if shared equally among Ghanaians, each person will get 110 barrels daily. In 2013, if the water were to be shared equally among the 25 million populations, each person will get about 48 barrels of water daily (GNA, 2014). This is unprecedented trend with the water situation in Ghana. The trend is alarming because, in 2050, the population of the country expects to reach about 40 million, what will happen if such a trend persists. It means, if the phenomenon remains unchecked, the available water for each Ghanaian dwindles to about 1,330m3 or 292, 600 gallons yearly in the next 35 years.

The Western Region is experiencing water pollution through the activities of illegal gold mining popularly known as 'galamsey'. The Pra River, which provides water to the Daboase Treatment Plant, is polluted with silt. Report from the area indicates that the amount of water at Daboase Treatment Plant has reduced from 4 meters to 1.3 meters. The plant supplies water to The Sekondi-Takoradi Metropolis now facing water shortages as a result of the inadequate water in the treatment plant. The mining activities, exploration of oil and gas, migration of labor forces in the region pose serious challenges to quantity and quality delivery of water in the area.

A most current report released by Center for Democratic Development [CDD] on Thursday 13, 2014, posited that many Ghanaians are not happy with the delivery of services provided by government. Healthcare, water and sanitation, education, road and maintenance and electricity were cited as areas the government performed poorly, according to the report. The energy sector for instance is ranked as the worst agency in delivery services to citizens and consumers in Ghana. Seventy-five percent (75%) of Ghanaians said the company performed below expectations over the last tow years. The rest of key findings indicated that the government has performed "very badly" or "fairly badly" on roads and bridges (68%), water and sanitation services delivery (66%), health care (61%), and (63%) on education and training.

The country is hit with energy crisis which has prompted several research activities in the electricity and water industries in the last two years. According to the Electricity Corporation of Ghana [ECG] and the government, the current power plants are inadequate and weak to supply electricity to Ghanaians.

3.4 Agriculture

Agriculture is a major contributor to the economy of Ghana. Agricultural sector employs almost half of the Ghanaian population with the majority residing in the rural areas. The sector further accounts for one-third of the total Gross Domestic Product (GDP) of the Nation's economy. The sector can not, therefore, be abandoned because of the production of oil and gas.

Table 3: Sources of household income, per capita and estimated total annual income

Source of income	Mean annual household income (Gh cedis)	Mean annual Per capita household (Gh cedis)	Estimated total annual income (M. Gh cedis)	Percentage distribution
Wage	371	143	1,966	28.6
Household agric.	450	125	2,399	34.8
Non-farm self-employment	320	99	1,688	24.5
Rent	26	8	140	2.0
Remittances	108	50	611	8.9
Other	14	5	81	1.2
Ghana	1,217	397	6,885	100.0

Source: Ghana Living Standard Survey (GLSS 5), 2008.

Table 9 indicates that the majority Ghanaians derive their household income from agricultural activities. One third of total annual income come agricultural activities such as farming, fishing and poultry rearing.

The intensive oil and gas investment in the region has led to low production of staple foods such as plantain, cassava and maize. The area used to produce a tune of 6.5 metric tons of plantain, a 36,000 metric of cassava and 15,000 metric of maize, but all the staple food have dramatically reduced as a result of oil and gas businesses, illegal mining activities and estate developments.

The huge decline in the production of basic food crops can lead to shortages of food and hunger if the necessary policies are not designed and implemented in the region. A report released by United Nations Development Program (UNDP), on the Western Region, indicated that the production of plantain, yam, cassava and maize have reduced in eight districts. According to report, the youth in the area has abandoned agricultural activities for either oil and gas jobs or illegal gold mining activities [galamsey] which they think are more lucrative than agricultural activities

The National Industrial Census Report (GSS, 2003), revealed that the Western Region contributes 7.5% percent to the industrial sector in the nation. This percentage can increase if revenue from the oil and gas industry is properly allocated to the existing local industries.

In order to balance and check this sustainable trend, the government need to manage the huge expectations and diversify the other industrial sectors of the economy with revenue from the oil sector such as the petrochemical industry, cocoa processing factories, flour milling, the timber and wood processing factories. Other local industries that have high potentials in creating jobs in the region for instance the Benso Oil Palm Plantation (BOPP), Norpalm and Ghana Rubber Estate Limited (GREL) can be supported with the necessary financial assistance and subsidies more palm oil and rubber. The petrochemical industry will create more jobs for the youth and produce cheap local manufactured products such as paints, lubricants, insecticides, synthetic, wax, and polyethene for domestic consumers and also help to boost the Ghanaian economy.

3.5 Rural-urban migration

There will be competition for the already scarce economic resources in Sekondi-Takoradi Metropolis an hour drive to the Jubilee oil fields. The rate of unemployment will increase as a result of huge expectations about the

oil and gas. Both skilled and unskilled labor force will migrate to the urban centers and production areas in search of work and better standards of living. Many of the unskilled job seekers will be disappointed because the business requires well trained and experts to handle especially operations within offshore and downstream activities. This suggests that most of the unskilled labor force will not get employment in the energy industry which will likely expand the rate of unemployment in the area. The side effect from these unemployed migrant workers will cause the prices of housing, transportation, food and other basic necessities to shoot up. This will cause more hardship than before, to the poor people, women and children in the region.

Another major challenge is the likelihood of social vices such as theft, robbery and prostitution that will increase due to the unskilled job migrants and urbanization. Participants in the study raised concerns about the environmental Impact that will occur as a result of migration and out-migration. As the population increases, there will be pressure on the environment (Addei I., Addei C. and Broni-Bediako, 2010). This will likely cause land and water pollution.

3.6 Social Vices

One of the fundamental challenges attached to the discovery and production of oil and gas is social vices. The perception is always that there are better opportunities in the oil and gas sector to make easy income at such location than their present locations and jobs. This causes massive rural-urban migration with the effect being competition for everything. Addei, Addei and Broni-Bediako, (2010) argued that the level of social vices such as, Crime rate, theft, prostitution both from indigenous and non-indigenes, HIV/AIDS, will increase.

The result captured from the survey and shown in the table indicates that about () percent were positive on the eminent and increase of conflicts, crime, prostitution, and other sexually transmitted diseases. The major streets of Sekondi-Takoradi Metropolis were braving itself with a high influx of commercial sex workers [prostitutes] from other parts of Ghana and neighboring countries. According to Addei, Addei C. and Broni-Bediako (2010) if the government does not create the necessary awareness on the prospects and impacts of oil and gas resources, and manage the wrong expectations, Ghana will encounter similar social crisis going on in its neighboring countries like Nigeria, Chad the study emphasized.

4. Managing the huge expectations through participation

The huge expectations of many Ghanaians were that the nation will fly as the oil and gas fields were discovered. This was first echoed by the president then, John Agekunm Kufuor when he was granting an interview to BBC. Authors on mainstream literature about oil and gas argue, on the one hand, expect accelerated growth, job creation and expansion of income. On the other hand, they argue that the abundant hydrocarbon resources can be a source of curse and pluck nations into chaos. The fundamental problem is that many Ghanaians do not have adequate knowledge and some information on the production and management of oil and gas resources. The huge expectation in the first place was a highly misconceived by many Ghanaians.

A major challenge to the government is how to provide the public with the right awareness and attitude on the prospects and impacts of oil and gas resources on individual perception and mainstream national policy direction. Addei, Addei and Broni-Bediako (2010), and Oteng-Adjei (2010), call for urgent response by the government to enhance her campaign and maximize the participation of citizens on how to handle the misconceptions with special emphasis on those people from the production areas.

The civic commission of education in Ghana has a role in educating Ghanaians about high perceptions and dependence on oil and gas to continue to do more on agricultural activities such as farming, fishing and poultry rearing. The government should come in strongly with social intervention measures such micro-finance to the youth to upgrade their traditional business to keep running. This will help prevent overcrowding, crime and other social vices among majority of the youth competing for the windfalls. Addei, Addei and Broni-Bediako, Oteng-Adjei, (2010) all agreed that if the government can take such a pragmatic approach to educate the youth and manage their high expectations, Ghana will avoid most of the oil crisis rampant among our neighbors Nigeria and Chad.

Conclusion and Policy Recommendation

The purpose of the research was to review some of the huge expectations of Ghanaians especially the host communities [youth] of Ghana's oil and gas resources. The findings indicated that with participation of stakeholders and the government can handle the high perceptions and dependence of Ghanaians about its oil and gas fields and production. This can help to reduce tensions about the huge expectations of many Ghanaians. If the government is accountable and transparent and make information readily available to the public, it will boost

consumer confidence and support for public policies and poverty reduction targets. More innovations and interventions targets should be put on agriculture. New farming techniques such as organic foods should be introduced to the youth in the surrounding communities and back with both sustain microfinance's and technical assistance.

Majority of Ghanaian household earns their income from agriculture, therefore, if the scope is wide-opened; more jobs will be available in that sector for the youth to better their standards of living and combat poverty than concentrating only on the oil industry. Proper allocation of the revenue should also be portioned into the road sector in the Western region to engage the residence, who will not have the opportunity for employment in the oil and gas industry. They can create petrochemical industries to ensure the maximum utilization of oil revenue in the priority areas of education, health, agriculture, rural development, infrastructure, water, sanitation and hygiene for accelerated economic growth, and combat poverty. The study provides basic information about the oil and gas resources that will help future research on the exact allocation of the resources for the surrounding communities. Future researchers can also work out solutions to the problems that will arise in the cause of production and management of the resources.

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