



YOUTH AND OIL & GAS GOVERNANCE IN GHANA - Nationwide Survey

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Nationwide Survey

Admittedly, the discovery of oil in itself does not automatically translate into development. Instead, it is the strategies, the economic framework and policy decisions of the government which create the environment for investment. Such decisions should be guided by empirical research. Since the announcement about Ghana's oil find, there has been much literature on the oil discovery and its impact on the economy. However, it is difficult to assume the views of young people who are beneficiaries or victims of the decisions being made today.

This nation-wide study sought to provide a major source of credible information to policy-makers on the views and expectations of young people in order to shape policies and programmes to make them responsive to their needs. Further, the study sought to measure the expectations of young people on the oil and gas sector, their level of appreciation of the oil and gas issues, their level of participation in the decision-making processes and how they would process their grievances. Again, the study considers what medium of communication will be most appropriate in reaching the majority of Ghanaians for the purposes of public education on oil and gas issues and expectation management.

This publication has been made possible by Youth Network for Human Rights & Democracy (you-net) and the Friedrich-Ebert-Stiftung Ghana.

Youth Network for Human Rights & Democracy (you-net) is a non-governmental, not-for-profit organization dedicated to building the capacity of young people and the rural poor to participate actively in the governance of their communities especially in relation to resource allocation, good governance, peace-building and conflict prevention. You-net does this by creating platforms for engagement between the excluded rural poor in the democratic process and Local Government Authorities especially District Assemblies to interact on local government planning and budgeting process.

The key strategic thrust of you-net's work is that Ghana's admirable march towards democratic consolidation could be undermined if the widening gap between the elite and the mass of the people, especially the youth and the rural poor is not bridged. You-net's mission is to build the capacity of young people and the rural poor for good governance, peace building and conflict prevention

The Friedrich-Ebert-Stiftung (FES) is a political not-for-profit organisation with offices worldwide. It has been operating in Ghana for over 40 years now. Some of the topics FES works on are: political participation, economic development & social justice, security policy, gender and youth.

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YOUTH AND OIL & GAS GOVERNANCE IN GHANA

A Nationwide Survey on the Expectations
and Participation of the Youth in Ghana's
Oil and Gas Industry

Acknowledgement

This study could not have been successful without the help of many people. We acknowledge the commitment and hard work of the staff of you-net and the field assistants across the country for making this study a success. With their help and network of remarkable and supportive young people all over Ghana, we reached our goal to administer 6000 questionnaires in all ten regions in the country. Due to their efforts and interest, 5,361 questionnaires were returned. This makes this study highly representative. A list of all 44 field assistants in the country can be found in the annex.

We would also like to thank Tobias Zehe and Iris Afful for their extremely good work on this project. Both of them have had so many great ideas and they also provided the necessary logistical support for the success of the research.

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Last but not least, we would like to thank all the respondents for their interest in the study and their opinion. In many regions of the country the respondents approached the field assistants in order to fill out the questionnaires. That shows the high interest in that topic and the importance of the debate.

Foreword

The discovery of oil in commercial quantities by Ghana in 2007 brought so much excitement to Ghanaians for obvious reasons. Feverish preparations were made for oil production. Debates and consultations on the oil and gas issues were dominated by the elite. As an organisation that focuses on empowering young people for good governance, peace-building and conflict prevention, we organized a conference for youth leaders and activists on the oil and gas issues to enable them to appreciate the oil and gas issues in order to influence policy.

Consequently, other interventions were made to help the youth understand the Petroleum Revenue Management Bill and the Petroleum (Production and Exploration) Bill which enabled them make proposals to Parliament.

The above interventions were limited to Accra due to limited resources. Again, through the above programmes you-net discovered the depth of improper consultation of young people on the oil and gas issues. This we considered a good governance deficit since young people constitute the majority of the nation's population.

We set out to undertake this nationwide study which is the first of its kind since the discovery of oil to help measure the level of understanding of the oil and gas issues, their level of participation in decision making on oil and gas, their expectations as well as their proposal on how the revenue from the hydrocarbon

resources should be used. There are many interesting findings and recommendations in this study which we believe will inform government, oil companies and civil society in the management of Ghana's oil and gas resources.

It is our expectation that this study will give a voice to young people of this country and also educate many on the oil and gas industry.

I wish to express our profound gratitude to the Friedrich-Ebert-Stiftung for providing both financial and technical support for the execution of this project. Daniela Kuzu, the Resident Director, took a keen interest in this study and made invaluable inputs.

I also wish to place on record our gratitude to the staff of you-net and our field assistants across the country who contributed to this study.

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Executive Director
Youth Network for Human Rights & Democracy

Daniela Kuzu
Resident Director
Friedrich-Ebert-Stiftung

Purpose of the Study

Admittedly, the discovery of oil in itself does not automatically translate into development. Instead, it is the strategies, the economic framework and policy decisions of the government which create the environment for investment. Such decisions should be guided by empirical research. Since the announcement about Ghana's oil find, there has been much literature on the oil discovery and its impact on the economy. However, it is difficult to assume the views of young people who are beneficiaries or victims of the decisions being made today.

This nationwide study sought to provide a major source of credible information to policy-makers on the views and expectations of young people in order to shape policies and programmes to make them responsive to their needs. Further, the study sought to measure the expectations of young people on the oil and gas sector, their level of appreciation of the oil and gas issues, their level of participation in the decision-making processes and how they would process their grievances. Again, the study considers what medium of communication will be most appropriate in reaching the majority of Ghanaians for the purposes of public education on oil and gas issues and expectation management.

Ever since commercial oil discovery was made in Ghana, there have been several suggestions urging the government to use the oil and gas resources of the country for economic transformation. This study reveals what young people think the hydrocarbon resources should be used for.

The study finally gives recommendations to stakeholders in the oil and gas sector in order to address the needs and expectations of the youth in Ghana. In addition, the study seeks to inform the youth on the oil and gas business in order to fulfil the purpose of education.

Executive Summary

According to the Ghanaian census 2010, 33.2 percent of the population is between 15 and 35 years of age. It must be assumed that this percentage has increased in the last 10 years, but the results of the census 2010 have not been published yet.

Since the oil find in the year 2010, the expectations of the population was high. FES Ghana and the Youth Network for Human Rights and Democracy have been interested in the opinion of the youth regarding issues on oil and gas, because they are the future generation which have to deal with possible consequences and challenges in the next decades. Moreover, due to the fact that those young people represent a large number of the overall population, it is necessary that their voice will be heard. The most significant results from our study are summarized as follows:

The expectation of the youth with regards to the oil and gas exploration is generally very high. 81 percent have 'very high' or 'high' expectations.

Oil wealth is seen as an opportunity to develop a country and to achieve higher living standards. Expectations in all the ten administrative regions are very high hence a socially just distribution of the oil resources must be envisaged to avoid social unrest and further disparities between the north and south, poor and rich.

The respondents have stated that the most likely consequences of the oil production are: economic growth, more jobs, better infrastructure and improved living standards. If the youth would have the opportunity to spend the oil money,

they would assign the money to the following areas/sectors in the order of importance: education and training, health care, infrastructure (roads, electricity, water, communication etc.), improving agricultural practices, savings and investment for future generations.

Despite the positive assessment of the sufficient instruments and transparent mechanisms, a high percentage of the youth of Ghana does not trust politicians who will manage the oil wealth.

The youth have a high interest and willingness to participate in decision-making processes and the discussions concerning the oil production as well as the management of the oil wealth.

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Chapter 1

Introduction

Ghana joined the league of oil producing countries with the discovery of oil in commercial quantities off its Western Coast in June, 2007. Feverish preparations were made for oil production to commence which included the building of the Floating Production and Storage (FPSO) which was completed in record time for the first pouring of oil in December, 2010.

The announcement of the oil discovery generated a huge public debate: How much money will accrue from the oil production? How will government manage the revenue? What should the revenue from the hydrocarbon resources be used for? Will Ghana be able to avoid the so called 'resource curse' as with other resource-rich countries?

Consequently, several consultations were done prior to the production of oil. Some of these included regional consultations on the management of the petroleum revenue, development of a local content and participation policy, petroleum revenue management bill which was subsequently passed into a law, the petroleum exploration and production bill (which was withdrawn for further work) among others. Unfortunately, there was very little participation of the youth in these processes.

Ghana has a relatively youthful population. As the National Youth Policy defines youth, it is the period between childhood and adulthood. "During this period a person prepares himself/herself to be an active and fully responsible member of the society. It is also a period of transformation from family dependent childhood to in-

dependent adulthood and integration into society as a responsible citizen. The policy defines 'youth' as 'persons who are within the age bracket of fifteen (15) and thirty-five (35)'. Ghana's definition has been informed by those used by the United Nations Organisation and the Commonwealth Secretariat."¹

According to the 2000 Housing and Population Census, young people constitute about 33.2 percent of a heterogeneous population (aged 15-35 years).²

If the children from 0 to 14 years are added, 73.4 percent of the population are under 35 years old.³

Young people face numerous challenges that require adequate laws, policies, programmes and interventions backed by adequate resources to implement and address. With the challenges such as unemployment and underemployment, lack of education and skills, vulnerability to diseases such as HIV/AIDS, young people are likely to have high hopes that the hydrocarbon resources will help transform the economic fortunes of the country. The poor participation of young people in decision-making, however, remains a good governance deficit that must be addressed.

Meanwhile, participation of young people in consultation and decision making processes is critical for several reasons; they will be the victims or beneficiaries of the various decisions and contracts that government is entering with the oil companies. They are also vulnerable to conflict mongers who could take advantage of their ignorance and poverty to foment trouble. Indeed, studies have shown that in many countries and communities where there are resource related conflicts, it is the youth who are used to prosecute violence.

Again, it is important to help the youth appreciate career and business opportunities that exist in the sector in order that they can prepare and take full advantage of such opportunities. But honestly, it is highly questionable to believe that young people will

1 *National Youth Policy Ghana, August 2010, page 5*

2 *Statistics from the new census 2010 have not been published yet*

3 *ILO, Ghana and Senegal Survey Findings, July 2009*

find job opportunities immediately. The oil and gas sector needs highly qualified and experienced staff. Most of the workers in the oil companies had to undergo a decade-long training and even more experience on oil platforms to be qualified for their profession. It is rather advisable to concentrate on the development of other sectors to find a balance in the economy and create more job opportunities.

In response to low participation of young people in discussions and decision making on the oil and gas issues, the Youth Network for Human Rights & Democracy (you-net) together with its partners have embarked on several initiatives aimed at building the capacities of leaders of youth groups and organizations such as youth wing leaders of political parties, National Union of Ghana Students, Ghana National Union of Polytechnic Students (GNUPS), University Students Association of Ghana (USAG), Ghana Trades Union Congress and community youth groups. The initiatives also sought to create opportunities for the youth to make recommendations on key issues on the oil and gas industry.

Within this framework, you-net and the Friedrich-Ebert-Stiftung Ghana have been highly interested in the opinion of the youth concerning the oil and gas sector and the management of the oil revenues by the state. You-net and FES therefore embarked on this nationwide study by sending out 6,000 questionnaires and received 5,361 questionnaires back, which have been analysed accordingly.

The structure of the study is as follows: Chapter 2 discusses the youth situation in Ghana and the oil and gas production. The methodology of the study is discussed in chapter 3. Chapter 4 highlights the expectations of the youth in Ghana, while chapter 5 addresses the possible effects of the oil and gas production. Chapter 6 shows the youth opinion on the legal policy framework of the oil and gas production in Ghana, followed by the youth opinion on responsibilities of state and other agencies or organizations in chapter 7. Chapter 8 deals with the democratic legitimization of the oil policy with regards to citizens' participation and

civic engagement. Chapter 9 highlights the sources of information which are used by the youth, as well as community mobilization and engagement on oil and gas.

The opinion of the youth in one of the most affected areas, namely Bonyere and Ezinlibo, are discussed in chapter 10, whilst an excerpt on conflict prevention and management points to possible sources of conflicts in chapter 11.

Finally, the general conclusions and recommendations for various stakeholders are discussed in chapter 12.

An appendix provides additional information on the oil and gas production as well as the legal framework for this purpose.

It is hoped that this study provides background information on the oil and gas business as well as the legal framework of the state in order to fulfil the educational mandate of the researchers. But first of all, the study reveals the opinion of the youth in Ghana, the future generation, who will live with all the challenges and consequences attached to this undertaking. The respondents represent the large proportion of citizens in the country which will experience either the blessing or the curse of oil in future. Therefore, the researchers hope that this study will help give them a voice in order to chart a new and promising path for a better future.

Chapter 2

Overview of Ghana's Economy

Ghana's economic history is dominated by two major economic policy stances. Soon after independence in 1957, economic activity and management was dominated by the state. Central economic planning and state role in economic development anchored on import-substitution industrialization policy, which was then embarked upon by the country heightened up economic growth with significant public investment. However, by 1964, the strategy had already faltered setting into motion a long history of economic and political instability. This economic instability was compounded in 1970s with external factors including the oil price shocks and collapse of primary commodity prices. However, the overthrow of Kwame Nkrumah in 1966 coupled with economic crises in 1970s and early 1980s contributed in weakening the concept of state interventionism in favour of free market reform policies in Ghana. Consequently, the features of neo-liberal policies have dominated Ghana's development effort since the mid-1980s.

As a result of both internal and external factors mentioned above, the economic situation worsened at the beginning of the 1980s compelling the PNDC government to adopt the International Monetary Fund (IMF) and World Bank Economic Recovery Programme (ERP) in 1983 and subsequently the Structural Adjustment Programme (SAP) in 1986. The two programmes entailed major shifts in economic policies in Ghana from the statist and socialist policies of the 1960s and 70s to free market (neo-liberal) policies. The policy package of the ERP and the SAP, were put forward in exchange for external assistance and debt restructuring. Among other things, the policy package included privatization

of state-owned enterprises (SOEs), public sector downsizing, liberalization of external trade and payments, deregulation of financial and labour markets and the adoption of investment codes that protect capital over labour and community rights.

The objectives of the ERP and SAP were to stabilise the economy, promote high economic growth rates and improvements in the material conditions of the people. While the economic reforms achieved macroeconomic stability and average Gross Domestic Product (GDP) growth of 5 percent over the last two decades, Ghana remains highly indebted and poor, resulting in the country's adoption of Heavily Indebted Poor Country (HIPC) Initiative in 2002.

In the last three years, the growth rates ranged at an average of 6 percent. In 2008, GDP grew by 7.3 percent and 7.7 percent in 2010. These are impressive growth records by all accounts. In addition, inflation has fallen below 10 percent compared to the three-digit figures recorded in the late 1970s and early 1980s. But GDP growth (and the measured improvements in the major economic indicators) in the past has failed to change the structure of the national economy. It has made very limited positive impact on employment and other social indicators. GDP growth has coincided with rapid decline in formal sector employment and informalisation of employment and jobs. For example, in the mid-1990s Ghana was ranked 133 on the HDI; in 2004 Ghana is ranked 131, an only marginal improvement. However, inequality as measured by the Gini coefficient has increased consistently over the period –from around 0.373 in 1992 to 0.394 in 2006.

As stated above, even though Ghana's economy has mostly grown at an average of five per cent for two decades, this growth could not transform the structure of the economy. Until 2010, the agricultural sector remained the highest contributor to GDP and employment. But with the rebasing of the economy (at constant 2006 prices), in 2010, the services sector contributed 51.4 per cent to GDP, followed by agriculture (29.9%) and then industry

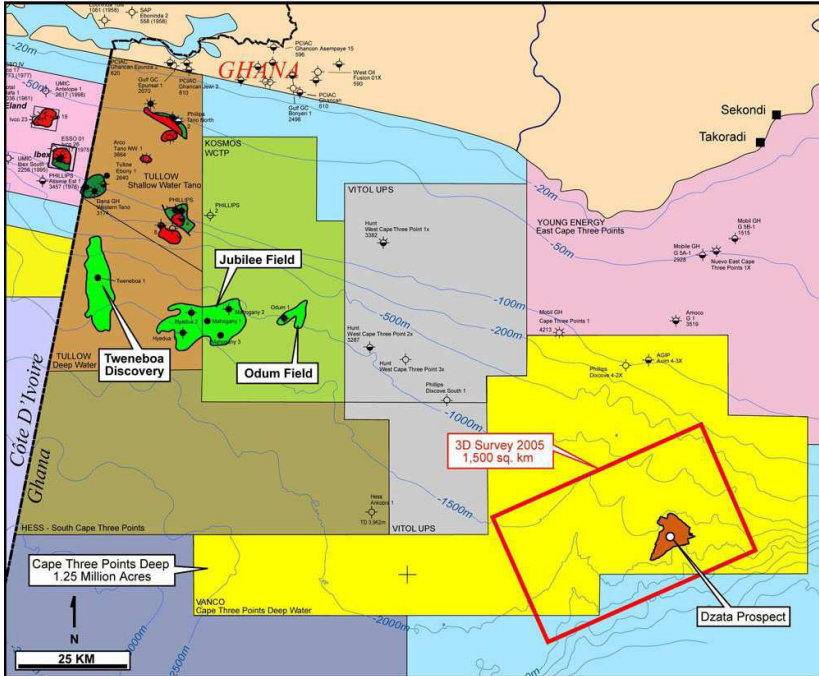
(18.6%). However, in terms of exports, the only change in the top four exports of cocoa beans, aluminium, gold and cocoa butter was the replacement of cocoa butter with timber.

With the discovery of oil in 2007 and commencement of production in the last quarter of 2010, Ghana has joined the league of oil producing countries and there are high expectations that the newly discovered hydrocarbon resource will enhance economic growth. But still, if this growth will not be used to develop other industries and re-structure the Ghanaian economy, Ghana will continue to state a higher annual GDP in future, but the distribution of this income will be unjust and only the privileged people in the society will benefit from it.

Background to Ghana's Oil Economy

The announcement of Ghana's discovery of oil in commercial quantities by the UK-Irish oil giant Tullow Oil around Cape Three Points in the western offshore was received with mixed feelings -hope and anxiety. Indeed, the announcement of oil discovery was not new in Ghana's history.

Prospects for hydrocarbons in Ghana date as far back as 1896 following the discovery of oil seepage at Tano Basin, near Half Asini in the Western Region (KITE, 2010). However, it was not until 1970 that the first modest discovery was made offshore Saltpond. Production at Saltpond began in 1978 and a total of 3.47 million barrels of oil are reported to have been produced from the field over a 7 year period between 1978 and 1985 when production was suspended (KITE, 2010). Offshore exploration intensified between 2000 and 2007 and resulted in the Jubilee find in June 2007.



Map 1

Ghana's Oil Fields

Source: Ghana's Oil Findings, www.ghanaweb.com

Effects of oil production

What are the lessons for Ghana's anticipated oil revenues? An emerging consensus in recent literature is that the natural resource curse mainly works through rent seeking and corruption activities to affect economic growth and that good governance is the key to mitigating these effects. On the other hand, the Dutch Disease entails factor movement or reallocation of factors of production such as capital and labour from other activities to resource extraction.

Therefore, the effects could have a real negative impact in the first place if the government of a state does not implement instruments that will ensure the correct and sufficient usage of these oil revenues in order to further the development of a country.

As a World Bank report states correctly, "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. As liquidity constrained, Ghana's economy could expect high development returns from oil. But without sufficient preparation, risks of misuse of oil revenue are considerable, to the extent that it could even lead to a decline in per capita incomes in absolute terms after the initial boom years. The political capture of oil rents could also revert some of the important progress made in Ghana in terms of governance and executive accountability. Hence the huge premium and responsibilities put on Ghana's successive authorities to wisely manage the oil wealth."⁴

⁴ World Bank, *Economy-Wide Impact of Oil Discovery in Ghana*, Report No. 47321-GH, 2009, page vii

Facilities of the Jubilee Field

Nine production wells bring the oil and gas from below ground to the surface. In addition there are eight drillings to inject gas and water. This is done to maintain the field pressure and to get rid of the gas, as long as there is no pipeline to the shore. There are plans to build one, but the financial questions have not yet been settled. Constant gas flaring is forbidden in Ghana.

All 17 wells will be connected to the Floating, Production, Storage and Offloading (FPSO) Kwame Nkrumah vessel. On the FPSO a daily maximum of 120,000 barrels of crude oil will be separated from gas and water. Most of these by-products will be pumped back through the injection wells. 15% of the gas will be used for power generation to run the FPSO.

Transport ships will collect the oil from the FPSO every 7 to 10 days and ship it to worldwide refineries. During the first phase, four drilling rigs are already under contract to finish the exploration and development of the remaining areas of the field, namely the southeast part.

Quality of the Oil

Jubilee crude oil is described as 'light and sweet'. This implies high quality for refiners. Independent laboratory analysis says that the crude oil has an API Gravity of 37.6 degrees and a sulphur content of 0.25 % (weight), with no unusual characteristics. Crude oils of this type are attractive for worldwide refineries and can compete with the international price reference oils.

Refineries

Ghana has only one oil refinery-Tema Oil Refinery (TOR) which is state-owned, with the capacity of 45,000 barrels per day. To achieve international economic viability, it has to increase its capacity utilization. Ghana government intends to invest US\$300 million in TOR to increase its capacity to 100.000 bpd. But this

plan was already on the table since the late 90s and nothing happened since (Ghana Business News, 2010).

Even if TOR operates at its maximum capacity of 45,000 bpd, in 2009 this would have met only 50-60% of the domestic fuel demand. The country is highly dependent on fuel imports which amounted to 14 percent of merchandised imports in the year 2008.⁵

As there is only a very limited number of jobs in the highly technical upstream production of oil (approximately 300 at Jubilee), it is of enormous importance to create a strong mid and downstream oil industry. Mid and downstream means every sector of the oil and gas industry in addition to the actual exploration and production. By supporting these sectors, not only jobs are being created, but value is added to the resources and dependence on the traded barrel price is reduced. The final products (i.e. fuel) are not subject to such drastic global oil price fluctuations. Finally, refineries in the home country decrease the local fuel price, as the production and importation costs of oil are reduced.

Two new refineries are planned by foreign companies. Barclays Gedi Group's 100,000 bpd refinery to be situated at Takoradi was originally scheduled to begin construction in early 2011. Apparently the building of the refinery has been delayed due to the lack of a contractual agreement with the Government of Ghana [Modernghana.com, 2005].

In July 2009 South Africa's New Alpha Refinery Ghana Ltd. and the Ghanaian government wrote a Memorandum of Understanding to construct a new US\$6 billion oil refinery in Accra. Production rate is estimated at 200,000 bpd, but with a possible expansion to 400,000 bpd. This would be Africa's biggest refinery. The aim is to start production in 2015 (Africa Business Source, 2009) New refineries would aim for export, especially to the other West African Countries. Potential destinations are not only the non-refinery countries, but even Nigeria, where due to operational inefficiencies of the existing refineries, a high fuel demand exists.

5 *World Bank Data on Imports, Ghana, 2008 (latest data entry)*

Who Owns the Oil?

Article 257(6) of the Ghanaian Constitution of 1992 states: “Every mineral in its natural state in, under or upon any land in Ghana, rivers, streams, water courses throughout Ghana, the exclusive economic zone and any area covered by the territorial sea or continental shelf is the property of the Republic of Ghana and shall be vested in the President on behalf of, and in trust for the people of Ghana.”

However, the right for exploration, development and production of different offshore blocks was sold in 2004. Below is a summary of the shares of the various partners:

Deepwater Tano Block

Tullow Oil & Gas (Operator) 49.95%, Kosmos Energy 18%, Anadarko Petroleum Corporation 18%, Ghana National Petroleum Corporation 10%, Sabre Oil & Gas 4.05%.

West Cape Three Points

Kosmos Energy (Operator) 30.875%, Anadarko Petroleum Corporation 30.875%, Tullow Oil & Gas 22.896%, Ghana National Petroleum Corporation 10%, EO Group 3.5%, Sabre Oil & Gas 1.854%.

Jubilee Field (located in both blocks)

Tullow Oil & Gas (Operator) 34.705%, Kosmos Energy (technical operator for development) 23.491 %, Anadarko Petroleum Corp. 23.491 %, Ghana National Petroleum Corporation 13.75 (10% carried interest, potential 3.75% working interest, if they decide to apply for their back-in right within 60 days after production started), Sabre Oil & Gas 2.813 %, EO Group 1.75%. [Offshore-Technology.com, 2011]

Excuse

Traditional Ghanaian Land Ownership

Most the Ghanaian land is either owned by stools, skins, families or clans, usually held in trust by the chief or the head of family/ clan. But as stated in the constitution, "minerals under or upon any land" belong to the Government of Ghana. Especially directly after the findings, there should have been better communication between the Government and the local communities. Apparently the chiefs and people of Ahanta and Nzema, the local ethnic groups next to the oil exploration sites, were very disappointed that they were not officially in-formed about the discovery of oil on their ancestral land. Though by law the oil clearly belongs to the state, demands for royalties arose.⁶

The Oil Policy of the Government of Ghana

Ghana is member of the Extractive Industries Transparency Initiative (EITI). The organisation was launched in 2002 and "encourages government, extractive companies, international agencies and NGO's to work together to develop a framework to promote transparency of payments in the extractive industries".⁷ The aim of the initiative is to create an environment of transparency and accountability between companies, governments and citizens in resource rent-seeking states. After publishing data and independent reports on the country's mining sector, Ghana achieved compliance with the EITI in October 2010. Even though the membership of Ghana in the EITI is a major step towards a transparent re-source management policy, it has to be noted that it is first and foremost focusing on Ghana's mining sector. Yet, the initiative has been extended to the oil sector in April 2010.

6 *Osabutey, 2010*

7 *EITI Ghana, 2010*

The main criticism towards the EITI is the lack of efficiency due to non-compulsory guidelines of the organisation. This deficit means that Ghana can voluntarily fulfil the transparency standards of the organisation as it happened in the mining sector. However, in the oil sector, no action has been taken to improve the overall transparency because there are no legal measures that are backing up the fulfilment of EITI standards.⁸

The current lack of transparency in Ghana's oil policy envisages in the refusal of the Government to publish the contracts that were signed with the companies involved in the oil production.

The 'Petroleum Revenue Management Bill'

In early 2010, the Government of Ghana proposed a 'Petroleum Revenue Management Bill'. The purpose of this legislation is to regulate the use and management of the rents that will be generated through the oil industry. According to a publication by Dr. Amoako-Tuffour from the Ministry of Finance and Economic Planning, a central feature of the bill is to split the revenue within the Annual Budget Funding Amount (ABFA) into two long-term funds, namely the Stabilisation Fund and the Heritage Fund. These funds were established to back up the country's economy in case of oil price variability and "to generate an alternative stream of income for the future".⁹ The bill suggests using at least 30 % of the oil revenue for the long-term funds. The other 70 % of the revenue will stream into the annual budget of the Government.

The "Petroleum Revenue Management Bill" suggests various limitations for the spending of the ABFA and also rules for reporting on oil findings and investments, along with the creation of an independent regulatory body. However, despite the fact that taxes cannot be allocated in the state budget, the state needs to show the political will and the commitment to provide a detailed plan of how the revenue will be spent wisely in order to ensure the devel-

8 *Ibid.*

9 *Amoako-Tuffour, 2010*

opment of the country. For instance, it is not possible to directly derive investments in the infrastructure of the country from the bill. Even though it is widely appreciated that the government tries to introduce legal measure to regulate oil revenue management, the lack of details is the target of many critics.¹⁰

Even more important is the fact that the bill was pending in front of the parliament for almost a year and has still not become a law. The main conflictive issues in the parliament debate were the percentages of the revenue that will stream into the budget and respectively into funds and the question if a Public Interest and Accountability Committee (PIAC) should be established to enhance public accountability and transparency in the management of the petroleum revenue.¹¹

Possible Rewards from the Jubilee Field

The possible rewards from the Jubilee field are of great interest to various institutions. Therefore predictions and base cases have been made, although some calculation parameters are very uncertain.

The oil companies themselves definitely have the greatest knowledge of the important parameters, but none of them have announced a revenue forecast.

As the oil company Exxon bid US\$4 billion (and they had insight into non-public data) for Kosmos' 23.5% stake in the Jubilee field, they must have assumed an absolute minimum revenue from the total field of US\$17 billion for the whole period of production.¹²

The most detailed public base case has been published by the World Bank staff in December 2009. Interpreting the World Bank data, the bank's staff calculated total companies' (excluding GNPC) revenues of US\$ 8.29 billion for the whole produc-

10 *Ibid.*

11 *Ghana News Link, 2011*

12 *www.ghanaweb.com, 2009*

tion period. Assuming the World Bank was right, the Exxon bid for 23.5% of the field was far too high – if they do not expect production in other fields. The German development agency GIZ estimates the annual Government revenue between US\$200 million and US\$1 billion, while the World Bank predicts the highest Government revenue (in year 2016) to be US\$1.8 billion. These variation shows, how different institutions interpret different data. On March 9, 2011, the Bank of Ghana received the first royalty of the total first lifting of crude oil since December 2010 by all partners which was about US\$ 31 million.¹³

An Overview of the Youth Situation in Ghana

Ghana has a relative youthful population which faces various challenges. The National Population Council observes that although the population of young people is projected to decline in the near future, their continuous increase in absolute numbers after 2025 poses a challenge to the government. According to the preliminary numbers of the not yet published Housing and Population Census in Ghana, the population growth rate between 2000 and 2010 was 28.1 percent.¹⁴

In respect of this high percentage, the future growth of the population could cause serious conflicts if the state does not respond with efficient programmes particularly in the field of education, health, skills training and employment.

As the much clichéd future leaders, young people represent immense potential, as both threat and opportunity. Political leaders demanding change and those seeking to defend the existing order, seek to mobilise young people to their side. In effect, the energies and abilities of young people are exploited positively through various activities that promote development and negatively through their involvement in violent conflict and other social vices that undermine social progress.

13 Ministry of Finance and Economic Planning (Ghana), *Press Release, May 3rd, 2011*

14 Ghana Statistical Service

Even though a large youth cohort reduces labour market opportunities for the youth this phenomenon is not necessarily problematic.¹⁵ With appropriate policy interventions and institutions African countries could transform this challenge into opportunities by reaping the so-called demographic benefits which come from a large labour force. An estimation of 230.000 people enter the job market every year, but just ca. 5.200 positions per year in 376 companies of the private formal sector can be provided.¹⁶

Inadequate public services especially education, healthcare, counselling and recreational facilities remain key challenges facing young people. In spite of the Free Compulsory Universal Basic Education (FCUBE) programme the illiteracy rate among young people remain relatively high. While 79.3 percent of the youth between 15 and 24 years can read and write a simple text or more, only a total percentage of 65.8 of the adults from 15 years and above are literate.¹⁷

While many young people remain uneducated and unskilled, a considerable number of youth enter the labour market unprepared in terms of education and labour market experience. The following example shows that in the year 2001 2,48 million children have been enrolled in the primary schools. 85,4 percent (ca. 2,1 million) of them completed their primary education in 2007. In the same year, only 1,225 million (58,11 % of the graduates of primary schools) have been enrolled to the junior high schools which is the next school level in Ghana.¹⁸

This phenomenon coupled with limited employment opportunities is largely responsible for the high unemployment and underem-

15 *Worldbank,, 2008*

16 *ILO, Ghana and Senegal Survey Findings, July 2009*

17 *World Bank Indicators, 2011*

18 *RECOUP Research Consortium on Educational Outcomes & Poverty, The Financing and Outcome of Education in Ghana, March 2008 and Ministry of Education Science and Sports of the Republic of Ghana, Preliminary Education Sector Performance Report, 2008*

ployment rate. Unemployment is mainly an urban phenomenon with 11 percent in the cities compared to 4.3 percent in the rural areas. Underemployment is a phenomenon in the rural areas with around 12 percent (2003).¹⁹ Unfortunately, there are no reliable statistics on the unemployment situation in Ghana.

This development calls to question the premises for government's intervention on the youth unemployment situation. Limited or, in some cases, non-existent opportunities for constructive political engagement are a key challenge to young people in Ghana, particularly for those without personal connections remain a key challenge to youth development. The exclusion of young people in governance and decision-making even on issues that directly affect them remain a key challenge. Many programmes and projects targeted at youth empowerment have been planned for the youth. The failure of some of such projects and policies can be attributed to improper consultation of young people in the process. Many discussions and deliberations have been made since the announcement of Ghana's oil discovery; however, young people who are beneficiaries and victims of such decisions have had little or no opportunities to engage with stakeholders.

Young people remain susceptible to manipulation to engage in violence. In most conflicts across Ghana and elsewhere in the world, the youth are used to prosecute violence in religious, ethnic, political, land and other natural resource related conflicts.²⁰ Mainly in the north of Ghana, young people use violent means to solve land disputes as well as tensions before, during and after elections. Youths are exposed to the trade and use of illicit drugs and arms. Young people remain vulnerable to alcohol abuse, sex abuse (e.g. sexual harassment or rape), and the HIV/AIDS scourge among others.

19 *UNECA/ECOWAS, Unemployment, Underemployment and Vulnerable Employment in West Africa: Critical Assessment and Strategic Orientations, March 2010*

20 *USAID, 2005*

Obviously, today's young generation faces numerous challenges that affect their quality of life and their ability to reach their full potentials. The uncertainties and risks generated by rapid economic growth and social change in an increasing globalised world combined with lack of education and insufficient social protection framework will reduce their chances to better their livelihood. Effective laws, policies and strategies create a conducive environment for seizing opportunities to make the right choices and enable young people to participate fully in nation building.

After many years of delay amidst protest from young people of Ghana, government launched a National Youth Policy in August, 2010 with the aim of providing opportunity for government to engage the youth and other stakeholders in a meaningful partnership to develop appropriate interventions and services for youth empowerment. The policy provides guidelines and direction for all stakeholders involved in the implementation of policies and programmes and projects for the development of the youth.

Other international and national laws that seek to protect the rights of young people and to promote their development include: Convention on the Elimination of all forms of Discrimination against Women (UN, 1981); Convention on the Rights of the Child (UN, 1989); the Convention on the Elimination of the Worst Forms of Child Labour (UN, 1999); The Children's Act (Act 560), 1998; the Juvenile Justice Act (Act 653), 2003 among others. Unfortunately, many Ghanaian organizations and state officials remain ignorant of these laws and enforcement is very poor.

The transformation of Ghana's economy and society in an oil economy will partly depend on the opportunities available and the ability to make full use of the capabilities of the millions of young people who will join the labour force over the next 10-15 years.²¹ It is therefore critical to promote active participation of young

21 *State of Ghana Population Report "Investing in Young People-The Nation's Precious Asset", National Population Council, 2006*

people in decision making especially on the oil and gas industry by empowering them and also creating opportunities for constructive engagement with stakeholders.

Chapter 3

Methodology

The study, from which the data was derived, was conducted from March 11th to April 27th 2011. In total, 6000 questionnaires were printed and sent out to all 10 regions of Ghana. The methodology chapter explains how the survey was organised and conducted.

The Design of the Questionnaire

From the beginning, the goal of the study was to get statistical data about opinions on the most important questions about oil in Ghana from the greatest number of people possible, essentially the youth. For the Friedrich-Ebert-Stiftung and you-net, the most important matters were to know more about the expectations of people towards oil production, the evaluation of Ghana's preparedness to produce oil, the ways in which the income from the oil should be spent, an evaluation of the oil management by Ghana's politicians (legal framework) and finally the democratic legitimisation of the oil policy in Ghana. These contents should then be combined with personal data about each respondent in order to gain trends about differences in education, age, employment, etc. and the given answers from the survey.

As organisational preconditions, it was clear that the focus should be on the youth of Ghana which means people aged 15 to 35 years for two reasons. First, Ghana has an extraordinary high number of young people in its population and secondly, because the consequences of oil production, either positive or negative, will be felt and dealt with by the people who are young today.

Another precondition was the aim to reach people from all regions in Ghana which means that in all 10 administrative regions the questionnaires should be given out to urban as well as to rural population.

With these preconditions, staff members of FES in cooperation with you-net designed the five-page questionnaire (see appendix). The questions were mostly asked in a closed way which means that respondents could tick boxes of given answers, because this makes the analysis of the data much easier. Also, it was assumed that closed questions would enable the field coordinators to conduct much more questionnaires because it takes less time to tick boxes than to write full answers. The only open question in the questionnaire is Question no. 5, in which the respondent is asked to list possible conflicts between oil companies and the local community. This question was asked in an open way because the authors of the survey wanted to get ideas from the people about this matter and did not want to influence the respondent with any given answers.

The closed questions were posed in two ways. Firstly, there were grammatical questions in which the respondent had different options to choose (questions 2, 4, 8 and 11). This methodology was applied, when it was aimed to make a ranking of the most given answers afterwards. For example in question four, the authors thought of different possibilities, what the oil revenue could be used for. In total, eleven options were given and each respondent could tick a maximum of five answers. In the analysis it could then be found out which answers were mostly ticked and therefore the most important issues could be identified. However, the respondent also had the possibility to give their individual answers under the option "others".

The second kind of closed questions were grammatical statements on which the respondent could then give her/his opinion by deciding between five answer-boxes: "strongly agree", "agree", "not sure", "disagree", "strongly disagree". The main reason for this methodology again was the simplification of the data analysis. By

asking for opinions on statements, it was easy to derive trends of opinions from a large number of people to certain issues and at the same time get a picture which was more complex than a trend consisting simply of "yes" and "no"-answers.

With regards to content, the questionnaire was structured as coherent as possible. Therefore, the researchers classified certain issues, like "consequences of oil discovery and usage of oil revenue" or "personal interest and involvement in oil policy". The questions about personal information were consciously put at the end of the questionnaire, because this is the most delicate part to answer for the respondent. Indeed, in the survey all respondents stayed anonymous. The questionnaire only collected personal information such as age, sex, level of education and occupation.

Because of the high sample size (6000) and the different educational backgrounds respondents, the questionnaire had to be designed in a way that could easily be understood. Therefore the questions were formulated in a very simple way meaning with few words and without complicated vocabulary. The use of closed questions/statements also enabled the field coordinators to ask people and then tick the answers themselves, in cases where the respondent was illiterate. An attached briefing paper also enabled the coordinators to translate the questions into local languages if necessary.

Before the questionnaires were given to the printer, a test run was held with 20 young people. After the test run, the feedback of the participants was acknowledged and new suggestions and changes were included for the final version of the questionnaire.

Distribution of Questionnaires and Administration in the Field
As mentioned before, the goal for the study was to get answers from all over the country. It was clear beforehand that in total 6000 questionnaires would be printed. In order not to distort the results of the study, it was taken into consideration that the population is not equally spread throughout the country. For example there are 3.6 million people in the Ashanti Region while there are

only 600,000 living in the Upper West Region. If the questionnaires had been distributed equally, the answers from the lesser populated regions would have had a greater influence on the total numbers which would have distorted the results of the study.

Therefore a distribution key for the questionnaires was created according to the population percentages of each region. As a result, the quantity of questionnaire varied from one region to another. In effect, 1212 questionnaires were sent to Ashanti Region, while only 161 were administered in the Upper West Region.

It was mentioned before, the researchers aimed at getting answers which cut across the youth of Ghana. This means that the survey could not only be conducted in the bigger cities but also in smaller towns and rural areas. The administrators of the study from FES and you-net therefore identified one village, one district capital and the capital city in each region to distribute the questionnaires for each region. For example, in Greater Accra, 364 questionnaires each were completed in Mallam, Tema and Central Accra.

Below the full distribution statistics:



Map 2 – Regions in Ghana

The decision, of which cities and rural areas to choose, often depends on the contact persons that were present in the field. These persons were mainly members or fellows of you-net. The offer for the field coordinators was that they earn 1 GH¢ per completed and returned questionnaire and transport allowance if they had to

Regions	Number of questionnaires	Village	District Capital	Central city
Ashanti	1212	Manso-Adubea	Ejisu	Kumasi
Brong-Ahafo	565	Kotokrom	Techiman	Sunyani
Central	467	Nyanko-Ahenkro	Winneba	Cape Coast
Eastern	575	Nsawam	Aburi	Koforidua
Greater Accra	1092	Mallam	Tema	Accra Metro
Northern	566	Tolon	Savelugu	Tamale
Upper East	251	Chaana	Navrongo	Bolgatanga
Upper West	161	Kumbiehi	Nadowli	Wa
Volta	470	Tsito	Kpetoe	Ho
Western	641	Bonyere-Ezinlibo	Tarkwa	Takoradi

travel in order to complete the questionnaires in their area. To ensure that the survey was conducted the same way in each region, a briefing paper was designed for the persons in the field that prescribed how to approach people and how to ask questions. Also, explanations for possible questions that respondents might have to specific parts of the questionnaire were given out. In order to make sure that the rules of conduct were followed, employees of you-net and FES also called each field coordinator to brief each of them individually. The briefing papers were sent to each region together with the questionnaires via FedEx or hand delivery for

field coordinators who came to Accra prior to the research. For the purposes of easy identification, questionnaires to each region had unique code-print which could be identified through the coding system that was developed along with the distribution key. The practical conduct of the survey went overwhelmingly well. Out of the 6,000 questionnaires that were sent out originally, the researchers received more than 5500 back. Finally, 5361 could be used for the data analysis. Apparently the motivation to finish a maximum number of questionnaires was high due to the monetary incentive offered to the field coordinators. Also, the methodology to choose closed questions was affirmed and justified by the high number of respondents. FES monitored the work of the field coordinators by calling them regularly and asking for the progress, possible questions, and experiences in the field. During these phone calls it turned out that the conduct differed vastly from region to region. While, for instance, in the Upper East Region people gathered and eagerly tried to answer the questionnaires, a field coordinator from the Western Region explained that he had to give small amounts of money to people to make them answer the questions. However, it can be summed up that the result of 90 % completed questionnaires out of 6,000 is extraordinary and can be termed representative for the youth of Ghana.

The questionnaires were sent back to the FES office in Accra via Fed Ex or hand delivery from mid-April onwards. To evaluate the quality of the completed questionnaires, certain control mechanisms in the design of the questionnaires were introduced. First of all, each returned questionnaire was counted in order to make sure that the number the field coordinator had given is correct. During the counting, a staff member of FES Ghana double-checked if the hand-writing in the open question no. 5 was unique, if the questionnaire was completed and if there was a mobile number provided.

Also, a negatively formulated statement had a control function because it could envisage incoherently completed questionnaires (Question no. 3c). Then, in each region, approximately twenty

mobile numbers of the respondents were randomly chosen and called. The respondents were then asked if they in fact had answered a questionnaire. Through this exercise, a very small number of questionnaires were considered invalid and separated. Nevertheless, the vast majority of the survey was completed along the guidelines and according to the briefing paper. The field coordinators were paid only after checking each questionnaire and affirming their authenticity.

Analysis of the Data

The double-checked questionnaires were then given to employees of you-net who operationalised the questionnaire and entered the data into SPSS for the analysis. Due to the coding of the questionnaires and the bio data of the respondents, a comparison of regional responses, male and female, rural and urban amongst other indicators have made possible to analyse the disparities of each category.

Problems and Limitations

Even though the survey was conducted with a lot of organisational effort, as in almost all quantitative studies it cannot be ignored that there are limitations to the interpretation of the numbers. First of all, FES and you-net fully relied on the professionalism of the field coordinators who directly approached the respondents. Even though great care was taken to regularly stay in contact, there is the possibility that e.g. some respondents understood questions in a different way than others. Also it is unknown which strategy each field coordinator used to find respondents. Even though it was stated in the briefing paper that the respondents should be approached as randomly as possible and that only two persons per household should be asked, it can be assumed that first and foremost friends, relatives, etc were asked.

This problem also caused the main weakness of the study, which was understood beforehand and was affirmed by the data afterwards as well: Most of the people were approached at universities or were fellow students known by the field coordinators. The reason for this is that firstly, the field coordinator probably knew the

people and that they assumed that the probability to get “reliable answers” is higher at a place with highly educated people than e.g. in the market place. The consequence of this phenomenon was that an extremely high number of respondents have a university degree.

Nonetheless, the extremely high sample that could be used in the data analysis gives a representative impression on the youth's opinion on oil in Ghana and enabled the researchers to draw valid conclusions and make recommendations for the management of the oil industry in Ghana taking due cognisance of the wishes and expectations of the youth.

Chapter 4

Expectations of the Youth

“... the fact that the rapid transformation of United Arab Emirates from a backward desert region to one with a booming economy was made possible by revenues from petroleum production is enough to justify these expectations in Ghana’s hydrocarbon sector. Petrodollars have the propensity to create an incentive that could transform an unsavoury reputation of an economy to that of growth and prosperity devoid of poverty.”²²

Former President J.A. Kufour said in an interview with the BBC after the discovery of oil in 2007 which many Ghanaians remember: “With a shot of oil in our arm, we gonna fly.”²³

Consequently, expectations of Ghanaians were high. Indeed many thought that soon honey will flow down the rivers.

In fact, Ghana will not be another Saudi Arabia, United States, Russia or Nigeria with regards to the quantity of oil reserves. Ghana will be a minor producer of oil and forecasts state that the oil wheel will eventually run dry in some decades. So there is only a minor window of opportunity to take those revenues and develop the country to an extent that it will be able to absorb the losses of reduced or no revenues from the oil production in future.

However, in view of the fact that oil revenues do not necessarily translate into benefits and enhanced livelihoods in the short term, it is imperative for the country to contain the upsurge of these expectations especially as the country commenced the production of oil in December 2010.

22 *Yeboah, 2010*

23 *BBC News, UK’s Tullow uncovers Oil in Ghana, 18 June 2007*

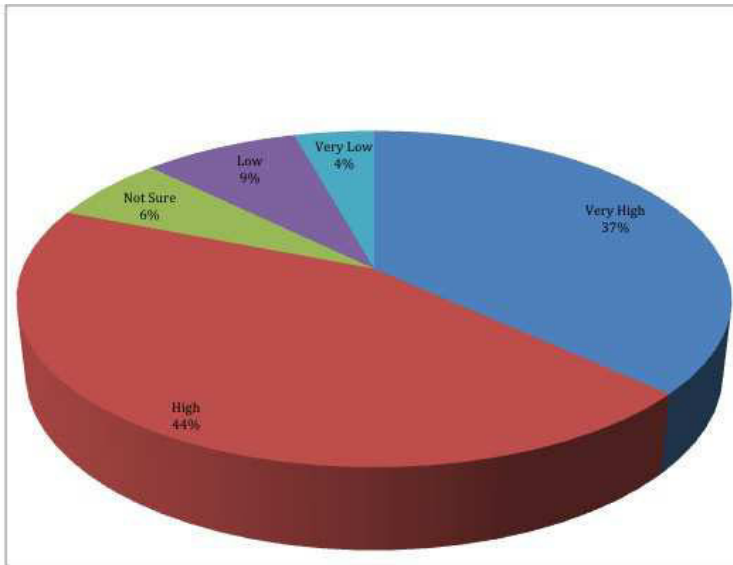


Figure 1 -What are your expectations with regards to Ghana’s oil and gas exploration?

From all the respondents to the question of whether they have high expectations with regards to Ghana’s oil and gas exploration, a total of 81 percent scored ‘very high’ or ‘high’.

This reflects the impression of the general high expectations in the country that Ghana’s oil money can have positive effects on the livelihood of the people.

According to the results by the different regions, it is evident that the respondents in the Brong-Ahafo Region with a total of 89.28 percent have ‘very high’ and ‘high’ expectations. This is above the average of 81 percent for the whole of Ghana. The same applies to the Upper East Region (84.98 %), the Volta Region (86.45 %) and the Western Region (85.7 %). The high or very high expectations can be attributed to either the underdevelopment of the regions in comparison to the other regions, so that north-south

disparities come into account as well as the feeling of being underdeveloped for decades (Brong-Ahafo and Upper East) or the direct impact (e.g. hope for economic growth etc.) of the oil business in the Western Region. Additionally, local governments and governments also promised to either support and develop the least developed regions in the north, or help the most affected regions at the coast, namely Western Region.

The Western Region is another region with the highest percentage of respondents having 'very high' expectations. This is not surprising since it is the region directly affected.

What are your expectations with regards to Ghana's oil and gas exploration (in percent)							Total Answers
		Very High	High	Not Sure	Low	Very Low	
Region	Ashanti	37,27	45,36	7,34	9,65	6,37	1036
	Brong-Ahafo	25,18	64,1	2,63	5,26	2,81	532
	Central	30,9	42,1	9,84	11,9	5,26	437
	Eastern	35,12	39,8	7,73	11,7	5,26	427
	Greater Accra	33,37	47	7,78	8,2	3,62	938
	Northern	41'98	39,69	4,58	9,35	4,39	524
	Upper East	41,46	43,5	5,69	6,91	2,44	246
	Upper West	39,24	44,3	8,86	6,33	1,26	158

What are your expectations with regards to Ghana's oil and gas exploration (in percent)						Total Answers	
	Very High	High	Not Sure	Low	Very Low		
Region	Volta	43,7	42,75	5,22	6,17	2,14	421
	Western	57,1	28,6	3,9	5,87	4,45	562
Total		37	44	6	9	4	5281
Unanswered							80

Table 1 - Expectations with regards to Ghana's oil and gas production by regions

What are your expectations with regards to Ghana's oil and gas production (in percent)						Total Answers	
	Very High	High	Not Sure	Low	Very Low		
Region	Formal Sector	31.75	51.33	6.37	7.71	2.81	674
	Informal Sector	28.17	53.98	7.40	7.85	2.58	891
	Student	40.54	39.45	6.09	8.98	4.91	3115
	Unemployed	37.5	45.83	5.55	6.38	4.72	360
Total		37	44	6	9	4	5040
Unanswered							321

Table 2 - Expectations with regards to Ghana's oil and gas production by occupation

What are your expectations with regards to Ghana's oil and gas exploration (in percent)							Total Answers
		Very High	High	Not Sure	Low	Very Low	
Level of Education	Basic Education	40,46	41,05	4,54	8,21	5,71	682
	Secondary Education	41,24	40,22	5,22	8,81	4,48	2563
	Diploma	35,05	47,46	6,85	7,94	2,68	1007
	Bachelors/ Masters	24,14	53,22	10,83	8,09	3,7	729
	Post Graduate	28,57	48,57	0	11,42	11,42	51
	Other	23,52	62,74	11,76	1,96	0	51
Total		37	44	6	9	4	5067
Unanswered							294

Table 3 - Expectations with regard to Ghana's oil and gas production by level of education

What are your expectations with regards to Ghana's oil and gas exploration (in percent)							Total Answers
		Very High	High	Not Sure	Low	Very Low	
Sex	Male	38,5	44,87	5,43	7,74	3,44	3073
	Female	34,52	43,06	7,66	9,47	5,27	2048
Total		37	44	6	9	4	5121

Table 4- Expectations with regards to Ghana's oil and gas production by sex

Those respondents which are already entered the job market and work in the formal and informal sector, or are currently unemployed have slightly higher expectations with regards to the oil and gas production than students. Either, unemployed respondents see an opportunity to access the job market again, or the general possibility of enhancing their businesses and getting chances of advancement in companies or organizations could increase.

It is also evident that those respondents with higher education, e.g. Bachelor or Master Degree as well as Post Graduates, have rather chosen to tick 'high' except of 'very high'. Interestingly, a higher percentage of respondents being postgraduates have ticked either 'low' or 'very low'. This could be due to the level of education and insights into the oil businesses of other oil-producing countries in the world through their research or access to information.

The above findings were backed by another question as to whether the individual respondent believes that he or she will personally benefit from the oil and gas production. This shows the correctness of the answers concerning the general question on their expectations. 83 percent believe that they will benefit individually, 17 percent ticked the negative answer. The female respondents (81 percent ticked "yes") were slightly more reluctant in believing that they will personally than male respondents (84 percent). According to the options that were given of how such benefits could look like, one out of three respondents chose either "I will find a job easily", "I can get a better education" or "I can get better healthcare".

The youth will NOT benefit from the oil and gas production

With the former findings of the general and individual expectations or benefits, the survey aimed to find out if the respondents

believe the Ghanaian youth in particular will benefit from the oil and gas production.

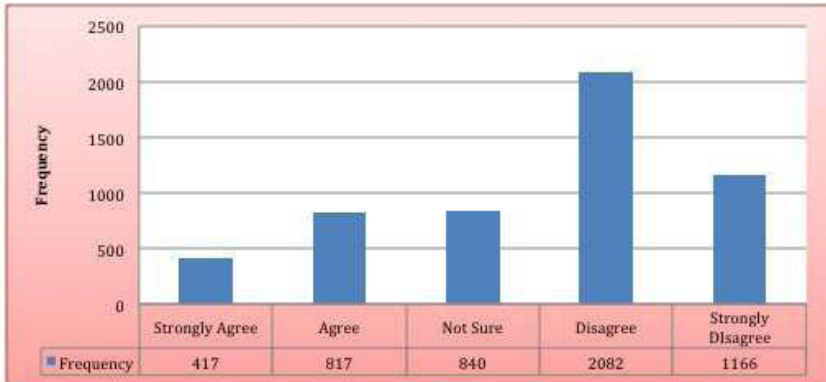


Figure 2 - Respondents opinion on whether the youth will NOT benefit from the oil and gas production

This kind of “reality check” highlights that 61 percent “disagreed” or “strongly disagreed” with the given question that the youth will NOT benefit from the oil and gas production. Approximately 23 percent of the respondents “agreed” or “strongly agreed” with the statement. 15.8 percent were not sure. These findings were evident for the glumness that despite the high or very high expectations of the youth in Ghana, the respondents drew a more realistic picture of the future benefits. The total of ca. 39 percent which answered the question with “strongly agree”, “agree” or “not sure” were in doubt or could not judge at the moment if the government will use the increased income for the benefits of the youth.

Male and female respondents answered similar to this question. Below, the same data is represented by regions. Significantly, the Western Region has the highest number of respondents who chose ‘Strongly Disagree’ representing 34 percent.

The youth will NOT benefit from the oil and gas production (in percent)							Total Answers
	Strong Agree	Agree	Not Sure	Disagree	Strongly Disagree		
Region	Ashanti	9,33	18,95	1771	3676	1723	1050
	Brong- Ahafo	5,32	14,82	15,4	50,76	13,68	526
	Central	7,51	20,72	23,46	33,02	15,26	439
	Eastern	7,6	16,58	18,89	41,24	15,88	434
	Greater Accra	6,99	14,63	1336	41,35	23,64	943
	Northern	7,93	11,53	12,85	43,66	24	529
	Upper East	7,93	10,88	9,67	45,16	27,01	248
	Upper West	9,43	16,98	11,94	37,72	23,89	159
	Volta	4,76	10,95	17,38	36,66	30,23	420
	Western	11,14	13,58	13,58	27,52	34,14	574
Total		7,83	15,35	15,78	39,12	21,9	5322
Unanswered							39

Table 5 - Respondent's opinion on whether the youth will NOT benefit from the oil production by regions

Average "Strongly agree" and disagree 23,18%	Average "disagree" and "strongly disagree" 61,02%	Average "not sure" 15,78%
Higher than average	Higher than average	Higher than average
Ashanti (28,28%), Central (28,23%), Upper West (26,41%)	Upper East (72,17%), Northern (67,86%), Accra (64,9%). Brong Ahafo (64,44%)	Central (23,46%) Eastern (18,89%) Ashanti (17,71%) Volta (17,38%)
Lower than average	Lower than average	Lower than average
Accra (21,6%), Brong Ahafo (20,14%) Northern (19,46%) Upper East (18,1%) Volta (15,71%)	Eastern (57,12%) Ashanti (54%) Central 48,3%)	Accra (13,36%) Northern (12,85%) Upper East (9,67%)

Compared to the average results by regions, the Ashanti Region, Central Region and Upper West Region "agreed" or "strongly agreed" with the statement more than those who challenged the statement. This shows that these regions, despite their development stages are challenging the opinion of other regions that the youth will definitely benefit from the oil and gas production (see Brong Ahafo, Accra, Northern Region, Upper East Region, Volta Region). The region which will be mostly affected by the oil and gas production, namely the Western Region, answered according to the average results.

The high percentages of respondents who have not been sure whether the youth will benefit or not (see regions higher than average, such as Ashanti, Central Region, Eastern Region and Volta Region) can be assigned to the fact that an outcome of the oil and gas production might be difficult to estimate due to the fact that the production only started in December 2010. The first oil income (ca. 31 million USD) arrived at the Bank of Ghana in March 2011. It will be extremely interesting to ask the question again after some years in order to see possible differences regarding the answers.

The statistical data also showed that employees in the informal sector tend to question the benefit of the youth more than employees in the formal sector and unemployed people. Almost one fourth of the respondents with a higher education (diploma, bachelor, master and postgraduate degree) agreed that the youth will not benefit from the oil and gas production. Compared to the average percentage of respondents which rejected the statement (61 %), respondents with basic education (66.75 %) and secondary education (64.36 %) tended to disagree more. This could be explained by the hopes of students to benefit from the creation of jobs and the possible provision of social security nets.

Beliefs that the youth will benefit from the oil and gas production can be explained by the need for national and personal development. The hopes are present that the elite, which consists of older and mainly male politicians, will do their best to foster the development of the country and therefore the youth.

For those who do not believe that the youth will benefit from the oil revenue may see the political elite of the country as a hindrance.

People in regions directly affected by oil and gas production should benefit more from the revenue

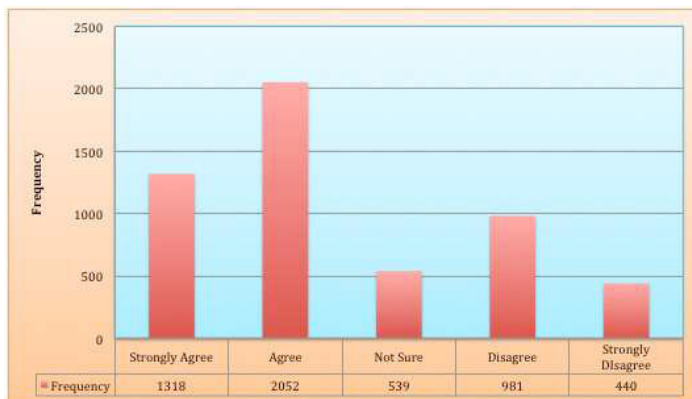


Figure 3 - Regions affected by oil and gas production should benefit more from the revenue

The study also sought to solicit opinion on whether or not regions directly affected by the oil and gas production should benefit more from the revenue. As shown in figure 3, the majority of 3,370 respondents, being 64.38 percent, supported the statement that the regions directly affected by oil and gas production should benefit more from the revenue.

This finding contradicts, in some way, with the past question of whether the respondents believe that they will benefit personally, which was answered "yes" by 83 percent of the respondents. But at the same time over 64 percent were of the view that regions affected should benefit more. In politics, this question has been already rejected by the majority of parliament. After the request by chiefs of the Western Region which is most affected by the oil production to set aside 10 percent of the oil income for the development of the region. However, the proposal was refused.

People in regions directly affected by oil and gas production should benefit more from the revenue (in percent)							Total Answers
Region	Ashanti	Strongly agree	Agree	Not Sure	Disagree	Strongly disagree	
Ashanti	25,83	37,55	8,48	20,68	7,43	1049	
Brong-Ahafo	15,6	57,89	8,45	13,34	4,69	532	
Central	24,09	38,63	17,5	12,95	6,81	440	
Eastern	21,6	39,54	13,79	16,32	8,73	435	
Greater Accra	20,89	35,1	10,81	23,01	10,18	943	
Northern	20,41	38,94	8,31	20,41	11,90	529	
Upper East	18,95	35,88	5,64	27,01	12,5	248	
Upper West	15	40	6,87	25	13,12	160	
Volta	21,19	40,23	9,52	20,23	8,8	420	
Western	52,09	2	9,93	8,36	3,65	574	
Total	24,72	38,49	10,11	18,4	8,25	5330	
Unanswered						31	

Table 6 - Respondents' opinion on whether the regions directly affected by oil and gas production should benefit more from the revenue

As regards the regional variation of answers, it can be observed that the northern regions of Ghana tend to "agree" or "strongly agree" far less compared to the average of 63.21 percent. The

regions are: Northern Region (59.35 %), Upper East Region (54.83 %) and Upper West Region (55 %). It can be stated that farer up to the north of the country, the youth tends to disagree more with this statement (Northern Region 32.31%, Upper East 39.51% and Upper West 38.12%). Additionally, the youth in the capital, Accra expressed the same opinion – 55.99 % “agree” or “strongly agree” while 33.19 % “disagree” or “strongly disagree”. In the Western Region which will be mostly affected by the oil and gas business, 78percent of the respondents agreed to the statement which is not surprising at all. Only 12 percent disagreed and ca. 10 percent were not sure.

Even if in all regions more than a half of the young people agreed to the statement, it can be assumed that the youth in the northern regions would rather advocate for an equal distribution of the oil income amongst all regions. This can be assigned to the fact that the northern regions, with far more rural areas, are far under developed than the southern regions or the urban areas. Bearing in mind, that there are already disparities and a feeling of the northern parts being left out for some time in terms of development, the opportunity to get a share of the new “pie” is tempting.

Non-Ghanaians will profit more from the oil and gas production

In recent years, Ghana has experienced the settlement of a wide range of foreign companies in the country. Mainly the import-export sector, telecommunications and the banking sector is owned by foreigners. Due to the fact that most of the companies have the privilege to enjoy some advantages (e.g. lower taxes and duties etc.) and reports increase that employees are treated not appropriately, the majority of the population in Ghana has mixed feelings about the presence of those companies.

This assumption is also evident with regard to the answers of questions of whether non-Ghanaians will profit more from the

oil and gas production. The oil companies from Ireland and the United States have signed agreements and contracts with the government which are still not fully published, so that the population in Ghana could be informed about the deals being made. All companies engage mainly foreign employees who work on the oil platform, in the security and logistics sector etc. This proceeding by the oil business with regard to the programme management and employment is without a doubt common and necessary. The companies require highly professional and well educated staff to ensure the highest standards and security.

Both the secrecy of arrangements between government and oil companies as well as the difficulty in the realization of the local content approach has been the major reasons to incorporate the question in the survey on whether the non-Ghanaians will profit more from the oil and gas production.

Despite the high expectations among the youth and also the strong belief that they will profit from the oil and gas production, the findings make it clear that 64.43 percent of the youth expects that non-Ghanaians will profit more from the production. 21.5 percent disagreed with the given statement and 14 percent were not sure of what the future would bring.

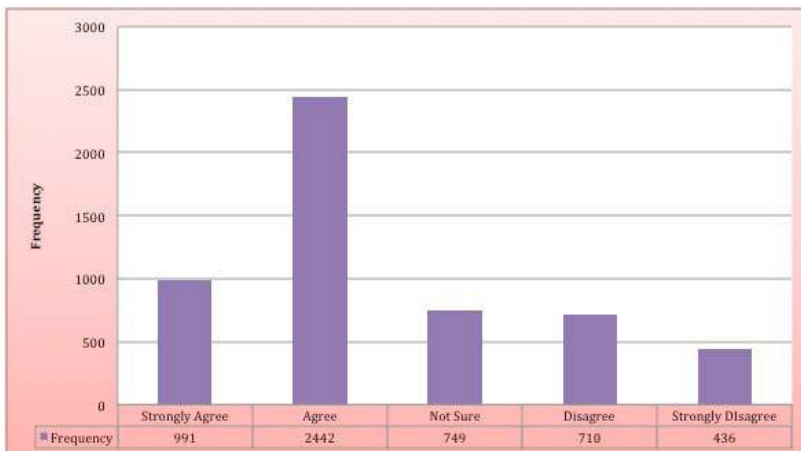


Figure 4 - Non-Ghanaians will profit more from the oil and gas production

Non-Ghanaians will profit more from the oil and gas production (in percent)							Total Answers
	Strongly agree	Agree	Not Sure	Disagree	Strongly disagree		
Region	Ashanti	20,6	43,0	14,9	13,3	8,2	1052
	Brong-Ahafo	17,8	61,2	6,2	10,8	4,0	529
	Central	15,3	43,4	16,9	14,2	9,5	439
	Eastern	16,0	43,4	16,9	14,2	9,5	431
	Greater Accra	19,7	47,0	14,1	14,8	6,6	944
	Northern	15,6	47,0	14,1	15,0	8,3	532
	Upper East	22,2	50,8	8,1	13,3	5,6	248
	Upper West	17,7	59,1	10,1	11,3	3,8	159
	Volta	17,9	48,0	15,8	12,2	6,2	419
	Western	20,9	34,6	14,3	12,5	17,7	575
Total	18,6	45,8	14,1	13,3	8,2	5328	
Unanswered						33	

Table 7 – Non-Ghanaians will profit more from the oil and gas production (by regions)

After analyzing the answers given by respondents in different regions, it is interesting to observe that respondents from three regions “agreed” or “strongly agreed” with the statement more compared to the average of 64.4 percent in whole Ghana: Brong Ahafo (79 %), the Upper East Region (73 %) and the Upper West Region (74.8%). The results can be explained with the national

experience in the mining sector which exploited the local people and polluted the environment. Foreign companies are heavily occupying and influencing the gold mining sector in Ghana. The results could also be an outcome of the lack of development in the northern and Brong Ahafo regions despite the fact that Ghana's national economy was growing in the last years with acceptable growth rates. The people in the north of Ghana perceive that development did and does not find its way into these regions. Vice versa, the results in those particular three regions of "disagreeing" or "strongly disagreeing" confirm this negative mindset with regard to this topic.

Against the background of being the region which is directly affected by the oil and gas production, the respondents from the Western Region were more positive. Even if it is more than half of the respondents, 55.5 percent agree on that statement, the result of people "strongly disagree" with the statement, which is with 17.7 percent and a total of disagreement with almost 30 percent the highest amplitude show the already mentioned hopes and partly positive mindset.

The expectations of oil find naturally may result in forced emigration and immigration with its attendant population pressures and environmental pollution or degradation. Again, the hype of the emerging oil and gas sector in the media has increased the awareness of the local people and what they stand to gain. Government and transnational oil companies' promises to the people have also exacerbated the horizons of expectations.

With the influx of both skilled and unskilled labour to the Western Region, unemployment is anticipated to be on the ascendancy considering the fact that offshore and even downstream production needs technical qualified experts of which the youth may be unfit. In the production of oil, resource-rich regions may feel that they have a claim on oil wealth and may be aggrieved if they see the wealth leaving their region and benefiting others.

When these problems of unemployment and perceived regional underdevelopment occur, the grievances of the people assume a

scary dimension. This could be due to the contradiction of their expectations to the reality. Nevertheless, not only young people will try their best to find jobs and a better life in those regions where the oil and gas production is taking place. The migration into cities will be increasing and may cause serious problems for the urbanization as well as the rural areas which will get “dried out”. Therefore, the government has to deliver a development plan which is equal for all regions and tries to reach a developmental balance throughout the country.

It is worthy of note that in other countries these unlimited grievances with other factors including environmental pollution that put life at risk have resulted in the formation of rebellious movements that tend to fight for their welfare and the development of their communities. Such grievances or complaints are believed to have been raised in oil-rich regions like Cabinda and Doba in Chad even before the formations of rebel groups like the Front for the Liberation of the Enclave of Cabinda (FLEC). One can talk of the civil wars in Chad as a result of these unaddressed grievances. For a nation whose democratic credentials have been touted in the world, it would be unpardonable for Ghana to be trapped in the fate of sister nations like Angola, Chad and Nigeria (Ukeje, 2009). It is an awful experience that ought to be nipped in the bud. There is therefore the need for Ghana to intensify its efforts to contain these legitimate but misplaced expectations.

It therefore behoves the government, non-governmental organizations and civil society groups to educate the people of this country on what pertains in the oil and gas industry. The education would serve to open the eyes of everybody on what really exists in the sector so as not to act on the dictates of ignorance. The reality is simple – Ghana’s oil resources are far less compared to Nigeria and Angola. Those limited resources will bring less oil income and are supposed to be exhausted in the year 2035 if the consortium of companies does not discover new fields offshore in the near future.

With the start of the oil production in December 2010, the country is still deliberating on how best to manage the oil revenue.

The debate is essentially between those who favor a “big push” – where oil income is spent directly on social and physical infrastructure – and those who believe a significant proportion should be saved along the lines of models developed in Norway, and Trinidad.

Chapter 5

Possible Effects of Oil and Gas Production

Oil and gas production comes with several effects—positive and negative. While some countries have been able to use the resources to transform their economies thereby improving the living standards on their people, others languish in the quagmire of the so called ‘natural resource curse’ and the ‘Dutch Disease’. The two terms are not exactly the same even though they both arise from resource riches. On the one hand, the resource curse is used to describe the phenomenon whereby resource-rich countries tend to experience slower growth in output per worker than resource-scarce countries. The Dutch Disease on the other hand refers to an economic phenomenon in which the revenues from natural resource exports damage a nation’s productive economic sectors by causing an appreciation of the real exchange rate coupled with wage increases. As a result, tradable sectors, notably agriculture and manufacturing, are less competitive in world markets (Bank of Ghana, 2007).

The use of natural resources such as oil to propel economic growth seems straightforward. Apart from the use of proceeds from exports to raise investments and thus growth, it could serve as a major catalyst for industrialization where industries can be built around the resources such as petrochemicals industry. But this implies that the state develops a comprehensive plan of how to establish these industries. Nevertheless, resource-rich countries tend to neglect the development of other economic sectors of the country, e.g. manufacturing industries, agriculture and agricul-

tural industries as well as the service sector. With a focal point on the export of only raw materials, a country exposes itself to the ups and downs of the global market. If the world market prices for various raw materials suddenly drop to a non-profitable level, the state risks reducing its GDP rapidly and may foster a financial crisis.

Nigeria has been cited as one of the countries that have suffered from a curse of natural resources. Even though it has enjoyed huge oil windfalls since the late 1960s, its per capita GDP in purchasing power parity terms is among the lowest in the world and was even lower in the year 2000 than it was in 1970. On the contrary, Norway, one of the world's largest oil exporters, has grown consistently at relatively high rates and is among the very richest countries in the world.²⁴

A country like Botswana has been able to exploit its natural resource endowments to develop its economy. Angola on the other hand has not been as successful in this regard. Currently, average incomes are more than six times higher in Botswana than in Angola and property rights are also considerably stronger (Bank of Ghana, 2007). According to the World Bank, the petroleum industry in Angola generate 55 percent of the GDP, while still 76.2 percent are living with less than 2 US\$ per day. Compared to Angola, Ghana's oil revenues are projected to rise to about 2.5 percent of GDP in 2012 and 2013.²⁵

The oil curse has plagued almost all oil rich developing countries such as Angola, Congo, Azerbaijan, Kazakhstan, and Equatorial Guinea.

Other factors responsible for the poor performance of resource rich countries include: competition for economic rents, volatility of export earnings and policy failure.

Over the years, there have been concerns over environmental pollution in local communities where natural resources are extracted.

24 *Bank of Ghana Policy Brief, 2007*

25 *GDP Ghana: US\$ 31,08 billion (Worldbank) compared to GDP Angola: US\$ 75,49 billion (2009, Worldbank) and US\$ 85,31 billion (2010 est., CIA World Factbook)*

The concerns have bothered on immediate environmental impact of the processes used and the waste materials generated on the physical land. Other concerns bother on social issues that define the extent to which local communities benefit from natural resources exploitation. In the case of oil production, pollution occurs through the release of gases and liquids during production. Gas flaring is yet another consequence and even though Ghana has declared a zero tolerance for gas flaring, recent reports reveal that a certain mining level of gas flaring is inevitable (GNPC, 2011). There is also pollution from diesel engines and gas turbines which can be harmful to the ecosystem and humans. Other sources of pollution that can be harmful include liquid waste, drilling operations which have terrestrial impact, noise pollution from construction and operation of heavy duty equipment. The worst case scenario could be the partial or total destruction of the oil platform as it happened in the Gulf of Mexico, causing the oil spill and the worst pollution of the ecosystem in world history. Other significant effects of natural resource exploitation include: corruption, loss of livelihood and increasing poverty, inter-state and intra-state conflicts as well as human rights abuses in the local communities.

This study examined the opinions of young people on the likely consequences of the oil production. Respondents were given the opportunity to make multiple choices of the possible consequences. The responses indicated that many young people perceive economic growth as a major positive consequence of the oil and gas production. Other likely consequences they selected in order of probability include infrastructural development (new roads, better electricity etc); improvement in living standards and international recognition and influence.

The rest included negative effects, such as environmental degradation, increased corruption, conflict and higher living costs. The creation of more jobs surprisingly received the least choice among the likely consequences.

The following table gives a more detailed expression on the high

expectations of the youth. Despite the information of what the specific expectation are, the respondents are also aware of possible dangers.

Possible consequences	Frequency	Percentage of total respondents
Economic growth	4174	77,86
More jobs created	3446	64,28
New roads, better electricity, etc	3086	57,57
Improvement in living standards	2688	50,14
Gain of international influence	2242	41,82
Environmental degradation	2	42,42
Increased corruption	2137	39,87
Fear of conflicts	1826	34,06
Higher living costs	1486	27,72

Table 8 - Distribution of respondent's opinion on possible consequences of emerging oil and gas industry

Almost 78 percent are of the opinion that economic growth will be likely with the increasing and continuing production of oil and gas. Indeed, the estimation of the real GDP growth rate indicate that Ghana's GDP is expected to increase 13.7 percent in 2011, after the real GDP growth rate in 2009 of 4.7 percent and in 2010 of 5.7 percent. Foreign companies and Ghanaian businessmen will heavily invest in the country, which may result in the creation of jobs. The study highlights that the respondents are also very optimistic about this assumption. 64.28 percent of all respondents

believe in the creation of employment opportunities. Nevertheless, it has to be pointed out that economic growth does not necessarily mean wealth for all. As it is the case in Angola and Nigeria, only a minor fraction of the population benefits from the oil wealth, leaving the majority in abject poverty. Therefore, it needs a regulatory state which has the ability to ensure a socially just distribution of the oil wealth.

The majority of the respondents also expect an improvement concerning the infrastructure, which includes better roads, provision of electricity, telecommunication networks etc.

This corresponds with another question in the survey of how the youth would spend the oil revenue. While 3086 respondents (57.57 %) consider an improvement in infrastructure as a possible effect, 3999 respondents (74.59 %) would spend the oil and gas revenue for this purpose.

As a logical consequence of the high expectations of the youth (see previous chapter), 50.14 percent of the respondents think that the improvement in living standards will be a possible consequence of the emerging oil and gas industry, but also 27.72 percent fear that cost of living might rise. Considering Ghana's proximity to Nigeria and with lots of Nigerians living in Ghana, the population is aware of the high living costs and the problematic living situations of the perceived "oil giant". In truth, the rapid increase of rent, real estate prices and grocery prices etc. since 2007 are already signs for a trend which was also experienced Nigeria. Furthermore, with the vivid experiences from other resource-rich countries in mind, the youth expressed their concerns on some negative consequences, such as environmental degradation (42.42 %), increased corruption (39.87 %) and emerging conflicts (34.06 %).

In the case of environmental degradation, Ghana's experience from the mining sector remains a big lesson to learn from. Furthermore, in Ghana itself, areas such as Ahafo, Prestea, Tarkwa and some mining towns have been polluted by careless disposal

of mining waste and chemical accidents. These areas have still not been developed with schools, hospitals, adequate infrastructure and similar facilities. Mining activities in Prestea and Obuasi have led to irreparable damage to the environment. There is a direct relationship between the destruction of the environment and loss of livelihood. Many people in natural resource rich communities derive their livelihoods from the natural environment. However, the exploitation of the natural resources in most cases results in the destruction of arable land, loss of wildlife and disruption in fishing activities. Many inhabitants of communities tend to launch attacks on companies out of frustration. This is evident in Nigeria's Niger Delta.

In Ghana, there have been several confrontations between youth and mining companies in Kenyase, Obuasi and Bogoso among other mining communities.²⁶ Some mining companies in Ghana have been indicted for human rights abuses (CHRAJ, 2008).

Already, there have been concerns from fishing communities in the Western Region over their loss of livelihood due to restriction on their activities which have far reaching implications on their livelihood. There have also been reports of oil spillage on the sea which has implications on the environment and aquatic life.

Even though there are legal, institutional and policy frameworks in the planning process for dealing with many of the above concerns, there have been practical difficulties with enforcement and implementation. It is important therefore to provide adequate resources to institutions such as the Environmental Protection Agency and other relevant institutions to address the above issues in order to avoid yet another bizarre situation in the oil and gas sector.

According to the regional answers, the researchers aimed at ranking the answers in order to highlight the priority areas in which

26 *You-net, UNDP Report, 2007*

the respondents expect the highest and lowest possible effects. Not surprisingly, all regions ticked the answer 'economic growth' most of the time, followed by the creation of more jobs and the improved infrastructure. Nevertheless, it was obvious to see that despite the fact most of the regions expect the improvement of the living standards as a possible effect, the Greater Accra Region and the Brong Ahafo Region have doubts that the oil find will result in better living standards. The Greater Accra Region would even consider the gain of international influence and the increment of corruption as being a more likely consequence than the betterment of the living standards in the country. The same goes for the Brong Ahafo Region: The increment of corruption, fear of conflicts and the environmental degradation was ranked higher than the improvement of living standards.

With all the news about conflicts regarding the oil management in Nigeria, the Western Region as an affected region in Ghana has ranked the 'fear of conflict' as the lowest. It can be assumed that the respondents in this region have strong faith in the democratic system and cannot imagine that a stable and peaceful country like Ghana will experience the same consequences as in Nigeria. Regardless the past trends that the prices of various products have been increasing over the last years, the answer 'higher living costs' have been ranked by most of the regions as the lowest. Only the Western Region and the Volta Region believe that this is more likely to happen.

Possible consequences	Ashanti	Brong-Ahafo	Central	Eastern	Greater Accra	Northern	Upper East	Upper West	Volta	Western
Economic growth	797	407	347	333	725	430	187	136	369	443
New roads, better electricity	525	337	232	254	546	314	155	100	267	356
Fear of conflicts	339	235	134	146	345	179	87	52	113	196
Gain of international influence	483	177	153	186	438	226	93	55	189	242
Increased corruption	462	248	150	146	431	199	99	43	105	254
Environmental degradation	465	231	167	139	378	230	124	77	196	267
Higher living costs	315	117	125	98	232	138	68	38	107	248
Improvement in living standards	544	218	211	228	425	282	128	79	269	304
More jobs created	642	321	264	301	569	356	175	117	323	378

Table 9 – Possible Consequences of the emerging oil and gas industry, by regions

1 being the highest answer - 9 being the lowest									
	1	2	3	4	5	6	7	8	9
Economic growth	All Regions								
More jobs created	3446	AR CR ER GRA NR UER UWR VR WR	BA						
New roads, better electricity, etc		BA	CR ER GRA NR UER UWR WR	AR VR					
Improvement in living standards				CR ER NR UER UWR WR		GrA	BA		
Gain of international influence				GrA	AR ER	CR NR UWR VR	UER	WR BA	
Environmental degradation					CR NR UER UWR VR WR				
Increased corruption			BA	GrA	ER UER WR	AR CR NR	UWR	VR	
Fear of conflicts					BA	ER	UWR VR	AR CR GrA NR UER	WR
Higher living costs							WR	VR	AR BA CR ER GrA NR UER UWR

Table 10 – Possible Consequences of the emerging oil and gas industry, ranking by regions

Effect of the oil and gas sector on other industries

As many as 81.5 percent of respondents “agreed” or “strongly agreed” to the assertion that the oil and gas industry will have a catalytic effect on other industries. However, 18.46 % have not been sure or disagreed.

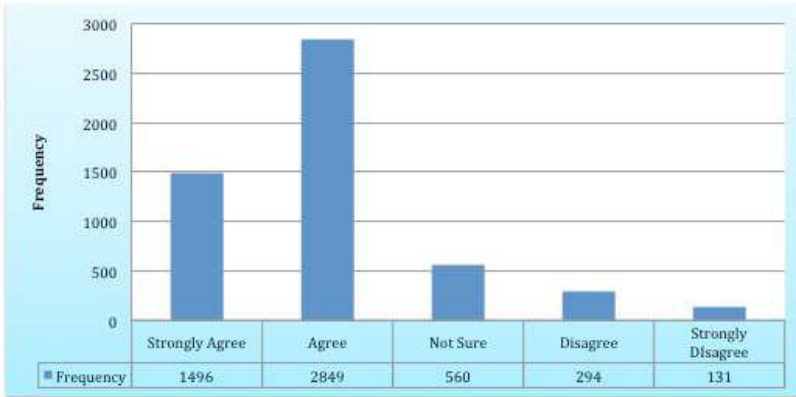


Figure 5 - Respondents opinion on whether the oil and gas industry will help develop other industries

The answers according to the regions indicate that the northern regions, such as Upper East Region (87.1 %), Upper West Region (90.5 %) and the Northern Region (85.3 %), which are mainly agricultural, see the opportunity of broadening their economic basis to other economic sectors. The Greater Accra Region (83.1 %) hopes for further industrialization, similar to the Volta Region (87.7%) and the Western Region (85 %). Regions such as the Ashanti Region (77%) are more cautious with their expectations, possibly because of the past experiences in the mining sector which also had a minor effect on the development of other economic sectors. Respondents from regions, such as Brong Ahafo (16 %) and Central Region (15.3 %) have not been sure on how to respond to the statement as within these regions the highest picks of “not sure” in the survey occurred, assuming that the oil

production just started recently and a positive effect could not be identified yet.

The oil and gas industry will help develop other industries (in percent)							Total of respondents
		Strongly agree	Agree	Not Sure	Disagree	Strongly disagree	
Region	Ashanti	24,7	52,3	11,9	7,6	3,6	1054
	Brong-Ahafo	21,1	58,6	16	3	1,3	531
	Central	19,4	55,1	15,3	7,3	3	439
	Eastern	24,9	57,5	9,8	5	0,7	434
	Greater Accra	25,6	57,5	9,8	5	2,1	942
	Northern	31	54,3	7,4	4,3	3	529
	Upper East	29,8	57,3	8,1	3,2	1,6	248
	Upper West	35,2	55,3	5	3,8	0,6	159
	Volta	34,4	53	6,7	4	1,9	421
	Western	43,8	41,2	7,7	3,7	3,7	573
Total		28,06	5345	10,5	5,51	2,45	5330
Unanswered							31

Table 11 - Respondents opinion on whether the oil and gas industry will help develop other industries (by regions)

	The oil and gas industry will help develop other industries					
		Strongly agree	Agree	Not Sure	Dis-agree	Strongly disagree
Occupation of respondents (sectors)	Formal Sector	21,5	62,37	10,4	4,54	1,17
	Informal Sector	22,7	56,8	13,76	5,03	1,68
	Student	31,54	51	9,24	5,45	2,77
	Unemployed	26,77	51,91	13,11	5,19	3
Total		28,29	53,62	10,46	5,23	2,38

Table 12 - Respondents opinion on whether the oil and gas industry will help develop other industries (by occupation)

Even if all respondents agreed to the statement in a very positive way, it is evident that according to their occupation young people working in the formal sector (83.87 %) or being students (82.54%) affirmed the statement with a higher percentage compared to the average of 81.91 percent. Employees in the informal sector (79.5 %) and unemployed youth (78.68 %) remained under the average. This may be due to uncertainty in the future, which the unemployed and workers in the informal sector are facing; a higher percentage of the respondents could not make a judgement on the statement and therefore decided to tick "not sure".

To avoid falling into the ditch of the so-called Dutch disease, it is critical to strategically support other sectors especially the manufacturing sector to grow. The Minister of Finance and Economic Planning noted in the 2010 Budget and Economic Policy: "Government will in 2010 also complete and launch an Industrial

Policy which will focus, amongst others, on the development of small, medium and micro-enterprises that would ensure that Ghanaian entrepreneurs perform to the best of their abilities.”

In fact, the state has no other opportunity to adopt a comprehensive plan in order to ensure a balanced redevelopment plan for the Ghanaian economy which includes the re-structuring of all sectors. If the state further concentrates on exporting raw materials without adding value to it, it leaves itself totally vulnerable to the global market and could risk economic instability in case world market prices fall.

Impact of economic development on the livelihood of citizens

The study sought to find out if Ghana’s economy will develop as a result of the oil find and whether or not economic development will reflect on the livelihood of citizens. Standard of living refers to the level of wealth, comfort, material goods and necessities available to a certain socioeconomic class in a certain geographic area. The standard of living includes factors such as income, quality and availability of employment, class disparity, poverty rate, quality and affordability of housing, hours of work required to purchase necessities, gross domestic product, inflation rate, number of vacation days per year, affordable (or free) access to quality healthcare, quality and availability of education, life expectancy, incidence of disease, cost of goods and services, infrastructure, national economic growth, economic and political stability, political and religious freedom, environmental quality, climate and safety amongst others. The standard of living is closely related to quality of life.

The idea of a ‘standard’ may be contrasted with the quality of life, which takes into account not only the material standard of living, but also other more intangible aspects that make up human

life, such as leisure, safety, cultural resources, social life, physical health, environmental quality issues etc. Even between two nations or societies that have similar material standards of living, quality of life factors may in fact make one of these places more attractive to a given individual or group.²⁷

As we have seen previously, 43.46 percent of all respondents expect the effect that the living standards will improve.

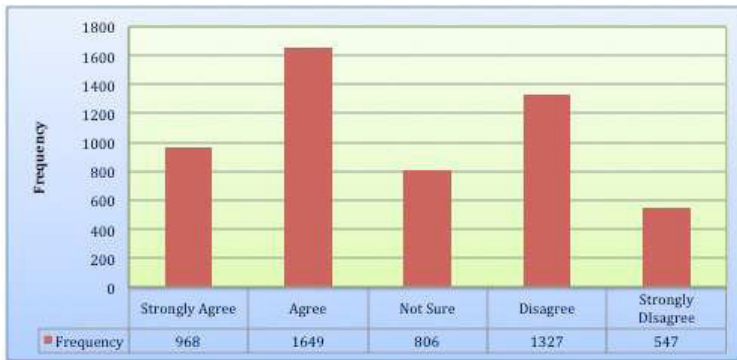


Figure 6 – *Our economic development will improve, but this will not reflect on the livelihood of the people.*

The results of the previous question have been challenged by the response of this statement. Here, 49.4 percent of all respondents do not believe that the improvement with regard to economic development will reflect on the livelihood of the people, while 50.6 percent responded “not sure”, “disagreed” or “strongly disagreed” regarding this statement.

Our economic development will improve, but this will not reflect on the livelihood of the people (in percent)							Total of respondents
Region	Strongly agree	Agree	Not Sure	Disagree	Strongly disagree		
Ashanti	25	32,14	12,99	21,94	7,89	1039	
Brong-Ahafo	12,12	27,65	15,9	35,41	8,9	528	
Central	14,05	33,64	25,34	19,58	7,37	434	
Eastern	17,71	37,06	15,61	24,7	4,89	429	
Greater Accra	16,68	30,92	13,6	25,29	13,49	941	
Northern	16,13	29,22	13,66	29,41	11,38	527	
Upper East	19,35	35,48	10,88	26,2	8,06	248	
Upper West	19,49	28,93	13,2	28,93	9,43	159	
Volta	11,72	25,59	20,33	25,35	16,98	418	
Western	23,69	31,01	13,41	19,33	12,54	574	
Total	18,27	31,13	15,21	25,05	10,32	5297	
Unanswered						64	

Table 13 – Our economic development will improve, but this will not reflect on the livelihood of the people. (by region)

Interestingly, the number of respondents from the Ashanti Region (57.14 %), the Eastern Region (54.77 %), the Upper East Region (54.83 %) and the Western Region (54.7 %) has “agreed” or “strongly agreed” more to the statement than the total average. Referring to the Ashanti Region, this could again be explained by the experiences from the mining sector which development over the years was profitable just for a few influential families of the

region. The results of the Western Region could be interpreted with the fact that despite the developmental or preparation phase as well as the started production phase of the oil business has not yet reflected on the livelihood of the people.

These affirmative responses are different to the results in the Brong Ahafo Region (44.31 %) and Volta Region (42.33 %), where the respondents still believe in an improvement of the living standard. The responses of women compared to men are minimal and therefore not noticeable.

	Our economic development will improve, but this will not reflect on the livelihood of the people (by rural/ urban)					
		Strongly agree	Agree	Not Sure	Dis-agree	Strongly disagree
Rural/ Urban	Rural	16.7	29.1	16.4	24.1	13.6
	Urban	19.3	33.6	14.1	25	7.9

Table 14 - Our economic development will improve, but this will not reflect on the livelihood of the people. (by rural/urban)

The respondents in the urban areas of Ghana are more pessimistic about the assumption that the future economic development will have a positive effect on the livelihood of the citizens compared to those living in the rural areas. In the last few years, Ghana's GDP growth rate was steady in between 4 percent (2009) and 8 percent (2008). Forecasts estimate that the GDP growth rate will increase to 13.4 percent in 2011. Foreign investors as well as Ghanaian businessmen started off small, medium and large-scale enterprises which caused also urbanization and a migration into the cities. Due to the limited job offers, seeking workers from the rural areas had difficulties in finding the eagerly awaited opportunities to improve their living standards. Most of the jobseekers had to drift to the informal economy in order to make a living.

Therefore, respondents in the urban areas may not believe that economic growth will result in a better livelihood due to their past experiences.

Utilization of the oil revenue

One critical question that characterized the debate following the discovery of oil in Ghana is how revenues from the oil and gas resources will be used. As a developing country, Ghana is beset with numerous challenges competing with limited resources. Ghana has a huge infrastructure deficit to deal with. Meeting Ghana's infrastructure needs would cost US\$1.6 billion per year for the next decade or around 10 percent of GDP. About 60 percent of this requirement relates to capital expenditure and the remaining 40 percent to operations and maintenance. Almost half of the total spending requirement is associated with the power sector, with investment needs for that sector alone as high as US\$600 million per year.²⁸

Key areas for infrastructural development include: health, education, transportation, Information and Communication Technology, power generation for domestic and industrial consumption, water and sanitation among others.

As already mentioned in the introduction, many institutions have attempted to estimate the potential revenue from the Jubilee field. The IMF and the World Bank projections put the cumulative potential future oil revenues from the Jubilee field at around US\$20 billion between 2011 and 2029. This translates to an average of US\$1 billion per annum.

The Ghana National Petroleum Company's (GNPC) forecast of the potential revenue from the Jubilee field is between US\$836 million and US\$1.6 billion per year. Repeating this figures is necessary in order to realize that compared to the predictions of oil revenues in the next years, it is obvious that the money will not be enough for fully developing the country. Therefore, it is even more important

to utilize the revenue wisely and at the same time prevent corruption and fatal investments. This requires a strong political will and commitment as well as the acceptance to involve all stakeholders in order to agree on a comprehensive and long-term development plan. Per the study, respondents were given the opportunity to make a maximum of five choices, from among options provided, in order of preference what the revenue from the oil should be used for.

Usage of revenue	Frequency	Percentage of total respondents
Education and training	4673	87,17
Better healthcare system	4001	74,64
Roads, electricity, communications etc	3999	74,64
Improve agricultural practices	2940	54,84
Save or invest revenue for future generations	2697	50,31
Improve sanitation and environment	2012	37,53
Promote welfare of women and children	1604	29,92
Strengthening small and medium scale companies	1358	25,34
Strngthening governance institutions	583	10,88
Strengthen the military	530	9,89
Improve the judiciary	279	5,21
Other	9	0,17

Table 15 - Respondents opinion on what the oil and gas revenue should be used for

Acknowledging the fact that the majority of the respondents are students, the results show that the students are not satisfied with the educational system. Education is a necessary requirement and best investment in order to ensure a consistent development of the country. Equipping the youth with the appropriate skills to meet the requirements of international standards to compete with others and get the ability to develop business ideas would be a sustainable strategy to boost economic growth. Human capital is seen as precious in industrialised countries and emerging countries. Enormous efforts are made to create the best environment for students in Europe, for example, to ensure that qualified staff is entering the job markets in order to maintain the standard of the specialised economies.

Health care and infrastructure are also areas the youth would highly invest in. The improvements in both areas are necessary to ensure economic growth in future.

Due to the dominant agricultural sector, over half of the respondents (54.84 %) would improve agricultural practices, even before the small and medium scale companies would benefit from support (25.34 %).

The discussion on the utilization of revenues has been emphasized by all resource-rich countries. While Norway, for example, saves most of its oil revenue in funds and withdraws just a small amount annually to allocate the money for future generations. Ghana has decided to transfer 70 percent of the annual oil revenue to the state budget in order to invest it immediately. It seems that the opinion of the youth in Ghana is divided. Half of the respondents are in favour of saving or invest revenues for future generations. What is uncontroversial is the refusal to strengthen state institutions (10.88 %) including the judiciary (5.21 %) or the military (9.89 %).

It is obvious that the respondents tend to spend the possible oil revenue for social and economic purposes. Therefore, the youth is concerned about their basic needs, the improvement of their living standards as well as gaining the necessary and essential skills

and qualifications to get entrepreneurial. The Petroleum Revenue Management Law prescribes how the oil revenue should be spent, namely 30 percent flows into two funds and 70 percent goes into the state budget. Nevertheless, there is no detailed plan of how the 70 percent of the money going into the state budget could help to develop the country further. It is hoped that government considers the views of young people who constitute the highest percentage of Ghana's population, in determining priority areas to spend the revenue on.

The regional answers are as follows:

What should the oil and gas revenue be used for?	Regions									
	Ashanti	Brong-Ahafo	Central	Eastern	Greater Accra	Northern	Upper East	Upper West	Volta	Western
Roads, electricity, communications etc	749	428	351	267	684	413	201	125	330	451
Strengthen the military	100	33	59	61	92	44	17	14	49	61
Save or invest revenue for future generations	564	246	216	211	538	231	113	71	226	281
Education and training	908	473	338	392	819	485	223	139	370	526
Strengthening small and medium scale companies	320	110	99	129	264	90	59	37	144	106
Better Health-care system	770	413	291	324	674	417	208	120	309	475
Improve agricultural practices	597	331	184	210	456	372	158	97	251	284
Improve sanitation and environment	405	168	176	177	355	172	98	59	158	244
Improve the judiciary	58	25	30	20	65	19	8	6	19	29

What should the oil and gas revenue be used for?	Regions									
	Ashanti	Brong-Ahafo	Central	Eastern	Greater Accra	Northern	Upper East	Upper West	Volta	Western
Promote welfare of women and children	234	127	157	137	253	198	80	43	109	266
Strengthening governance institutions	123	47	60	37	120	55	20	23	50	48

Table 16 – Usage of the oil revenue, by region

1 being the highest answer - 9 being the lowest												
	1	2	3	4	5	6	7	8	9	10	11	
Education and Training	AS BA ER GrA NR UER UWR VR WR	CR										
Better healthcare system		ER NR UER WR	AR BA CR GrA UWR VR									
Roads, electricity, communications etc	CR	AR BA CR GrA UWR VR	ER NR UER WR									
Improve agricultural practices				AR BA NR UER UWR VR WR	CR ER GrA							

1 being the highest answer - 9 being the lowest											
	1	2	3	4	5	6	7	8	9	10	11
Save or invest revenue for future generations				CR ER GrA	AS BA NR UER UWR VR WR WR						
Improve sanitation and environment						AS BA CR ER GrA UER UWR VR	NR WR				
Promote welfare of women and children						NR W	BA CR ER UER UWR	AR GrA VR			

Table 17 – Usage of the oil revenue, ranking by region

According to the regional answers, it is vivid that the regions have almost the same results and therefore, a discussion of the regional differences in answering this question is not necessary.

What should the oil and gas revenue be used for?		Rural		Urban		Male		Female
Roads, electricity, communi-cations etc	2	1186	3	1456	1	2400	3	1480
strengthen the military	9	164	10	199	10	329	10	185
save or invest revenue for future generations	5	787	5	957	5	1527	4	1098
education and training	1	1358	1	1718	2	2735	1	1801
strengthening small and medium scale companies	8	315	7	584	7	797	8	523
better healthcare system	3	1146	2	1506	3	2352	2	1533
improve agricultural prac-tices	4	891	4	1054	4	1834	5	1016
improve sanitation and environment	6	541	6	767	6	1164	7	796
improve the judiciary	11	82	11	89	11	150	11	116
promote welfare of women and children	7	477	8	563	8	749	6	814
Strenghtening governance institutions	10	143	9	221	9	341	9	229

Table 18 – Usage of the oil revenue, comparison rural/urban and male/female

All respondents, despite the fact coming from the rural or urban area, see their first priority in investing the oil revenue in the education and training sector. Respondents from the rural area would rather use the money first for improving the infrastructure before they better the healthcare system. These results from the bad infrastructural condition in the rural areas which hinder the rural population to live a decent life go to work or do business properly and send their children to school. Concerning prioritization, the respondents from urban areas have a reversed opinion on that. The rest of the prioritization and ranking was similar.

With regard to the male and female respondents, it was clear that female respondents chose 'education' as their first choice followed by 'better healthcare system', while male respondents preferred

an improvement of infrastructure over education and training. It was also more important for female respondents to 'promote welfare for women and children', while male respondents would improve sanitation/the environment as well as strengthen the small and medium scale companies first before they consider women and children to be supported by the welfare system.

Chapter 6

Youth opinion on the legal and policy framework of the oil and gas production in Ghana

The historical background to the oil industry in Ghana

Prior to the commencement of crude oil processing at Tema Oil Refinery (TOR), Ghana, relied completely on imported refined petroleum products distributed by the local branches of multinational oil companies, i.e. Shell, Texaco, British Petroleum, Mobil and Total. TOR was established in 1961 with the maiden name Ghanaian Italian Petroleum Company (GHAIP) Ltd. GHAIP was how the Refinery was affectionately called, until 1991 when it was renamed Tema Oil Refinery (TOR) Ltd., to reflect the city where the Refinery is geographically situated.

The Ghanaian model for administering the offshore petroleum sector relies on four state institutions:

- the Ministry of Energy which sets energy policy;
- a national oil company (NOC), the Ghana National Petroleum Corporation (GNPC), which engages in commercial operations for petroleum;
- the Ghana Maritime Authority (GMA) which provides maritime oversight and regulation

- and the Environmental Protection Agency (EPA), the country's environmental regulator.

The principal institution established for environmental protection in Ghana is the EPA; created under the EPA Act of 1994, (Act 490). The EPA's policy direction is articulated by the Environmental Assessment Regulations of 1999 (LI 1652). Marful-Sau (2009) rightly contends that these two legislations empower the EPA to manage, control and monitor compliance of environmental regulations by specific industries. EPA regulations require all companies whose operations affect the environment to register with the Agency for clearance and approval of their projects.

In the petroleum sector, the GNPC, has both commercial and regulatory responsibilities, and is mandated to enter into private joint ventures for purposes of developing Ghana's hydrocarbon resources. Section 2 (1) (e) of the Ghana National Petroleum Corporation Law, 1983 (PNDC Law 64), requires the GNPC to ensure that petroleum operations are conducted in a manner that prevents adverse environmental impacts. This mandate is reinforced with a material international dimension by section 3 of the Petroleum (Exploration and Production) Law 1984 (PNDC Law 84), requiring petroleum operations in Ghana to conform to international practices in comparable circumstances.

The legal framework governing offshore petroleum exploration and production in Ghana is both extensive and complicated. This is because the law and regulation of offshore petroleum activities subsumes aspects of domestic legislation, international environmental and maritime law, petroleum industry standards, corporate environmental, health and safety regulations, and in contemporary times, even performance standards set by major international financial institutions.

Sections 1 and 2 of PNDCL 84 require petroleum exploratory or production undertakings to be governed by a Petroleum Agreement. Section 10 of the law also requires oil companies, to submit to the Minister for Energy and the National Energy Board, a field

development plan, which accords with the terms of the Petroleum Agreement. It is important to indicate, that the Petroleum Agreement requires strict adherence to best international environmental practices. The Development Plan also requires the OC to clearly spell out how it intends to develop a given oil field from exploratory and production phases to its decommissioning phase; so as to minimize its adverse environmental impact. The Petroleum Agreement further mandates the GNPC and the EPA to conduct Environmental, Health and Safety Audits of the operations of the OC's. The OC's are in addition required to submit for review and approval comprehensive health, safety and environmental manual, detailing out how the company intends to handle health, safety and environmental issues, policies and procedures before any operations are commenced.

One of the most agonizing aspects of the current legal and institutional landscape is that, the GNPC is placed in a position of inherent conflict of interest. Under the Petroleum Agreement, the GNPC plays the role of a commercial entity involved in hydrocarbon operations, but at the same time, is an oversight agent for good environmental management of the petroleum industry. Its corporate/commercial interest to minimize cost and maximize profits conflicts with its public-interest role as a sound environmental enforcer. It may be more prudent to allow the EPA to perform its statutory environmental functions while the GNPC concentrates on optimizing its petroleum operations functions. This fusion of roles should therefore yield to diffusion. Thurber, Hults and Heller (2010) point out that the Norwegian Model, the "canonical model", separates policy, regulatory and commercial functions. A very good institutional design is a route to better institutional performance and transparency.

In Ghana, pollution control laws exist as part of environmental and water resources legislation. Marine pollution is dealt with by the Oil in Navigable Waters Act (ONWA) of 1964 (Act 235), which was enacted to give effect to the International Convention for the Prevention of Pollution of the Sea by Oil of 1954. Subject to some exceptions, the ONWA prohibits discharges of oils into prohibited

sea areas. The Radiation Protection Instrument 1993 (LI 1559) is also worth noting, since offshore exploratory operations involves the use of radioactive material and/or instrumentation, which can have adverse implications for public health, occupational health and the safety of rig workers. The LI establishes a Radiation Protection Board to license importers and users of all radioactive material and instrumentation in Ghana. Environmental Health and Safety (EHS) standards imposed by international financial institutions have also become a vital part of the regulatory landscape. For instance, to access project finance from the International Finance Corporation (IFC), the World Bank's private sector arm, companies must sign a loan agreement, which requires adherence to IFC policies and procedures as well as local, domestic, and international legal obligations. The loan financing agreement requires adherence to a series of Performance Standards (PS). In points of fact, several of the current joint venture partners sought funding from the IFC and can be held accountable for violating the PS.

To this end, it is evident that the Ghanaian regulatory bodies do not have sufficient institutional capacity to discharge their roles. While the GNPC has the resources to execute its responsibilities, the same cannot be said of the EPA, which lacks basic tools for effective operations, leading to loss of institutional confidence. The GMA is an equally deprived institution. It is therefore in the same canoe as the EPA and therefore potentially paralytic. The outlook in terms of Ghana's institutional capacity to deal with significant future environmental challenges is at the present time depressing, even if the legal framework is adequate.

The literature on the resource curse is explicit on why resource-rich economies perform poorly against resource poor economies, including macroeconomic instability, Dutch Disease (local currency appreciation), over spending and uncontrollable budget deficit, weak institutions, corruption and lack transparency in the disbursement of oil revenue. In order to address these challenges, the Ghana Petroleum Revenue Management Proposal was initiated and was later enacted into law referred to as the Petroleum

Revenue Management Act. The second schedule of the citation of the Act sets out the framework under which petroleum revenues in the Republic of Ghana shall be collected, allocated and managed with responsibility, transparency and accountability for the benefit of all citizens in accordance with Article 71 of the Constitution (Ministry of Finance and Economic Planning, 2010:1). The Act attempts to achieve three interrelated objectives, including: macroeconomic stability and growth, partially define the fiscal regime as well as transparency and accountability. While much of what is contained in the Petroleum Revenue Management Bill is in line with international best practices in managing oil wealth (oil fund, fiscal rules regime, transparency and accountability), executive control and wide range discretionary powers is given to the Minister of Finance in the proposal in relations with the management of the petroleum funds is a matter of concern because in the past, established funds for special purposes such as Ghana Education Trust Fund were known to have been used for purposes either than what it was set up to do.

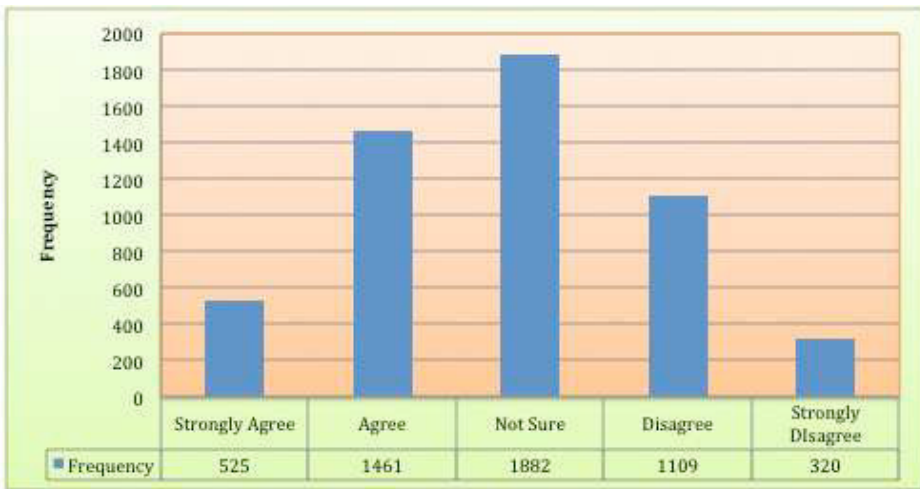
Although significant revenues are expected from the Jubilee Field oil production, various analyses suggest the expected revenue will have little impact without the participation of Ghanaians in the oil and gas sector. A "Local Content and Local Participation in Petroleum Activities - Policy Framework"²⁹, which has been approved by cabinet, indicates that it is the desire of government that Ghanaians control and benefit from the oil and gas discovery and production. According to the document, the vision of government is to achieve "full local participation in all aspects of the oil and gas value chain of at least 90% by 2020." An objective of the policy is to increase capabilities and international competitiveness of domestic business and industrial sectors.

29 *The policy objective of the local content will be achieved through the following: mandatory interest of a citizen of Ghana in petroleum exploration, development and production (at least 5 per cent); provision of goods and services by national entrepreneurs, training and technology transfer, employment and training of citizens of Ghana, local capacity development, gender in oil and gas, a legislation of local content and local participation and implementation and an oil and gas business development and local content fund (Ministry of Energy, 2009)*

When properly managed, the oil and gas sector can contribute to rapid economic growth through industrialization, diversification and economic transformation. Notwithstanding this, there is an urgent need to national constraints in the areas of finance, human resource capacity and requisite enhanced technology in order to ensure maximum benefit for Ghanaians.

Against this background of the legal framework of the oil and gas production, the survey included the following statements and questions concerning this topic.

Government measures for transparency and accountability in the oil and gas sector



Figures 7 - The laws passed by the government are sufficient to control the oil and gas industry.

While a total of 37.49 percent of the respondents agree that the laws passed by government are sufficient to control the oil and gas industry, 26.97 percent disagree. However, a very large number of respondents (35,53 %) are “not sure” which indicates that

either they think that the duration for Ghana's preparation for oil production was too short to put in place adequate legal and regulatory frameworks since bills regarding the sector are still pending passage by Parliament or they have little information on the laws or draft bills.

Indeed, journalists and politicians have given information on the specific laws through newspapers, radio and television. Nevertheless, this statement in the questionnaire intercommunicates with another question on whether the respondents know the specific legal or policy arrangements for the oil and gas production in Ghana. The results are alarming. Only 9 percent of the respondents know about the specific laws. In conclusion, it is necessary for the government to inform the population well on the laws and proceedings. It may also be a sign for journalists to educate the population further on this matter.

The laws passed by the government are sufficient to control the oil and gas industry. (in percent)						
Region		Strongly agree	Agree	Not Sure	Disagree	Strongly disagree
	Ashanti	10	22,5	35,3	24,4	7,8
	Brong-Ahafo	7,6	22,3	51	15,5	3,6
	Central	8,1	32,7	36,2	15,9	7,1
	Eastern	7	27,8	34,8	23,4	7
	Greater Accra	6,3	24,3	37,3	26,6	5,5
	Northern	12,3	31,7	29,6	19,2	7,2

The laws passed by the government are sufficient to control the oil and gas industry. (in percent)		Strongly agree	Agree	Not Sure	Disagree	Strongly disagree
Region	Upper East	6,9	32,9	30,1	26	4,1
	Upper West	11,9	34,4	27,5	23,1	3,1
	Volta	14	35,1	31	16,1	3,8
	Western	17,1	29,5	32,1	14,7	6,6
Total		9,91	27,58	35,53	20,93	6,04

Table 19 – The laws passed by government are sufficient to control the oil and gas industry. (by regions)

Of all respondents, the average of over a third cannot judge if the laws by the government are sufficient or not. This may in the Brong Ahafo Region even 51 percent could not make a clear “agree” or “disagree”-statement. While the Upper West (46.3 %) and the Western Region (46.6 %) are of the opinion that the laws are sufficient, surprisingly the youth in the capital Accra and its suburbs (31.1 %) as well as the Ashanti Region (32.2 %) questioned the sufficiency way over the average percentage of all respondents.

This perhaps may be due to the fact that there is so much secrecy with regard to information on oil production and contracts. More so, unfortunately, around the world the exploitation of natural resources has far too often led to increased poverty and conflict hence sufficient laws are necessary to reduce the risk of conflict and negative effects on the society. Information flow and public awareness is therefore an essential part which has to be guaranteed by the state. Transparency and accountability are the buzzwords within the political debate of resource-rich countries in order to inform the population on the process of production and revenue management. It is an assumption that oil exports can

generate a large share of GDP and government revenues in some countries in the world. Statistically, it can be examined that for some oil-producing countries it is definitely more a “curse” than a “blessing”. Even if the petroleum industries have a high share of the GDP in some countries, the population lives in severe poverty. Country Petroleum industry

Country	Petroleum industry Share of GDP (in %) ³⁰	Oil reserves Share of World (in %) ³¹	Population – income < US\$ 1 per day (in %) ³²	Population – income < US\$ 2 per day (in %) ³³
Norway	11-19 ³⁴	0,49		Not listed
Nigeria	37-40 ³⁵	2,53	64,4	83,9
Angola	55	0,65	54,3	76,2
Côte d’Ivoire		0,07	23,3	46,8
Saudi Arabia	45	18		Not listed
Iran	19,1	10,3	< 2	8
Venezuela	11,6	20,2	3,5	10,2
United States	7,5	1,31	12 % below national poverty line ³⁶	
Russia	23	5,42	< 2	< 2
Ghana	---	0,01	30	53,6

Table 20 – Comparison of countries (share of GDP, Share of world’s oil reserves, poverty)

³⁰ Different internet sources, mainly governmental websites

³¹ OPEC Annual Report 2010/2011

³² Worldbank Data Collection

³³ Worldbank Data Collection

³⁴ Norges Bank, April 2011

³⁵ Government of Nigeria, 2006

³⁶ In 2009, in the United States of America, the poverty threshold for a single person under 65 was US\$11,161; the threshold for a family group of four, including two children, was US\$21,756. (US Census Bureau)

The statistic shows that Ghana has a very little share of oil reserves in the world compared to other countries. Therefore it will be more prudent for Ghana to use the oil revenues to develop the country rather than making the wrong investments.

Ghana as a potential energy producer could produce considerable oil supplies in the coming years. And with the enormous financial flows that can result from petroleum production and the high incidence of poverty across Africa, Ghana is not an exception, there will continue to be a very intense spotlight on energy, investments and their possible long-term effects.

It is crucial for the Ghana government, working in tandem with civil society and the private sector, to manage the oil revenues transparently, openly and for the benefit of all Ghanaians. Revenue generated from oil reserves would help Ghana alleviate poverty and enhance economic opportunities.

It is the hope of Ghana that oil revenues will help accelerate the country's effort to meet the UN Millennium Development Goals by 2015. But, as so many other countries have shown, it is a difficult and tortuous journey to move from the generation of oil wealth to its proper investment. In many other countries, oil booms have bred corruption, underdevelopment, social conflict, and environmental damage.

The onset of oil production presents Ghana with its next great test. Ghana has an enviable record of good governance and stability compared to other African countries. Despite this progress, Ghana is still a poor country of over 25 million people dependent largely on primary commodity exports such as cocoa, gold, timber. Circa 53 percent of Ghanaians live on less than \$2 a day.³⁷

The country has made some progress on economic diversification, but oil could add to the economy's overreliance on commodity exports subject to price swings that make development planning difficult.

Billions of dollars will flow into the government treasury, but Ghanaians are all too familiar with corruption, poor development outcomes in the country's mining communities, and the tragedy of Nigeria's squandered oil wealth. For the international oil industry, the 2007 "Jubilee" find, called one of the largest recent finds in Africa, has generated enormous interest in the country's hydrocarbons potential. By 2011, estimates are that Ghana will be producing approximately 120,000 barrels of oil per day, along with significant quantities of gas.

Ghana's challenge will be to ensure that the right institutions and transparent policies are in place for the oil production. The needed institutions, regulations, and transparency measures should be in place early on to avoid the corrosive and corrupting effects of oil booms seen elsewhere in Africa. That includes that the following should be made public: contracts, data on oil production, money flow, used money (track-back systems). Because the Jubilee field is in development, the government does need to move at deliberative speed to be able to manage this large project. At the same time, Ghana needs to be careful to control the pace of the development of the petroleum sector so as to not let commercial developments outstrip the capacity of the government and society as a whole to meet the myriad challenges.

Ghana's oil and gas agreements: measures for transparency and accountability

The legal and regulatory frameworks which should govern the operations of the industry in the country were not fully in place as at the time the country started commercial production of oil.

Can it be said that government has institutionalised measures for transparency and accountability in the oil and gas sector?

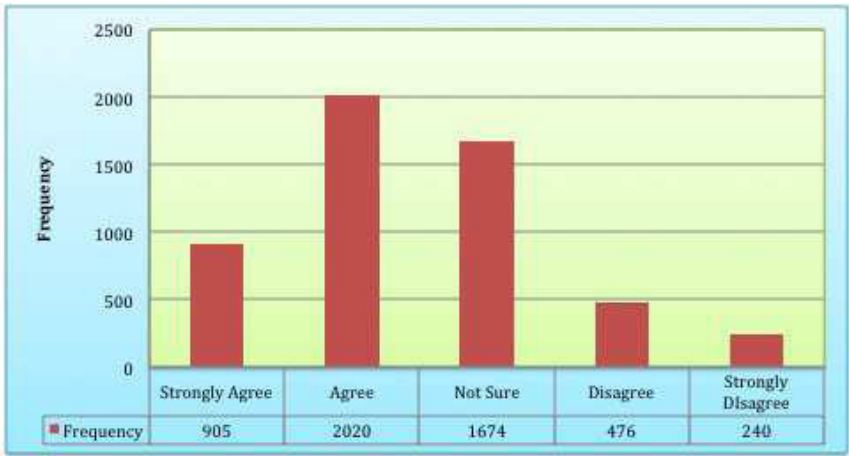


Figure 8 - The government has institutionalized measures for transparency and accountability in the oil and gas sector.

From the point of view of the respondents, 55 percent “agree” or “strongly agree” to the statement that the government has institutionalized measures for transparency and accountability, while 13,5 percent doubt the correctness of the statement. However, 31.5 percent are “not sure” which could be interpreted again as a lack of information. For those respondents who have confidence in the transparent measures of the state and its accountability affords, it has to be acknowledged that during the time this survey was conducted, the Parliament of Ghana just passed the controversial “Petroleum Revenue Management Act” which states transparency and accountability measures. The media has informed the public extensively about the content of the law after its passage by parliament. Theoretically, there might be measures in place, but the future will show if they will be implemented effectively.

The government has institutionalized measures for transparency and accountability in the oil and gas sector. (in percent)						
		Strongly agree	Agree	Not Sure	Disagree	Strongly disagree
Region	Ashanti	14,1	36,8	30,8	9,8	8,5
	Brong-Ahafo	14,7	37,9	37,7	6,8	2,8
	Central	9	41,8	36,3	10,4	2,5
	Eastern	18,1	34	32,9	9,7	5,3
	Greater Accra	11,7	35,1	38,7	10	4,7
	Northern	16,9	43,6	27,3	8,7	3,4
	Upper East	16,6	42,5	28,7	9,3	2,8
	Upper West	20	43,1	25	10	1,9
	Volta	29,9	44,2	18,3	6,4	1,2
	Western	28,5	32,2	27,1	7,8	4,3
Total		17	38	31,5	9	4,5

Table 21 – The government has institutionalized measures for transparency and accountability in the oil and gas sector. (by regions)

It can be stated that the northern regions have more confidence in the government with regard to transparency and accountability, such as Northern Region (60.5 %), Upper East Region (59.1 %), and Upper West Region (63.1 %). All results are above the general average of 55 percent. Two regions in the South show the same high results, namely Western Region and Volta Region. The latest exceeds the average result by almost 20 percent. The question is if these regional results can be attributed to the close support base the ruling party?

However, some agreements such as the Petroleum Revenue Management Act and the Petroleum Commission Law have been passed by parliament and received assent by the President. We need sufficient legal regulations in place to be able to deal with all types of agreements and contracts in the oil and gas industry.

Basically, there are four major types of contracts applicable and used in the oil & gas industry. They are Concessions, Joint Ventures, Production Sharing Agreement or Contract and Service Agreement. Each of these can be used to achieve the same results.

However, the differences between them are in the levels of control given to foreign oil companies (FOC), revenue sharing arrangements and the levels of involvement by the government or the national oil company (NOC) - GNPC in this case. All the above contract types fall under two methods of contracting, bilateral negotiation and competitive bidding. Of the two, a bilateral negotiation is the most dangerous, tinted with fraudulent, corrupt practices and arm twisting by the FOC.

The FOC approaches the host government to apply for a concession for exploration, development and production of the oilfield for export. The FOC in turn pays royalties and taxes to the host government. Under competitive bidding, applicants are normally required to satisfy certain standards in order to qualify to be awarded the contract.

These standards and requirements to be met by the FOC are backed by legislation already in place; therefore any likely under-hand dealings are minimized. Bids are normally sealed. The oil field blocks are put on tender worldwide.

Two of the contract types, concession and joint ventures, have been described as bastard forms of oil agreements, because of the lots of problems and limitations associated with them. Of the two, however, contracts under concession are the most exploitative, fraudulent and associated with corrupt practices even in developed world where the oil giants are based.

Surprisingly, when the respondents were asked about their knowledge on specific legal or policy arrangements for the oil and gas production in Ghana, the majority of 91 percent stated that they did not know, meaning they had no idea with regard to the presence of specific legal arrangements or policies for the oil production.

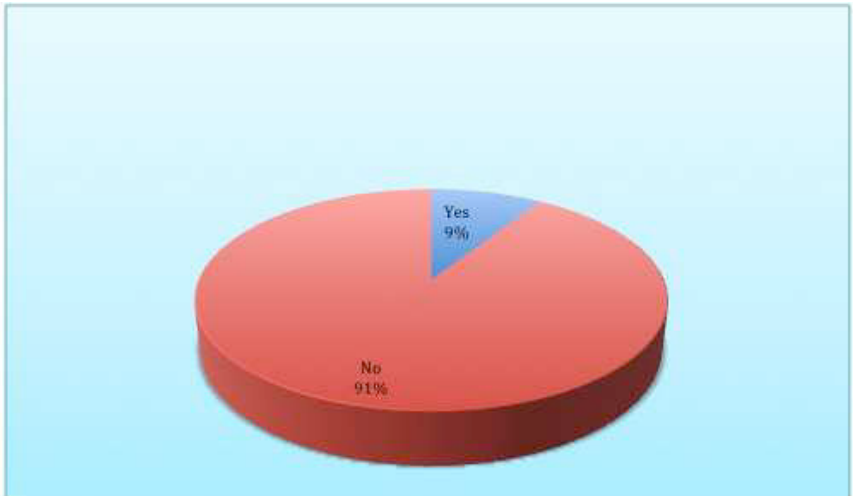


Figure 9 – Knowledge on specific legal and policy arrangement for the oil and gas production

Even if it seems contradictory to the questions on whether the laws are sufficient and transparency and accountability has been institutionalized, it has to be acknowledged that the media (radio, TV and newspapers) have published massive amounts of information on the draft bills and laws. Despite the fact that all sorts of media, with party affiliations are private, vary in their criticism on the laws, the information given was useful to introduce the basics of new regulations and proceedings with regards to the oil and gas production. Furthermore, the civil society organizations working on this specific topic raised awareness for the upcoming modalities. To get first-hand information, it is necessary that the government publishes the specific laws on the internet to make them accessible.

Extractive industries and transparency issues in Ghana

Transparency underpins good governance, and Ghana has already recognized the importance of increasing transparency in the extractive Industries through its participation in the global EITI. Ghana was an early and enthusiastic adopter of the EITI: in early 2007, Ghana produced an EITI report covering payments from the mining industry (gold, bauxite, manganese) for the first half of 2004, and Ghana officially became an EITI “candidate” country in September 2007. By 2008, Ghana had published its third EITI report—covering gold-mining payments in 2005.

Civil society participants in the EITI in Ghana to date are frustrated with the sluggish process, the lack of high-level government attention, and the lack of follow-through when it comes to government’s implementation of recommendations in the EITI reports. Observers are worried that the EITI could become a hollow exercise without the reports leading to reforms.

With the current oil production, Ghana must move to incorporate the Petroleum sector into the EITI process, and signals from government during 2008 displayed a reluctance to include the sector in the EITI report. That said, a 2009 EITI work plan for Ghana in-

cludes incorporation of oil. Neither Tullow nor Kosmos have been approached by the government about the EITI, although neither has shown a reluctance to participate.

While the GNPC has distinguished itself through proactive publication of important summary information regarding the petroleum sector in Ghanaian newspapers during 2008, much more needs to be disclosed—payments, petroleum agreements, etc.—on a more regular and systematic basis.

Chapter 7

Youth opinion on responsibilities of state and other agencies or organisations

Ghana's preparedness for the oil and gas production

In many oil producing countries, secrecy regarding basic information about oil production, oil contracts and revenues are the norm rather than the exception. Comprehensive transparency is the essential foundation for good governance in the extractive industries.

Since the discovery of oil in 2007, the administrations of both President Kufuor and President Mills have placed emphasis on the importance of transparency and accountability in the management of the oil sector and accompanying revenues. While there have been some important steps taken, major transparency gaps remain which will be discussed later.

With regards to Ghana's preparedness for the oil and gas production, a total of 62 percent of the respondents agreed and strongly agreed respectively that Ghana was prepared. They constituted the majority of the respondents. This may be due to access to information and publications on the emerging oil and gas industry in Ghana by the media.

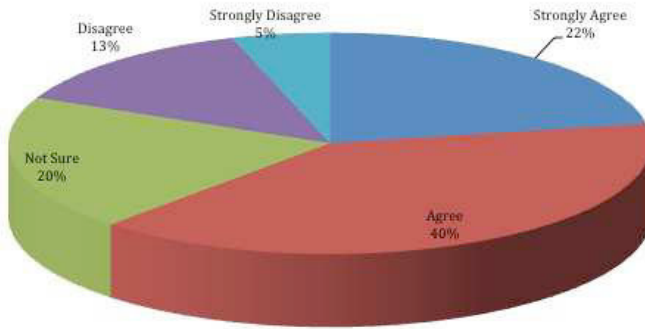


Figure 10 - Ghana is adequately prepared for the oil and gas production.

However, 5% strongly disagreed, 13% disagreed while 20% said that they were not sure. These views were expressed in the light of the roles that have been played by the various stakeholders in preparedness for the oil and gas production.

While repeating the former results of the study, nevertheless only 9 percent of the respondents know the specific laws and therefore could make a perfectly clear judgement of whether the government is adequately prepared for the oil and gas production.

Another question of the survey even supports the statement of the preparedness of the government – do you feel well informed about the oil discovery? This question rather highlights a kind of precondition. Information is needed to judge on the preparedness of the government. 56 percent stated that there are not feeling well informed, while only 44 percent do. Female respondents even responded more negative on this question than men.

This indicates again a lack of information which is necessary to reason the past and future work of the government. Furthermore, it seems that the question of preparedness, despite the fact that

most respondents do not know the specific laws and could judge on this, is a matter of national pride which does not touch the roots of information.

Moreover, the data of the regions indicates that two regions, namely the Ashanti Region and Greater Accra, believe that the government did not prepare adequately enough to manage the oil and gas production compared to the rest of Ghana's region. It can be concluded that the respondents in both regions are the most pessimistic ones with regards to most of the questions. Especially the northern regions, Volta Region and the Western Region are convinced that the government did its best to prepare for the upcoming tasks.

Ghana is adequately prepared for the oil and gas production (in percent)							Total
Region		Strongly agree	Agree	Not Sure	Disagree	Strongly disagree	
Region	Ashanti	17,3	37,4	21,8	16,2	7,2	
	Brong-Ahafo	16,2	49,9	17,7	11,9	4,3	
	Central	14,8	47,6	22,6	10,3	4,8	
	Eastern	20,5	40,6	21,0	13,4	4,6	
	Greater Accra	17,5	37	27,1	14,5	4	
	Northern	25,6	37,6	16,1	15,4	5,3	
	Upper East	24,2	41,5	16,5	15,3	2,4	
	Upper West	24,7	41,8	14,6	14,6	4,4	
	Volta	30,2	38,7	16,4	10,7	4	

Ghana is adequately prepared for the oil and gas production (in percent)						Total
	Strongly agree	Agree	Not Sure	Disagree	Strongly disagree	
Region Western	40,5	34	12,3	8,4	4,7	
Total	22,2	39,7	19,8	13,3	4,9	5315
Unanswered						46

Table 22 – Ghana is adequately prepared for the oil and gas production. (by regions)

The Role of Government

Strong Transparency Provisions in Petroleum Revenue Management Law

On the positive side, Ghana's parliament passed the long-delayed and debated Petroleum Revenue Management Bill at the beginning of March 2011. The bill was approved by the President in April 2011 and was published as Act 815. While some issues were hotly debated, there was consensus from both the majority and the minority members of parliament on all the transparency provisions. Should the bill approved by parliament become law, there will be a number of important transparency provisions. Some specific elements worthy of note include:

- Clause 8 requires the publication of records of petroleum receipts in the newspapers and online.
- Clause 16 requires the Minister of Finance to reconcile quarterly petroleum receipts and expenditures and submit reports to Parliament as well as publish the reports in the newspapers.

- Clauses 46 to 48 provide for four different types of audits of the petroleum accounts– internal audits, external audits, annual audits and special audits.
-
- Clause 50 requires the Minister of Finance to submit an annual report on the Petroleum Account and the Ghana Petroleum Funds as part of the annual presentation of the budget statement and economic policies to Parliament. The report shall also be made readily adaptable for dissemination to the public and shall contain:
 - Audited and certified financial statements comprising; (i) the receipts and transfers to and from the Petroleum Account, (ii) the deposits and withdrawals to and from the Ghana Heritage Fund and the Ghana Stabilization Fund, and (iii) a balance sheet, including a note listing the qualifying instruments of the Ghana Petroleum Funds;
 - A report signed by the Minister describing the activities of the Ghana Petroleum Funds in the fiscal year of the report, including the advice provided by the Investment Committee, any reports prepared by the Auditor-General drawing attention to particular issues or matters that may be of concern or interest to Parliament;
 - The income derived from the investment of the Ghana Heritage Fund and the Ghana Stabilization Fund during the fiscal year compared with the income of the previous two fiscal years;
 - A comparison of the income in paragraph (c) with; (i) the benchmark performance indices provided to the Minister, and (ii) the income of the previous two fiscal years after adjusting for inflation;
 - The liabilities of government borrowings shall be reflected in the presentation of the annual report so as to give a true

representation of the past and expected future development of the net financial assets of government and the rate of savings; and

- A list of names of persons holding positions relevant for the operation and performance of the Ghana Heritage Fund and the Ghana Stabilization Fund, including; (i) the Minister, (ii) the chairperson and members of the Advisory Committee, (iii) the Governor of the Bank of Ghana, and (iv) the investment manager, if any.
- Clause 51 provides that information or data, the disclosure of which could in particular prejudice significantly the performance of the Ghana Petroleum Fund, may be declared by the Minister as confidential, subject to the approval of Parliament. It further requires detailed explanations on why the information should be held confidential and that confidentiality shall not limit access to information by Parliament and the Public Interest Accountability Committee.
- Clause 52 criminalizes the failure by a person to comply with the obligation to publish information under the bill.

Major Transparency Gaps Remain

Despite the progress outlined above, major transparency gaps remain. For instance, the petroleum contracts between the government and oil companies have not been publicly disclosed, despite the directive by President Mills to the Minister of Energy to do so in 2009. The Vice President Mahama re-iterated the President's directive when he made another announcement that all petroleum contracts would be disclosed. These presidential directives are yet to be complied with. Tullow has said they are willing to disclose if the government agrees. Parliament has the authority under the constitution to approve natural resource agreements, but post-approval disclosure has not been forthcoming. Some Members of Parliament have said they receive only summaries of the contract

and not the full document.

Contract disclosure is standard practice in several oil countries, including Sao Tome and Principe and Peru, where contracts are easily downloaded from a Web site. In addition, Clause 150 of the 2010 constitution of Niger requires extractive industry contracts to be disclosed. While the Model Petroleum Agreement is available on the GNPC website and some terms have been disclosed for the Jubilee field contracts by GNPC, this does not in any way substitute for full contract disclosure. There is little information on new agreements and it is unclear if confidentiality clauses continue to be inserted into new agreements that are being signed by the GNPC and the government.

As a reminder, 55 percent of the respondents of this study believe that there are adequate measurements for transparency and accountability, but 45 percent either have not been sure, disagreed or strongly disagreed. The Revenue Watch Institute wrote on the legal framework of the government: "The [Petroleum Revenue Management Bill] also has strong provisions for governance and accountability, including rigorous rules for reporting on oil fund assets and investments, and the creation of an independent regulatory body, the multi-stakeholder Public Interest and Accountability Committee, to monitor how oil revenues are handled. 'The passage of the Revenue Management Bill represents an extremely powerful step in Ghana's efforts to use its oil sector as an engine for development, and to avoid some of the most serious pitfalls of volatility that have plagued many oil-rich nations,' said Patrick Heller, Revenue Watch legal advisor."³⁸

Government and corporate agent's management of the oil and gas revenue

When the statement 'government and corporate agents can manage the oil and gas revenue well' was posed to the respondents,

38 <http://www.revenuwatch.org/news/news-article/ghana/ghanaian-parliament-passes-revenue-management-bill>

44 percent of the respondents strongly agreed or agreed to the assertion, while ca. 27.3 percent of the respondents disagreed and strongly disagreed respectively. The remaining 28.7 percent of the respondents were however not sure. This again indicates a lack of information or knowledge.

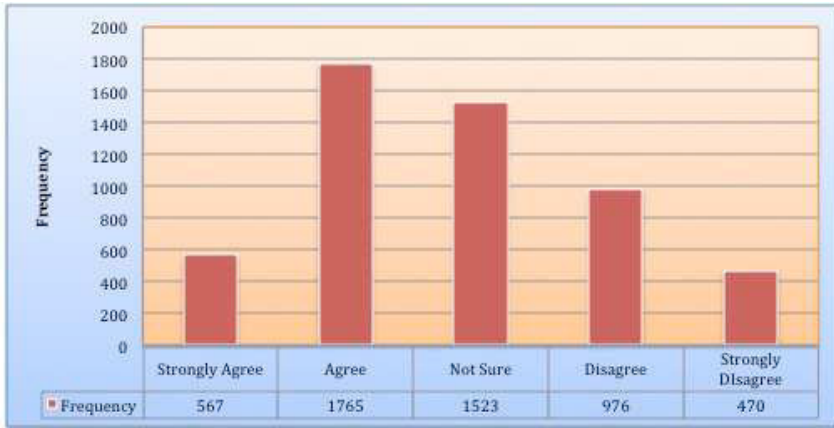


Figure 11 – Government and corporate agents can manage the oil and gas revenue well.

From the above information it can be deduced that the majority of the respondents, excluding those who said that they were not sure were of the opinion that government and corporate agents can manage the oil and gas revenue well. The above data is represented below in tabular form by regions.

Government and corporate agencies manage the oil and gas revenue well						Total	
	Strongly agree	Agree	Not Sure	Disagree	Strongly disagree		
Region	Ashanti	7,37	27,29	29,69	23,75	11,87	1044
	Brong-Ahafo	9,29	40,41	26,94	17,83	5,5	527
	Central	8,25	37,38	33,02	14,9	6,42	436
	Eastern	6,74	28,6	32,32	26,04	6,27	430
	Greater Accra	7,97	28,72	29,57	18,4	15,31	940
	Northern	15,43	39,77	26,51	12,5	5,87	528
	Upper East	8,9	36,43	30,76	17,81	6,07	247
	Upper West	15,09	38,36	25,15	16,35	5,03	159
	Volta	17,85	39,76	26,66	12,38	3,33	420
	Western	17,36	32,1	24,91	16,84	8,77	570
Total	10,7	33,29	28,73	18,41	8,86	5301	
Unanswered						60	

Table 23 – Government and corporate agents can manage the oil and gas revenue well. (by regions)

Despite the fact that lots of respondents in the regions answered the statement with “not sure” (especially Central Region 33 %,

Eastern Region 32.3 % and Ashanti Region as well as Upper East Region with almost 30 percent each), it is obvious that regions such as the Ashanti Region, Eastern Region and Greater Accra are more sceptical about the performance of the government and corporate agencies. Regions such as Brong Ahafo, Central Region, Northern Region, Upper East, Upper West, Volta Region and Western Region are more confident with the future management of the oil and gas revenue by the state and the agencies. Again, the Ashanti Region has its own experiences with the mining sector and Greater Accra could be doubtful due to the striking distance of public policy making. The scepticism can be a result of the past experiences of how laws have been adopted but not adequately implemented. The written laws can be as good as imaginable but also meaningless if the implementation process is neglected.

However, this scepticism of those particular regions could be also highlighted in the previous chapters and questions discussed earlier. Respondents in the Ashanti Region and the Greater Accra Region also expressed their doubts with regard to the sufficiency of the laws and stated that the economic development will improve, but does not reflect on the livelihood of the people. Those who stated that the laws have been sufficient also assessed the management of the government as positive.

Even if the government has almost half of the respondents in favour for them, the results show that those who have not been sure or judging on the performance of the state negatively constitute a high figure as well. Over half of the respondents are not yet convinced about a good and reasonable performance of the government – which means that the government has to catch up with their expectations and negative judgements.

Compared to the question on the good management of the oil revenues by government and corporate agencies, the results of the following question are striking. Asking of whether they could trust the politicians with regard to the oil revenue management, over 55 percent of the respondents “disagreed” or “strongly disagreed”. The answer “not sure” is

not considered to be a clear affirmation of the statement, it rather counts as “don’t know” or “cannot judge”. If the total number of respondents who responded ‘not sure’ (21.6 percent) are added to who respondents who do not trust politicians at all in addition to those who neglected the statement, only around 23 percent have confidence in the performance of politicians. This result is devastating for the professional field of politicians.

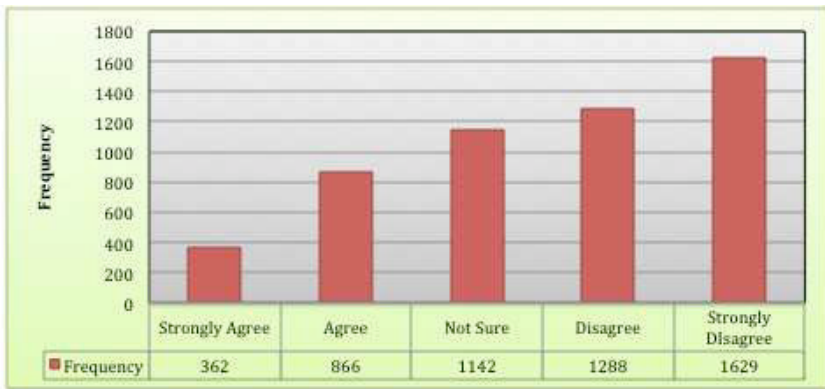


Figure 12 – I can trust our politicians with regards to the management of the oil revenue.

These views run counter to the previous statement. Does it mean that the respondents have more confidence and trust in institutions? But the crux of the matter is that individuals, namely politicians, run those institutions. An institution can be just as powerful or good as possible if politicians are performing well. The results by the regions also give an interesting insight:

I can trust our politicians with regards to the management of the oil revenue. (in percent)							Total
Region		Strongly agree	Agree	Not Sure	Disagree	Strongly disagree	
Region	Ashanti	7	13,7	22	22,8	34,5	1027
	Brong-Ahafo	6,4	23,1	20,1	27,3	23,1	532
	Central	5,6	24,1	30,3	24,4	28,1	432
	Eastern	6,2	13,6	27,6	24,4	28,1	434
	Greater Accra	4,7	15,4	18,8	25,5	35,6	936
	Northern	9,5	16,5	16,7	25,3	31,9	526
	Upper East	6,1	8,9	17,8	30	37,2	247
	Upper West	5	23,3	17	27	27,7	159
	Volta	9,6	15,6	27,3	24,6	23	418
	Western	8,3	14,6	18,9	18,6	39,6	576
Total		6,85	16,38	21,6	24,37	30,82	5287
Unanswered							74

Table 24 – I can trust our politicians with regards to the management of the oil revenue. (by regions)

Respondents from the Ashanti Region and the Eastern Region indicated their mistrust for politicians more than the average of all respondents. Despite this, especially the Upper East Region and the Greater Accra Region have the highest mistrust amongst the region. Only up to one fifth of the respondents would describe politicians as truthful. The results of the Greater Accra Region may be explained by the close proximity to political institutions. The insight in this area may cause this judgement. For the most affected region, namely the Western Region, only 22.9 percent are confident about politicians, while ca. 77 percent were “not sure” or disagreed with the statement.

Taking into consideration the urban and rural areas, it is obvious that respondents in the major cities mistrust politicians more than in the rural areas. This can be also explained by the relatively active nature political activity in the major cities and the access to information. It might be also a lack of education which prompted respondents in the rural area to answer in the way they did.

I can trust our politicians with regards to the management of the oil revenue. (in percent)			
	<i>“agree” / “strongly agree”</i>	<i>“not sure”</i>	<i>“disagree” / “strongly disagree”</i>
Rural	31,9	20,8	47,2
Urban	18,8	23,2	58

Table 25 – I can trust our politicians with regards to the management of the oil revenue. (by rural/urban)

According to the respondents and their occupation, it is visible that the respondents working in the formal sector, which represents 20 percent of the workforce (half of it employed by public or semi-public institutions) trust politicians less than those working in the informal sector, being students or being unemployed. This could be explained with the assumption that the taxpayers in the formal sector contribute to the budget of the state, but do not see real development or benefits.

I can trust our politicians with regards to the management of the oil revenue. (in percent)			
	"agree" / "strongly agree"	"not sure"	"disagree" / "strongly disagree"
Formal Sector	16,5	19,6	64,19
Informal Sector	21	21	58
Students	25,25	21,62	52,88
Unemployed	26,05	22,44	51,53

Table 26 - I can trust our politicians with regard to the management of the oil revenue. (by occupation)

Mistrust is one of the reasons for speculations, frustration and conflicts within the society. If the majority of the population believes in assumptions that politicians become corrupt, steal money and enrich themselves or even mismanage the money and hinder development, a ruling government sits on a powder keg. To prevent this type of development, communication, transparency and accountability is the key for a non-conflictive future.

And the people in Ghana would like to be involved in decision-making processes and want to influence policy-making as well. 72 percent of the respondents would like to discuss the oil revenue management. 51 percent believe that they could influence the content of the Ghanaian oil and gas policy. They are convinced that "their voice will be heard".

Citizens' Participation in Policy Formulation and Public Oversight

There is no doubt that expectations among Ghanaians have remained high since the announcement of commercial oil discovery in the country. Citizens therefore had expected greater participation in deliberations on the industry. Public interest has however focused on the management of petroleum revenues particularly

how it could be used for job creation and poverty reduction. The government of Ghana, through the Ministry of Finance and Economic Planning, provided the opportunity for citizens' participation through nationwide forums on the proposals for managing petroleum revenues. 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 Sunyani, Accra and Takoradi on the petroleum bills.

These forums did not only provide platforms for citizens to contribute to the policy and proposals for legislation for the petroleum sector but also to manage public expectations. Radio and television discussions of issues relating to the petroleum revenue management law especially in areas such as collateralization of future oil revenues, the heritage fund, the demand for 10% of oil revenues by Chiefs in the Western Region and the proposed Public Interest and Accountability Committee; also highlighted citizens preferences as well as their hopes and fears about the country's oil wealth.

It is important to state however that most of these discussions and the contributions by citizens were largely uninformed and sometimes largely speculative without the proper understanding of what the country's oil could offer in terms of development opportunities, jobs and incomes. Although there is knowledge and information among organized interest groups, the larger civil society has very limited understanding partly because Ghana has not had a history of commercial production of oil. Also, the difficulty of appreciating technical information prevented a more qualitative citizens 'engagement.

The Role of Petroleum Companies

Payment Disclosure

As best practice, and according to EITI principles, companies should disclose all payments to host governments. In Ghana, only Tullow has disclosed early payments to the Ghanaian government. (In 2009, prior to production, these payments were relatively small. A total of US\$ 209,534 in payments was disclosed encompassing payments to the national government for license fees and GNPC training contributions.

See box for payments disclosed in 2010.) While this information was disclosed through the Tullow 2009 Corporate Responsibility Report, it is unclear information on these payments has reached beyond a small circle to include citizens in the front-line districts, local government officials and others. As the amount of payments increases, it will be crucial to expand public information campaigns on payments made. Kosmos, Anadarko and other companies involved in Ghana have not made payment disclosures.

Social Investment Disclosure

Regarding, disclosure of payments for corporate social responsibility projects, there has been some limited disclosure by Tullow and Kosmos in their corporate social responsibility reports or websites. (For example, Tullow disclosed that it spent \$2.1 million on voluntary social enterprise investments in 100 projects in 11 countries during 2009.

While Tullow's Corporate Responsibility Report for 2009 is extensive, it does not contain detail on social investments in Ghana. Tullow's website contains "case studies" on a number of social investments initiatives. Civil society engagement with the residents of the six oil host districts shows that most of the people are not aware of the in kind contributions (CSR projects) by the Jubilee Partners.

The few who got some TV sets, chairs, bore holes, etc believe that the oil companies could do more. No company involved in the Ju-

Jubilee Field has made a global endorsement of EITI or agreed to be an EITI supporting company at the global level. With the formal extension of EITI in Ghana to include the oil and gas sector, Tullow is now part of the expanded EITI National Steering Committee. Participation in the EITI process at national level is significant whereas in the regions, districts and communities, many Ghanaians are ignorant, first, about the EITI and second, its benefits to the citizenry. Companies in the Ghana EITI process, working with other stakeholders, can work to address this knowledge gap during 2011.

The Role of Civil Society

Civil society commenced well by facilitating a multi-stakeholder forum in early 2008, three months after the announcement of commercial discovery, to review important policy and legal concerns for the effective exploitation of oil and gas. However, they lost the momentum thereafter and surrendered the policy space to the government.

The Mankessim Forum, as it came to be known, brought some notable achievements – the extension of the Extractive Industries Transparency Initiative to the oil and gas sector in 2010 and the formation of the Civil Society Platform on Oil and Gas.

It also provided a framework for development partners to design support programmes for government, state institutions and civil society to play their roles effectively in the oil and gas sector. Also, in 2009, some civil society organizations such as Publish What You Pay Ghana and ISODEC raised questions about the Environmental Impact Assessment that followed the approval for a facility of US\$115 million and US\$100 million by the International Finance Corporation for Tullow Ghana Limited and Kosmos Energy respectively, to finance parts of the development of the Jubilee fields project. Realizing the dangers of non-engagement, a number of civil society organizations came together to form the Civil Society Platform on Oil and Gas in March, 2010, three years

after the discovery of oil to launch a coordinated effort at deepening civil society participation in the development of policies and legal frameworks for the oil and gas industry.

The formation of the Oil and Gas Platform which now has over 115 members introduced some urgency and effectiveness in the engagement process and led to significant changes in the policy and legal frameworks being developed by the Government of Ghana. Particularly, civil society pressure led to the publication of the proposals for Petroleum Revenue Management. Civil society consultations around the country culminated into a larger Citizens 'Summit on Oil and Gas, a multi-stakeholder process which produced a comprehensive communiqué that influenced the current state of the Petroleum Revenue Management Law, the local content and participation policy and the Petroleum Commission Bill. A memorandum on the Petroleum (Exploration and Production) Bill and intense advocacy by civil society generally led to the withdrawal of the Bill for re-packaging especially in the areas of regulations and transparency.

The Petroleum Commission Bill is a response to the call to reduce the sweeping powers of the Minister responsible for Petroleum and the establishment of an independent petroleum regulator. Other major achievements included greater transparency in the Petroleum Revenue Management law and the endorsement by parliamentary consensus of the Public Interest and Accountability Committee.

The media as part of the broader civil society has also played a major role – providing news on oil and gas issues and opportunity for dialogue on both radio and TV stations. As a new industry however, the oil and gas industry remain a very technical area for comprehensive reporting. Access to relevant information from the oil and gas sector has also limited the effectiveness of the media in this respect. Generally, civil society remains weak in technical

capacity and skills necessary for monitoring most activities in the oil and gas industry. Only a few organizations have some modest experience in revenue and expenditure tracking, environmental monitoring and contract monitoring.

As Ghana moves beyond the development of legal frameworks for the industry, there will be an important shift in the engagement process towards a stronger monitoring regime, a phase in which civil society is not adequately prepared to participate. Civil society work will also be inadequate if there is no flow of reliable official information on the management of the industry, a situation which is more compounded by the delay in passing the Right to Information legislation, the confidentiality clauses in the petroleum law and lack of a definite framework for contract disclosures.

Chapter 8

Democratic Legitimization of the Oil Policy: Citizens Participation and Civic Engagement

Everyone is definitely interested in the “black gold”. From the policy and law making process through who operates or invests in the sector, accountability and governance issues, to how the industry can benefit everyone in the country.

In the light of the appreciation that the communities are critical stakeholders in the exploration and production of oil, they have the right and mandate to effectively mobilise and engage other stakeholders in the industry; specifically, the investors and other industry players that are primarily interested in profit making and the government with regard to regulatory issues, there is the need to gauge peoples personal interest and willingness to participate in civic engagements.

Opinions have been diverse, but the statement ensuing depicts how ready Ghanaians are to engage in the debate on the discovery. “Ghanaians should look at Nigeria as an example of how petroleum extraction can generate political corruption, exploitation of local populations, degradation of fragile environments, and economic inequality. The revelation that Ghana is already proceeding with oil production before having an effective regulatory structure in place indicates that, once again, the cart is before the horse. The government should curtail production until it has completed a thorough and objective analysis of the potential economic, social, and environmental impacts of full-scale produc-

tion, including the extent to which this new source of fossil fuel will add to our planetary burden of carbon emissions and global warming.”³⁹

With the Nigerian experience, among many others to learn from, one would expect the communities immediately affected by the exploration and production process to be heavily involved in mobilisation and dissemination of information that will enable them to better appreciate the industry, rather than leave them to build up expectations that can lead them to feel exploited by the state or investors in the sector. This situation, when left to nurture, can escalate into crisis; the other African oil and gas examples relived.

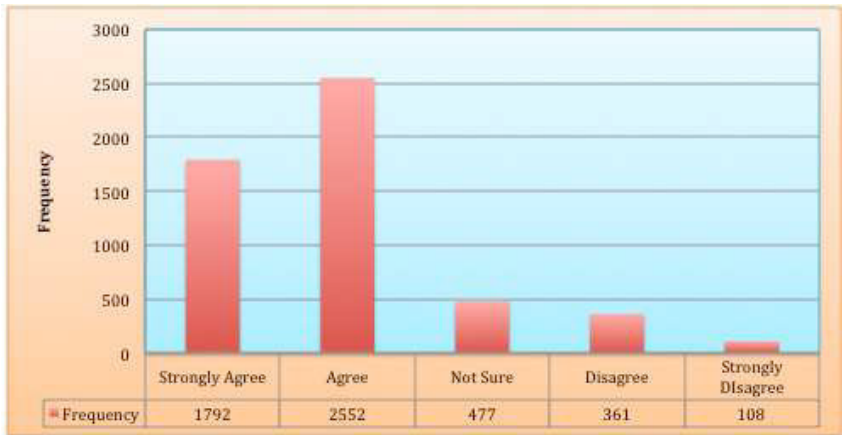
However, it is crucial to emphasise that the perception of “exploitation” by the citizens who feel the direct negative impact of the extractive industries itself does not produce a crisis. There must be resisted in certain thresholds for a crisis to occur, e.g. extreme reduction of the present living standard, health problems due to environmental pollution etc. As long as the people resorted to peaceful legal action, (which were within the perimeters of the existing social and political order and could therefore be processed within them) there was no crisis.⁴⁰

This can greatly be enhanced by more meaningful and purposeful civic engagement.

In the much highlighted Niger Delta, it was only when the resistance went outside of these boundaries and took the form of armed struggle that the situation degenerated into a crisis thereby challenging the existing political order.

The following study shows how interested the youth of Ghana are in the oil and gas governance and management as well as how much they are willing to get involved in the discussions.

39 *comment on an article online, Cable News Network, 2010*
40 *Ukeje, 2009*



Figures 13 - Respondents are personally interested in news about the Ghanaian oil and gas policy

Across the regions of Ghana, all respondents shared almost the same opinion that they are interested or highly interested in news about the Ghanaian oil and gas policy (82.11 percent).

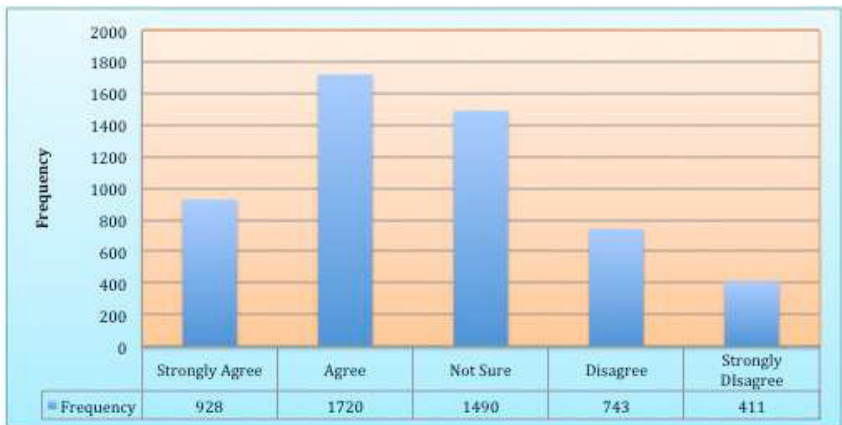


Figure 14 - Respondents believe that their voices will be heard in formulating the content of the Ghanaian oil and gas policy

Figure 14 shows that half of the respondents (50 percent) believe that their voices will be heard in formulating the content of the Ghanaian oil and gas policy. A significant 28 percent were not sure, and the rest disagreed. This also corresponds with the mistrust in the politician which was discussed previously.

Respondents in regions, such as Ashanti, Central Region and Greater Accra, were not convinced that they could have an influence in formulating the oil and gas policy. However, respondents in Brong Ahafo, Upper East, Upper West, Volta and Western Regions believed more that politicians and policymakers will hear the voice of the youth.

What do these results mean now in comparison to others? Considering the earlier discussion on mistrust for politicians vis-à-vis the belief that they could influence the policies through their involvement, it seems in the first place contradictory. However, it can be interpreted as the demand and willingness for civic engagement. The secrecy around the oil production as well as the lack of information has to be abolished.

The need for civic engagement cannot be ignored by the government. The population will further call for their right to participate in a decision-making process on issues which are of concern to them and will affect them sooner or later. Neglecting the demands and needs of the population in Ghana will result in frustration amongst the citizens which can threaten the essential bond between politicians and citizens which can lead to internal instability.

The willingness to participate for example in the discussion on the oil revenue management can be demonstrated by the results of the following statement of the survey.

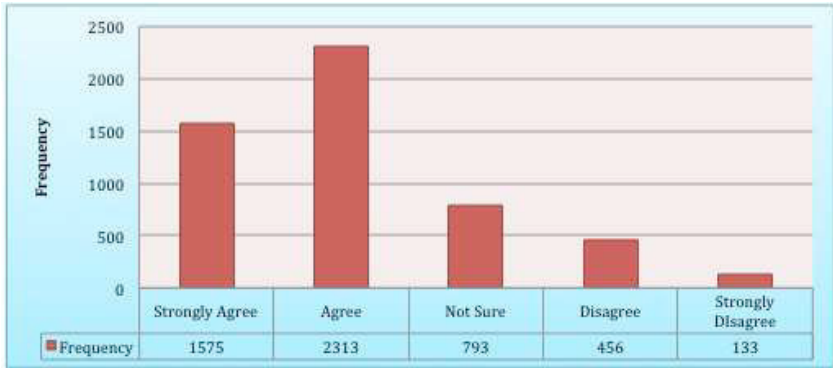


Figure 15 - Respondents willingness to participate in the discussion on the oil revenue management

Almost 74 percent would like to participate and therefore influence their own future. As the survey illustrated, young people are – despite their high expectations and sometimes positive responses – concerned about the upcoming years and decades. This uncertainty puts them in a position where they admit that engagement and participation are necessary to take charge of their own fate.

Chapter 9

Media, Community Mobilisation and Engagement on Oil and Gas

With the traditional media (newspapers, radio, television) being the main source of information for the people in the oil and gas exploration and production areas, many questions arise concerning the capacity of the media in performing its role by providing accurate and reliable information to the people as well as facilitating community mobilisation and engagement processes with relevant stakeholders.

It is important to note the special role of the media in national development, and particularly, in educating the public on numerous issues related to citizens' and their welfare. The key concept here is that development cannot be held in a vacuum, it must be communicated. This is the job of the mass media.

However, in many cases, the media has served to mislead the public not necessarily out of mischief but rather because they were themselves not abreast of the issues under discussion. Their level of appreciation of the issues and events were lacking, which they transferred to the consuming public. (Sarpong, 2010)

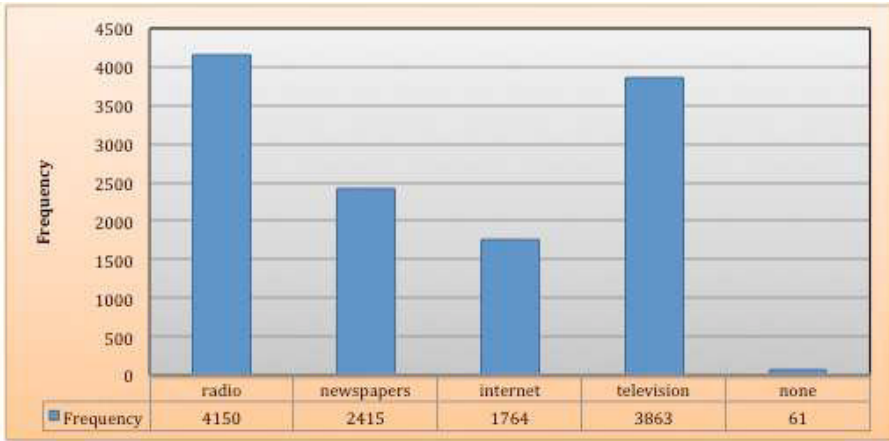


Figure 16 - The kind of media frequently used by respondents to get the daily news

Television (73 percent) and radio (78 percent) seem to be the most important source of information for the majority of the people. Newspapers (46 percent) got quite expensive over the last years. When a worker in the informal sector is earning between 3 and 5 Ghana Cedis (GHC) per day, it is hard to imagine that the worker will spend 1.50 GHC on a daily newspaper. Computer access is problematic in Ghana. It is estimated that 10 percent of all Ghanaians have computer and internet access. Internet cafés are now on the increase in cities and towns.

Against the background of the high illiteracy rate and those who received basic education, it is recommended that the state and civil society organizations use radio stations and television to educate the people on specific topics of the oil and gas business.

Information flow on the oil discovery

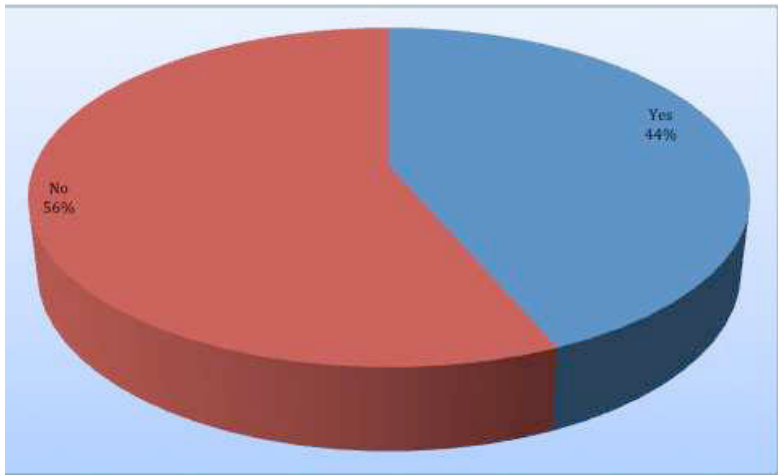


Figure 17 - Whether respondents feel well informed about the oil discovery

Majority of the respondents (56 percent) do not feel well informed about the oil discovery. Indeed, the media published some information on the oil and gas business, but also has to deal with the secrecy of this sector and governmental decisions. Furthermore, some newspapers, radio stations or television channels which are supported by parties either financially or ideologically give biased information to the public. Therefore, transparency and the watchdog function of an independent media is still the key issue of the whole discussions which will have a positive effect on the trust for politicians.

Do you feel well informed about the oil discovery? (in percent)			Total	
	Yes	No		
Region	Ashanti	43,98	56,01	1023
	Brong-Ahafo	36,96	63,03	514
	Central	36,5	63,5	400
	Eastern	44,9	55,1	432
	Greater Accra	37,41	62,58	930
	Northern	46,83	53,16	521
	Upper East	42,44	57,55	245
	Upper West	43,67	56,32	158
	Volta	57,8	42,19	410
	Western	50,18	49,82	552
Total		44	56	5185

Table 27 – Do you feel well informed about the oil discovery? (by regions)

According to the results by regions, it is obvious that regions like Brong Ahafo and Central feel less informed than the average. But most striking is the fact that the respondents in the Greater Accra

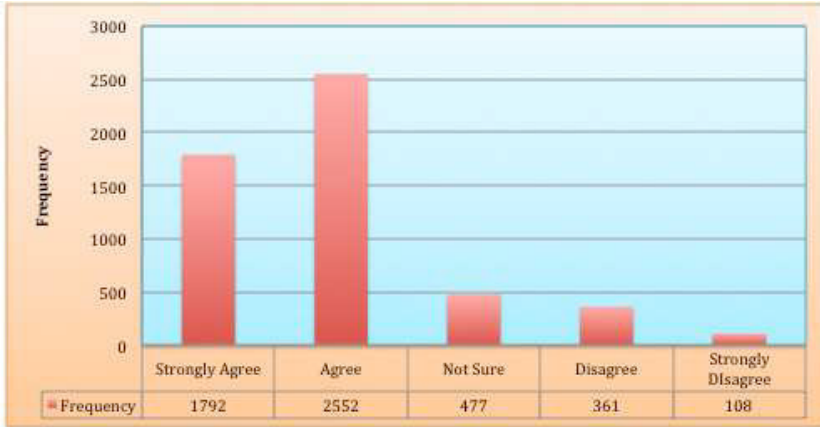
Region, the heart and source of political decision-making, feel less informed as well. Surely, it depends always on the expectation of each individual on how much information is necessary and satisfactory for the recipient. This raises the question of how much information is enough for an individual to make him/her feel well informed. The survey did not ask about this perception. What can be explained is the high number of respondents in the Western Region who stated that they feel well informed.

As an affected region in Ghana, media in the Western Region did an extensive coverage of all topics related to the oil and gas production. Another interesting result is that the urban population nationwide feels less informed than those in the rural areas. Before the conduct of this study, it was the researchers' assumption that it would be the opposite. Therefore, how much information is needed to feel informed? Are the respondents in the cities or urban areas demanding more information? Are the respondents in the rural areas rather worried about the troubles of daily life than the oil business?

Do you feel well informed about the oil discovery? (in percent)		
	"Yes"	"no"
Rural	45,6	54,4
Urban	40,5	59,5

Table 28 – Do you feel well informed about the oil discovery? (by rural/urban)

Personal Interest in news about the Ghanaian oil and gas policy



Figures 18 - Respondents are personally interested in news about the Ghanaian oil and gas policy

Majority of the respondents indicated their personal interest in news about the Ghanaian oil and gas policy. From the chart above, 82 percent of the respondents are (strongly) interested in news. The rest were either not sure or not interested.

The capacity of the Ghanaian media in relation to the oil and gas issues is quite limited, making it worrisome that it serves as the biggest source of information to the public on the issue. This is evidenced by data from the Media Monitoring Data from the National Media Commission for 2009, where content analysis of the print media shows that out of over 10,000 stories, only 68 stories were mining and 190 stories were petroleum and energy related.⁴¹ The coverage of the radio and TV stations on this topics cannot

41 National Media Commission, Ghana, 2009

be counted due to the high number.

With more communities relying on the media as their main source of information, there is the bigger risk of increasing dissonance between the oil companies and the production communities, industry, government and the public.

As an emerging oil and gas exploring country, there is the need to provide more accurate information to the citizenry to enable them make informed choices. This has the added benefit of preventing conflict, and empowering the citizens to engage themselves, the government and the oil industry more meaningfully.

The above position is justified by the statement made by Mr Kwami Ahiabenu II, of Penplusbytes, who stressed the importance of this capacity building that this "... will go a long way to enable the media in Ghana to effectively perform its accountability role while at the same time contributing to the improved use of oil, gas and other minerals for the public good." (Ghana Oil Watch, 2011) Especially at the forefront of this effort should be the community radios, since they are closer to the communities, and can facilitate more community/industry engagement.

The ultimate objective of this capacity building process is to have a knowledgeable and active media which is critical to having an informed and engaged public, civil society and Parliament that can hold government accountable.

Chapter 10

Bonyere and Ezinlibo: Results from the most affected locations in Ghana

Background

Bonyere and Ezinlibo are both communities that share close borders in the Jomoro District of the Western Region. With a population of about 12,000 people the communities are the closest to Ghana's largest oil field, the Jubilee Field.

The inhabitants of these communities are predominantly farmers and fishermen. Before the discovery of oil in commercial quantities in 2007, the people of Bonyere had already witnessed the discovery of oil in the 1960s and the 1970s during the Busia and Acheampong regimes respectively. As a result, inhabitants had been producing and transporting crude in the area.

With the discovery of oil, expectations of the communities have increased. While some inhabitants believe they will get jobs as a result of the discovery, others expect improvement in infrastructure such as roads, health facilities, schools, potable water among other social amenities. Many young people are pursuing courses related to the oil and gas sector with the hope of securing jobs in the industry.

In spite of the above there, are fears that fisher folks will lose their source of livelihood with the advent of controls imposed on fishing near the oil rig.

In June 2011, a proposed multi-million gas processing facility to be established by the government at Bonyere faced a chal-

lenge from the local people who claimed the project threatened their means of livelihood and had the tendency to deprive future generation's access to land for farming and development. Even though government and the Ghana National Petroleum Corporation and community leaders agreed on terms of compensation for affected persons, the local people say a buffer zone around the proposed plant is too large and will deny the community of land for future development as well as deny future generations access to land for farming.

With estimated cost of \$1.2 billion, the gas processing facility expected to produce 300 million cubic feet of gas per day and create as many as 5,000 jobs for Ghanaians. The gas will be used to feed a nearby Combined Cycle Gas Turbine to generate electricity. Again, the gas will be piped from Bonyere to Efasso located 30km away where the Osagyefo Barge and Aboadze thermal plant will utilize to generate electricity. Other communities to be affected by the project include Ndum-Suazo, Kabenla-Suazo, Egbazo, Takinta and Ahobre.

The local community leaders have criticized the government for not respecting the importance of free, prior and informed consent before setting foot on the land. The government, according to the people, started surveying without first informing them of that particular project. Representatives of government, Ministry of Energy and GNPC had to engage with inhabitants of the communities in order to clarify issues for them so as to seek their consent in order to execute the project.

Expectations of the Youth in Bonyere and Ezinlibo

Compared to the expectations of the nation as a whole as well as Western Region, the villages Bonyere and Ezinlibo have extremely high expectations with regard to the oil and gas exploration in Ghana.

What are your expectations with regards to Ghana's oil and gas exploration. (in percent)			
	"agree" / "strongly agree"	"not sure"	"disagree" / "strongly disagree"
Nationwide	81	6	13
Western Region	85,7	3,9	10,3
Bonyere-Ezinlibo	96,6	0	3,4

Table 29—Expectations, results Bonyere and Ezinlibo compared to Ghana and Western Region

These high expectations mainly result from the close vicinity to the oilfields and the direct impact the oil production could cause. Oil is associated also to wealth and development; hence the youth in Bonyere and Ezinlibo are expecting positive impacts and a better future.

This reflects also in the results that the majority of the respondents in those villages do not believe that the youth will not benefit from the oil and gas production.

The youth will NOT benefit from the oil and gas production. (in percent)			
	"agree" / "strongly agree"	"not sure"	"disagree" / "strongly disagree"
Nationwide	23	15,8	61,2
Western Region	24,7	13,6	61,7
Bonyere-Ezinlibo	22,4	8,6	88,4

Table 30 – youth and benefits, results Bonyere and Ezinlibo compared to Ghana and Western Region

Not surprisingly, as a location which will be the first location to be affected by the oil and gas production, 89.5 percent of the respondents as the immediate persons concerned are of the opinion that their area should benefit more from the revenue than other regions. This result tops the result of the Western region in total (78 percent) and Ghana as a nation (63.2 percent). Despite the disillusioning results from all respondents in Ghana that Non-Ghanaians will profit more from the oil and gas business, the respondents from Bonyere and Ezinlibo are more hopeful that this will not be the case.

Non-Ghanaians will profit more from the oil and gas production. (in percent)			
	<i>“agree” / “strongly agree”</i>	<i>“not sure”</i>	<i>“disagree” / “strongly disagree”</i>
Nationwide	64,4	14,1	21,5
Western Region	55,5	14,3	30,2
Bonyere-Ezinlibo	49,7	11,9	38,4

Table 31 – Profit of Non-Ghanaians, results Bonyere and Ezinlibo compared to Ghana and Western Region

Answers from our open question ‘What issues are likely to cause conflicts between oil companies and local community’ indicates that most of the youth people expect to get employed by the oil companies and that the local communities will get their share from the ‘cake of oil wealth’.

Possible Effects of Oil and Gas Production

The results from the part on expectations also reflect in the judgement of the possible consequences of the emerging oil and gas industry.

Possible Consequence	Nationwide	Western Region	Bonyere/Ezinlibo
Economic growth	77,86	69	82,2
New roads, better electricity etc.	57,57	55,5	67,1
More jobs created	64,28	58,9	69,7
Improved living standards	50,14	47,4	55,9
Gain international influence	41,82	37,7	51,3
Environmental degradation	42,42	41,6	48,7
Increased corruption	39,87	39,6	39,5
Higher living costs	27,72	38,6	36,8
Fear of conflicts	34,06	30,5	28,9

Table 32 – Possible Consequences of the oil industry, results Bonyere and Ezinlibo compared to Ghana and Western Region

Compared to the respondents of Ghana as a whole and the Western Region, the respondents in Bonyere Ezinlibo believe that the economic and social conditions will improve more likely. Interestingly, the most affected locations and the Western Region itself are concerned that the living costs will rise more in future as they have experienced already a major raise in property prices, food prices and expenses for services.

As for economic growth, it is a possible side effect that the oil production will help to develop other industries. But do the respondents think the same?

The oil and gas industry will help develop other industries. (in percent)			
	"agree" / "strongly agree"	"not sure"	"disagree" / "strongly disagree"
Nationwide	81,5	10,5	8
Western Region	85	10,5	7,4
Bonyere-Ezinlibo	91,4	4	4,7

Table 33 – Development of other industries, results Bonyere and Ezinlibo compared to Ghana and Western Region

The wish for economic growth, improved living standards and more employment caused the high acceptance of this statement. For most of the rural areas in Ghana which are underdeveloped with regard to infrastructure and the economy it is clear that they are expecting more in terms of improvement when an economic growth is likely to happen in the next years. Nevertheless, the following results indicate that despite the strong believe in the future development of the economy, more respondents in the rural areas in the Western Region, such as Bonyere and Ezinlibo, are of the opinion that the livelihood of most of the people is not likely to change significantly.

Our economic development will improve, but this will not reflect on the livelihood of the people. (in percent)			
	"agree" / "strongly agree"	"not sure"	"disagree" / "strongly disagree"
Nationwide	49,4	15,2	35,4
Western Region	54,7	13,4	31,9
Bonyere-Ezinlibo	61,8	9,2	28,9

Table 34 – Reflection on livelihood, results Bonyere and Ezinlibo compared to Ghana and Western Region

As the following table shows, the respondents in Bonyere and Ezinlibo would also consider education, health care and infrastructure as the most important areas to invest the oil revenue in. Nevertheless, their willingness to spend the money for these purposes is higher compared to the Western Region and Ghana as a nation.

Usage of oil revenue	Nationwide	Western Region	Bonyere/Ezinlibo
Education and Training	87,17	81,9	91,4
Better healthcare system	74,64	74	82,2
Roads, electricity, communication etc.	74,6	70,3	76,3
Improve agricultural practices	54,84	44,2	49,3
Save and invest revenue for future generations	50,31	43,8	50,6
Improve sanitation and environment	37,53	38	38,2
Promote welfare of women and children	29,92	41,4	44,1
Strengthening small and medium scale companies	25,34	16,5	19,1
Strengthening governance institutions	10,88	7,5	9,8
Strengthening the military	9,89	9,5	11,1
Improve the judiciary	5,21	4,5	8,55

Table 35 – Usage of oil revenue, results Bonyere and Ezinlibo compared to the rest of Ghana and Western Region

Youth opinion on the legal policy framework of the oil and gas production in Ghana

Interestingly, respondents in Bonyere and Ezinlibo were of the opinion that the laws passed by the government are sufficient. The irony is that a location which is the most affected one in Ghana, has more confidence in this matter than any other region in the country. We, as the research team, expected more scepticism in this area due to the fact that oil production started without having a sufficient policy framework in place. We believed that fear would reflect in the results of the most affected location which was caused by uncertainty and inappropriate instruments or rules for production and management of the oil resources.

The laws passed by the government are sufficient to control the oil and gas industry. (in percent)			
	<i>"agree" / "strongly agree"</i>	<i>"not sure"</i>	<i>"disagree" / "strongly disagree"</i>
Nationwide	37,5	35,5	21
Western Region	46,6	32,1	21,3
Bonyere-Ezinlibo	56,3	27,2	16,5

Table 36 – Sufficiency of passed laws, results Bonyere and Ezinlibo compared to Ghana and Western Region

In comparison to the question on trust in Ghanaian politicians, answers from the Bonyere and Ezinlibo area indicate that the trust in those rural areas is higher compared to the nation and even the Western Region.

I can trust our politicians with regards to the management of the oil revenue. (in percent)			
	<i>“agree” / “strongly agree”</i>	<i>“not sure”</i>	<i>“disagree” / “strongly disagree”</i>
Nationwide	23,2	21,6	55,2
Western Region	22,9	18,9	58,2
Bonyere-Ezinlibo	34,9	15,1	50

Table 37 – trust in politicians, results Bonyere and Ezinlibo compared to Ghana and Western Region

The respondents from the Western Region itself do not trust politicians, even less than the whole of Ghana. In the interpretation of the previous results it was clear that the rural areas trust politicians more than the urban ones.

Even with the following results it is obvious that the youth in Bonyere and Ezinlibo are very confident with the fact that the state will be solving problems and react to challenges and crisis.

During the time the study was conducted the Petroleum Revenue Management Bill has not been passed through the Parliament, but the respondents of Bonyere and Ezinlibo strongly agreed to the statement that the government has institutionalized measures for transparency and accountability. Either the respondents based their answer on the information given by the radio, newspaper; television programme as well as visiting politicians or the confidence factor is again a significant source.

The government has institutionalized measures for transparency and accountability in the oil and gas sector. (in percent)			
	"agree" / "strongly agree"	"not sure"	"disagree" / "strongly disagree"
Nationwide	55	31,5	13,5
Western Region	60,7	27,1	12,1
Bonyere-Ezinlibo	71,7	16,4	11,8

Table 38 – Measures for transparency and accountability, results Bonyere and Ezinlibo compared to Ghana and Western Region

The assumption that the respondents did not know the legal policy framework but relied on other sources of information, such as radio, newspapers, TV or speeches of politicians, was also substantiated by the results of the question if the respondents would know the specific legal or policy arrangements for the oil and gas production. 95,3 percent of the youth in Bonyere and Ezinlibo said 'no' (whole of Ghana 91 percent), only 4,7 percent know the arrangements.

Youth opinion on the responsibility of the state and other agencies or organizations

Despite the questionable source of information, the youth in Bonyere and Ezinlibo strongly believes that Ghana is adequately prepared for the oil and gas production.

Ghana is adequately prepared for the oil and gas production. (in percent)			
	<i>"agree" / "strongly agree"</i>	<i>"not sure"</i>	<i>"disagree" / "strongly disagree"</i>
Nationwide	62	20	18
Western Region	74,5	12,3	13,1
Bonyere-Ezinlibo	86,8	5,3	8

Table 39 – Preparedness for oil and gas production, results Bonyere and Ezinlibo compared to Ghana and Western Region

The same positive results from respondents of Bonyere and Ezinlibo are visible concerning the question of how well the government and corporate agencies manage the oil and gas revenue.

Government and corporate agencies manage the oil and gas revenue well. (in percent)			
	<i>"agree" / "strongly agree"</i>	<i>"not sure"</i>	<i>"disagree" / "strongly disagree"</i>
Nationwide	44	28,7	27,3
Western Region	49,5	24,9	25,6
Bonyere-Ezinlibo	64,7	14,7	20,7

Table 40 – Management of oil revenue by government, results Bonyere and Ezinlibo compared to Ghana and Western Region

Despite the fact that a management of oil and gas revenue will start in the near future, the results testify that the youth in the rural area of the Western Region and especially the locations Bonyere and Ezinlibo has more trust in the performance of the

state and its politicians than the Western Region in total and Ghana itself. Their hopes of a better life and the great chance to reverse the lacking development of the country, especially in the rural areas, can be sources of this optimism.

Democratic Legitimization of the Oil Policy – Citizens Participation and Civic Engagement

The average results of Ghana as a state have shown that the personal interest in the topic as well as the willingness to participate in the process is quite high. Presumably, most affected locations will have even higher results, due to the fact that media reported on the claim of politicians and organizations based in the Western Region for more participation and even more revenue to be allocated in the Western Region. Those claims have been justified with the direct effect on the region.

The interest in the topics is slightly higher (85.4 percent) than the average result of all respondents in Ghana (82.1 percent).

Interestingly, the 73 percent of the youth of Bonyere and Ezinlibo believe that their voices will be heard and that their concerns will be seriously dealt with by politicians. The average responses from the youth of Ghana were more pessimistic with regard to this (50 percent).

These viewpoints continue with the willingness to participate. 90.8 percent of the youth in Bonyere and Ezinlibo would like to get involved in discussions, while only 73.8 percent of the youth in Ghana would be willing.

As stated before, the media or speeches of politicians are considered to be the main source of information for most of the youth in Ghana. It is questionable to see all these very positive results of

the Bonyere and Ezinlibo location, but only 56.1 percent of the respondents from those two villages believe that they are well informed about the oil discovery. 95.3 percent do not know that specific legal arrangements.

The question remains how the youth in Bonyere and Ezinlibo have so much confidence in the politicians. This result of feeling well informed about the oil discovery is similar to the Volta Region (57.8 percent). The Western Region had a total of 50.2 percent of respondents who think to have all necessary information to judge. The average of respondents in Ghana as a whole was 44 percent.

Possible Sources of Conflict

The researchers assumed that the very high expectations of the respondents of Bonyere and Ezinlibo in combination with the knowledge that the population lives in a stable, peaceful country which has a non-differentiated but stable economy, resulted in the positive picture which was given.

Nevertheless, the researchers asked all respondents in Ghana and especially in Bonyere and Ezinlibo what could cause conflicts in future between oil companies and the local communities. The results are clear, but also alarming. Most of the responses combine social and economic factors when the oil production and the usage of the revenues start. All these factors have been also conflict causes in other countries, such as Nigeria and Angola.

Therefore, the government has to realize that if it does not intervene with good management strategies and a plan of a socially just usage of the oil wealth to further the development of the country, Ghana is sitting on a "time-bomb" like other countries did it before.

The answers of all respondents from Ghana with regards to possible conflict causes are as follows:

Not giving them the share of the revenue – not providing them health centres, jobs, roads and electricity – chieftaincy disputes– **lack of job opportunities** – unemployment – **corruption** – selfishness – unequal share of profit – high costs of living – unfair treatment – **disrespect for local people** – destroying the farm lands – take away basis of existence–environmental degradation – employing foreigners – **not seeking the communities opinion** – unwarranted oil spillage – **bribery** – lack of social amenities – if the oil companies do not improve the educational facilities in the community – **foreigners try to profit more than the citizens** – if youth are not given the chance to work in the oil companies – improper settlement or payment from oil companies to the local communities –poor road network – arm robbery – **misuse of the revenue generated from the oil and gas industry**

The answers to the question reflect the fears and sorrows of the local communities, but are also sometimes close to debate who is responsible for what. Indeed, there are many examples of oil companies in the world which have been involved in social projects to develop communities. But it is important not to forget the role of the government which receives also its share of the oil wealth.

Oil companies, for example, are not primarily in charge of enhancing infrastructure such as educational facilities of a community. It must be the responsibility of government to use the oil revenue in order to provide this service to its citizens.

Nevertheless, it is important that both oil companies and the state will respond to those demands and find solution in order to mitigate or prevent possible conflicts in future.

Chapter 11

Possible Centres of Conflict: An Attempt to Prevent

In Africa, many countries such as Nigeria's (Niger Delta region), Equatorial Guinea, Congo Brazzaville and Gabon, have had situations where local groups have manifested their anger at the way revenues have been unequally distributed.

This has sometimes resulted in a great deal of violence and loss of lives. Ghana has had its fair share of this problem from the mining sector which needs to be dealt with in order to avoid its recurrence in the oil and gas industry.

This chapter will introduce a short theory of social conflicts or unrest, before it will continue to point on the findings of the survey to highlight possible sources of conflict in the near future.

How does a conflict emerge? – a brief theoretical framework

The question of how a conflict emerges has been answered by scholars differently. The explanations vary from emotional acts and cultural attitudes to a survival-enhancing instinct.

Over the last decades, another approach fell into oblivion which can give a well-sophisticated explanation from a psychological perspective.

The main arguments of the psychologists and sociologists include the existence of deprivation and the drive of the people to fulfil their needs in order to secure their livelihood.⁴²

Fighting against deprivation – a psychological perspective

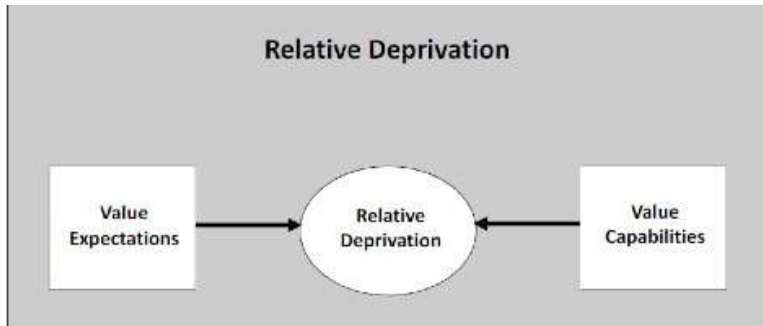
Most of the intra-state conflicts and unrests result from deprivation. Groups are capable of perceiving that grievances exist more or less regardless of their objective circumstances. All states have to realise that they are not “immune” to demonstrations, riots or rebellions. But how does deprivation occur and how does it lead to aggression?

Relative Deprivation

People can be deprived of literally everything – food, shelter, access to resources, access to education, access to political institutions, cultural goods, and the opportunity to protect their identity. Mostly, economic and social factors, such as inequality, poverty and exclusion from the decision-making process, are major causes for deprivation which can lead to frustration.

One of the good models, which shall be used as an explanation why and how deprivation leads to violent conflict, was developed by Ted Gurr in the 70s. In his studies, Gurr gives special attention to the concept of relative deprivation, which can be defined as perceived discrepancy between men’s value expectations and their value capabilities. In other words, a deprivation will result because of the difference between what a person wants and what a person actually gets.

⁴³ *The deprivation theory was introduced in the 70s and gained excellent reputation.*

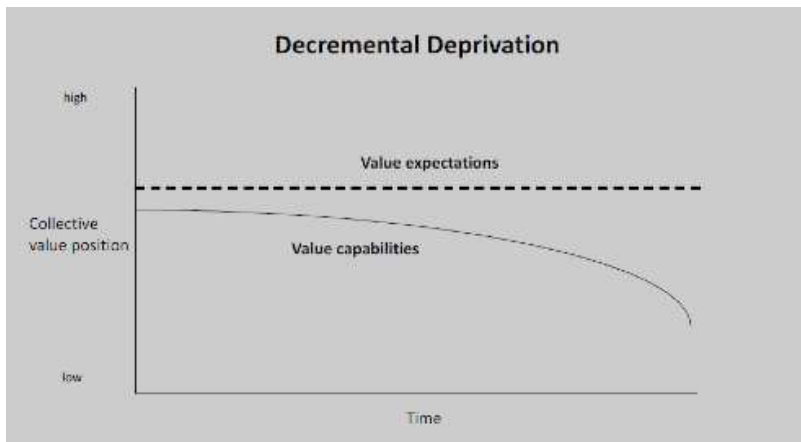


T.R. Gurr (1970), page 13

Models of Deprivation

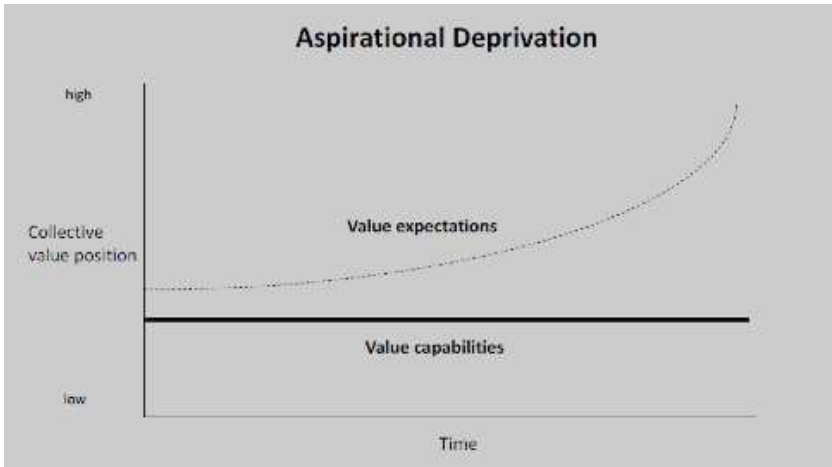
To demonstrate how deprivation can originate, Gurr presents three models of deprivation, which can be applied theoretically to various situations.

The first model below shows the so-called decremental deprivation, in which a group's value expectations stay relatively constant, while the value capabilities decline. Such situation could occur in cases of wage reduction or job insecurity, and the denial of access to various institutions and markets.



T.R. Gurr (1970), p. 46/47

The model of aspirational deprivation describes the opposite concept, in which the capabilities remain constant, while the expectations intensify.

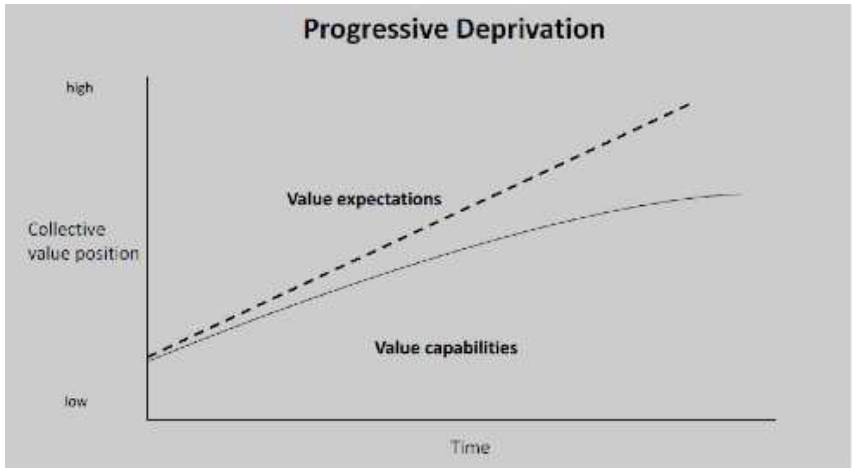


T.R. Gurr (1970), p. 50/51

The increase in value expectations can result for example from demanding more material goods or a greater degree of political influence, but either the capabilities are scarce or are not accessible for all groups within a society.

Progressive deprivation arises, when in a long-run expectations and capabilities increase simultaneously and suddenly value capabilities decreases for various reasons. An example for this scenario could be a country which experienced a rise in living standard due to the enormous development over the last years, but undergoes an economic recession or inflation which lowers capabilities.

The "more-or-less steady improvement in people's value position generates expectations about continued improvement."



T.R. Gurr (1970), p. 46 and 52

By examining the models of deprivation, the question has to be addressed, why expectations increase. What could be the source of this rise?

Firstly, people ordinarily expect to keep the living standard they have, but contemporaneously, they expect a higher amount of value capabilities in future which is usually as much or more than they have at present.

Expectation of a better life is a natural demand, but does not necessarily mean that an individual is discontented. However, some incidences contribute to rising expectations within a group or society. Especially, the modernization or development of a country let people on a lower standard of living become familiar with the benefits of a higher standard, and in consequence of this "demonstration effect" come to desire or demand the goods of the higher level.

The new goods and the new way of life give an image of a better life, which shall be envisaged to enhance the satisfaction everyone seeks. Modernisation is seen as a guarantor for the provision and improvement of welfare or interpersonal values. Particularly poor people hope for a better life when they experience an unpredicted improvement in their conditions. Even if a complete liberation of all suffering cannot be achieved but a positive development is evident, unrealistic expectations could be a consequence.

It can be assumed that the democratisation process, the integration of national economic markets into the global system and an oil find is a source of such high demands.

But a more consequential explanation of rising expectations is the phenomenon that the upward mobility of one group raises hopes of another group that their values will also enhance. Generally, individuals or groups always compare their positions in a society with those of others. If the individuals regard themselves as disadvantaged, dissatisfaction will be the result.

But what if the value capabilities will not be sufficient to meet the expectations? It is commonly accepted, that position and resource scarcity are causes for struggles. Raymond Mack and Richard Snyder hypothesised that "the more fixed the size of the 'pie' to be divided, the more intense the conflict."⁴³

Even if the 'pie' is not sufficient, the feeling being disadvantaged arises mainly from the notion that the existing wealth is not distributed equally and in a just way by the rulers who have the influence to do so. Especially basic economic goods are required for continued physical existence.

43 *R.W.Mack and R.C.Snyder (1957), p. 215*

Possible Sources of Conflict in future

Managing high expectations

The results of the study show that the expectations of the youth in Ghana are extremely high. This should be considered as normal when citizens in a country, which recently found oil and started the production, refer to other countries which have had a long history of oil production and a horrendous oil income.

Oil is associated with money and seems to awaken desires of wealth and growth. Statistically, there are just a few examples of states which could manage to develop their respective countries well. Nevertheless, Ghana with its 0.01 percent world share of oil reserves is likely to be a glimpse light on the horizon of the “oil giants” elsewhere.

Oil income will be moderate as well as ending in some decades; if not other oil fields will be discovered in the near future. Therefore, it should be an outmost concern of the Ghanaian government to distribute the oil wealth in an equal and socially just manner to avoid an uprising frustration in the society.

As was stated above, most of the expectations point out that the respondents assume that economic and social issues will be addressed with the new oil wealth. This reflects the importance of the fulfilment of basic human needs and personal development. The improvement of living standards is for sure the ultimate goal for every individual.

Secure houses, food security, job opportunities, sanitation, and electricity amongst others seem to be on the top of the “wish-list”. But the needs are going beyond the essential things in life, such as food, shelter etc.

John Burton⁴⁴, a researcher, also expanded the list of basic human needs as follows:

- Safety/Security-- the need for structure, predictability, stability, and freedom from fear and anxiety.
- Belongingness/Love -- the need to be accepted by others and to have strong personal ties with one's family, friends, and identity groups.
- Self-esteem -- the need to be recognized by oneself and others as strong, competent, and capable. It also includes the need to know that one has some effect on her/his environment.
- Personal fulfilment -- the need to reach one's potential in all areas of life.
- Identity -- goes beyond a psychological "sense of self." Burton and other human needs theorists define identity as a sense of self in relation to the outside world. Identity becomes a problem when one's identity is not recognized as legitimate, or when it is considered inferior or is threatened by others with different identifications.
- Cultural security -- is related to identity, the need for recognition of one's language, traditions, religion, cultural values, ideas, and concepts.
- Freedom -- is the condition of having no physical, political, or civil restraints; having the capacity to exercise choice in all aspects of one's life.
- Distributive justice -- is the need for the fair allocation of resources among all members of a community.

44 *J. Burton (1990), p. 206 and 338*

- Participation -- is the need to be able to actively partake in and influence civil society.

But what happens if those needs will not be properly addressed? The theoretical part above, has stated that if the high expectation will not be met, social unrest can arise. Therefore, the government has to start to manage the expectations of the citizens in two ways:

- Giving information to the citizens which are comprehensive, true and detailed!
- Addressing the belief that Ghana will become a rich and flourishing country in such a way that right information will scale down the high expectations.

The government needs to convince the citizens that even with the limited money Ghana will receive; development of the country is still possible. Therefore, Ghana's government needs to come up with a long-term development plan and implement it properly.

Every pesewa of the oil money should be allocated to the economic and social development of the country. It is known that tax income and revenues cannot be assigned to specific positions in the state budget (e.g. education, infrastructure etc.), but what Ghana needs is a political commitment to use the money wisely.

This means, when the state budget will increase, politicians have to have a political will to announce the plans that particular positions in the budget will be especially considered as areas in which development is wanted (from citizens) and needed (for development of the country).

If the citizens of this country will have the feeling that the oil wealth will be mismanaged, it could cause lots of social unrest and conflicts (such as in Nigeria).

EXCERPT

Expectation Management

*“The greatest enemy of communication is the illusion of it” –
Pierre Martineau*

Expectation Management is a formal process to continuously capture, document, and maintain the content, dependencies, and sureness of the expectations for persons participating in a process, and to apply the information to make this process successful.

To a large extent, people declare that a process has either succeeded or failed based on whether it met their expectations. Few projects fail in an absolute sense - they simply fail to meet individual expectations.

It is possible for a project to fail, even if all of the original goals were met, simply based on someone’s different perception. Management means primarily communication and information flow to the people so that their expectations may reduce or increase. People can and have to understand the information easily to avoid confusion. And if information is a negative one, the manager has to come up with solutions to the problem.

Therefore, it is assumed that Ghanaians are likely to understand that the oil wealth is limited when the information will be published, but would expect that the income will be spent prudently.

Non-Ghanaians will profit more from the oil wealth

65 percent of the respondents believe that non-Ghanaians will profit more from the oil wealth, leaving Ghanaians in the unpleasant position to receive just a smaller portion of the oil money than expected. With these results, it can be assumed that anger and

frustration will be projected on foreign companies and foreigners itself.

The Government of Ghana has to publish all agreements between companies and the government in order to bring light into that darkness and abolish the secrecy in that business sector. In addition, the Local Content Bill will be completed "by Ghana's Ministry of Energy [...] this year mandating that local companies provide as much as 90 percent of the work in some areas of petroleum services within a decade of a project's initiation"⁴⁵, the Ministry's spokesman Edward Bawa said.

"The draft legislation will also require that Ghanaians hold at least a 5 percent equity stake in oil and gas service contractors, Bawa said in a phone interview from the capital, Accra, today. An advisory committee working under the country's proposed oil industry regulator will be charged with evaluating projects to ensure they comply with the regulations, he said."⁴⁶

Regardless the expectations of this high local content in the oil and gas industry, Ghanaians have to understand that workers in the oil and gas industry have to have at least 10 years of education and training in the field as well as 15 years of experiences in this industrial sector. Just a few Ghanaians will meet these requirements, if they not working already on other oil platforms or for other companies around the world.

Mistrust towards Politicians

It is not an ideal starting position at all, that 55 percent of the respondents mistrust politicians and even 22 percent have not been totally convinced if they should trust politicians in general.

⁴⁵ Jason McLure, *Ghana Prepares Bill on Local Content in Oil and Gas Industry*, 25 February 2011, <http://www.bloomberg.com/news/2011-02-25/ghana-prepares-bill-on-local-content-in-oil-and-gas-industry.html>

⁴⁶ *Ibid.*

Trust is essential for state officials in order to convert the citizens to their column. But many respondents may refer to cases such as Nigeria, Angola and Venezuela where corruption is spreading, high percentages of the oil income has vanished in the private pockets of politicians, and little development of the respective countries could be recognized.

Mistrust is a breeding ground for conflicts and therefore it is necessary that first hand and detailed information will be given by the government to show the citizens that the state is committed to transparency and accountability. Mistrust can be reduced if the government put all its efforts into a comprehensive development plan which sets long-term goals to address also the expectations for the next generations.

Denial of Participation

Ghana's democratic system is known as being one of the most stable and non-conflictive one in whole Africa. Participation is one of the key characteristics of modern democracy. During free and fair elections, it is the citizen's vote which enables politicians as well as the President to act on their behalf.

By denying the power of citizens, excluding them from political processes and disallowing them to receive and comment on given information, state officials undermine and weaken the concept as well as the practice of democracy.

As the survey has shown, the majorities of the participants are interested in the oil and gas production and would like to be part of the political decision-making process. The danger lies in the exclusion of the people which can result in the feeling that despite the fact politicians are representatives of the people; they are doing what suits them best.

Therefore, the Government of Ghana has to find methods to include the civil society in order to discuss how the oil money can be used best and how the policy should be written and implemented.

Chapter 12

Conclusions and Recommendations

Conclusions

The oil find in the year 2007 raised hopes and expectation which have not be seen for decades. Ghana is now a country which can get in line with other oil-producing countries, but next to the benefits which come along the production, challenges and risks are as much as likely as the blessing. By current estimates, Ghana has very little oil reserves compared to the 'giants' in oil production and therefore it is even more necessary to distribute the oil income justly and well.

As mentioned in the executive summary already, most of the respondents have high or very high expectations which can be interpreted as the general view of the population. The youth in the country are expecting the economy to flourish which results in the creation of more jobs. This also explains the belief that living standards will improve and a better infrastructure is provided by the state.

Using the oil money is also a major subject of debate in the country. Until now, the Ghanaian government has not yet decided of what will happen to the 70 percent of the oil revenue which will be transferred to the state budget.

A political will is needed to ensure the usage of the money to develop the country rather than making the wrong investments or even fill it into private pockets. It is clear from the study that youth

want the oil revenue spent on education and training, health care, infrastructure (roads, electricity, water, communication etc.), improving agricultural practices as well as save and invest it for future generations.

The most striking finding of the study was the mistrust in politicians.

Against this background, it is even urgently required to implement policies and instruments to guarantee transparency and accountability to prevent future accusations and conflicts.

Due to the fact that the oil money shall also benefit the future generations, the youth feels the strong need to participate in the process and the discussions concerning the oil production as well as the management of the oil wealth.

Other findings are listed as follows:

- Ghana's youth is of the opinion that non-Ghanaians will profit more. This could lead to conflicts.
- The youth believes that other industries will develop as well.
- It is obvious that the youth are divided over the question of whether economic development will reflect on the livelihood of the people.
- The youth has very little knowledge (9 percent) on the specific laws. Nevertheless, the respondents judged positively on the sufficiency of instruments and mechanisms by the government and other official agencies. It can be assumed that most of the information has been gathered from the newspapers, radio programmes and TV shows.
- Respondents in the rural areas thought more positively about the oil production and management compared to the youth in the urban areas. This could be attributed to the proximity

towards politics in the cities and towns.

- Employed youth and those with university degrees (Bachelor, Master or Postgraduate Degree) seem to be more pessimistic than others (e.g. students, unemployed etc.).

All the answers given by the respondents indicate that they could be much potential for social unrest and conflicts. The government needs to address these challenges and fears of the population in order to avoid instability of the country. The following recommendations have been made for major stakeholders based on the most important findings of the study.

Recommendations

Government and various state institutions

- To avoid the 'Dutch Disease' the government needs to develop a plan for the diversification of the economy. The structural transformation of the Ghanaian economy is unavoidable to minimize the dependence on the world market prices of raw materials, such as timber, gold, cocoa and oil. Other economic sectors have to be strengthened in order to compensate future fluctuations with regard to the gains of raw material exports.
- The government should adopt a long-term development plan which must be compiled with the help of all stakeholders (parties, ministries, civil society organizations) in order to use future incomes (especially from the oil production) wisely for the future development of the country. The utilization of the money should be socially and regionally just so that parts of the population will not get the impression that they are not getting a piece of the 'pie'. It is necessary that the government shows the political will to use the oil revenue and other revenues wisely and for the benefit of all Ghanaians.

- The government should manage the expectations of the people by announcing publicly of how much oil can be produced, what the expected oil revenue would be and for how long the production will be undertaken. This is necessary in order to give the population a clear picture of the limitations of oil revenues and the limited resources to develop the country.
- Furthermore, the government should consider a nation wide campaign to educate the people on the oil production and the management of the revenues in order to give them a clearer understanding of the proceedings and future plans. This step would be a signal to the citizens that the oil production is as much transparent as possible and does not leave room for speculations. Moreover, the citizens feel more involved in the discussions and can make their own judgment of the production based on fact, not on rumors.
- EITI ++ (“Publish what you pay”) – There is a need for more transparency and accountability. Therefore, measures have to be created, adopted and properly implemented.
- The Ghana National Petroleum Company should move from a regulatory authority and focus on its job as an oil company. Due to this, the state has to support this commercial project by making it competitive for the global market.
- The Public Interest and Accountability Committee has to be adequately resourced to enable the committee perform its functions effectively. According to the law, the state has to ensure the provision of resources to the committee.
- Decentralized information delivery system: The state should support a Desk Officer for Oil and Gas at the

District Assemblies all over the country in order to have a contact person for the public to share information whenever necessary.

Civil society organizations

- Civil society organizations should advocate for more transparency and accountability in the oil and gas business. This should be their main 'watchdog' responsibility.
- CSO's should build the capacities of citizens and other stakeholders by educating them on recent developments in the oil and gas business.
- CSO's can be a contact point for affected people in order to collect information of abuse, pollution, conflicts and other matters. Those pieces of information can be directed to the appropriate institutions in order to find solutions.
- As a consequence thereof, CSO's could support local communities with legal services to solve disputes.
- CSO's could support community plans nationwide in order to identify those areas which need to be developed adequately.

Media

- The media has to be a 'watchdog' as well in order to expose corrupt and irresponsible acts by government officials and other stakeholders public. The media should be as neutral as possible to ensure investigative journalism and non-biased news coverage.
- In order to educate citizens, the media should build their capacities on the oil and gas issues. They should also pub

lish laws and regulations word-by-word in order to avoid misunderstandings and misinterpretations.

Oil companies

- The oil companies should give young people the opportunity for internships and trainings.
- Service from Ghana should be preferred as long as they can meet the high standards of those companies.
- A good and strong relationship with the local communities in the affected areas should be built up to avoid misunderstandings and to build trust. The prevention of conflicts between local communities and oil companies should be the ultimate goal to ensure an environment which everyone feels comfortable with.
- Environmental protection should be a major goal for oil companies. If environmental pollution occurs, the companies should either give adequate compensation to the affected local communities or they should ensure that the pollution is cleared.

Annex

Basic Information on the Oil and Gas Business

Which Major Companies Are Involved?

Tullow Oil & Gas

Tullow Oil & Gas is an independent Irish exploration and production company, quoted on the London and Irish Stock Exchanges. In 2004 it acquired Energy Africa. It employs ca. 900 people (2011). Its headquarters are in London and it runs two offices in Accra.

The company has 23 licenses around the world, with the focus on Africa. Tullow has production sites in Gabon, Côte d'Ivoire, Mauritania, Congo-Brazzaville and Equatorial Guinea and two development programs in Ghana and Uganda. The Jubilee field was their largest discovery so far. In Europe the company concentrates on gas production.

In 2010, the company had an operating cash flow of US\$762 million and a profit after tax of US\$73 million. The profit was more than doubled compared to the results of 2009. In total, 58,100 barrels of barrel oil equivalent per day (boepd) were produced.

The management reports regularly on their projects to their shareholders. The reports are published. On www.tulloil.com detailed information on the Jubilee field and other exploration sites can be found. Tullow gives an insight into the company's structures, regularly updates news, and provides various reports online. In some countries Tullow has been willing to publish their oil contracts [Tullow Oil, 2011].

Kosmos Energy

Kosmos Energy is an independent American Oil and Gas Exploration and Production Company. It was founded in 2003 by five partners. All of them had previously worked for Triton Energy, which was acquired by Amerada Hess Corporation in 2001. Kosmos Energy has its headquarters in Dallas, Texas and they operate an office in Accra.

According to their own website "Kosmos' strategy is to aggressively pursue growth organically through drill-bit success rather than acquisition." Their main operation venue is West Africa, with on-going drilling in Ghana, Cameroon and Morocco. The Jubilee field was their first major discovery success.

Though the company itself has very limited capital of its own, they have access to a rather big budget: the private equity companies, Warburg Pincus and Blackstone Capital Partners,

provide Kosmos with monetary resources. These companies manage worldwide investments, worth more than US\$100 billion.

Looking at the company's structure, in comparison to other international corporations, Kosmos Energy is a rather small player in the oil and gas industry.

In Ghana, Kosmos Energy was the first company to start extensive exploration of the Tano Basin. At the beginning Kosmos had an 86.5% interest in West Cape Three Points Block (GNPC 10%, EO Group 3.5%). [Kosmos Energy, 2011]

Initially the company was introduced in Ghana by the managers of the EO Group. EO Group was suspected by Ghanaian officials and Anadarko to have used its political connections to bribe officials in the Kuffour government (2000-2008) to gain a hold on the offshore oil block and win more favourable contract terms for Kosmos Energy and themselves [Owusu, 2010].

Anadarko wrote a report on the EO Group - Kosmos connections and submitted it to the U.S. Department of Justice, under the Foreign Corrupt Practices Act (FCPA). After further investigations by the Ghanaian CID and the U.S. Department of Justice, the latter declared on 2nd June 2010, that they "do not intend to take any enforcement action against EO Group or its principals and have closed our inquiry into the matter" [quoted according to Modern-ghana.com, 2010]

Since May 2009 Kosmos has expressed the wish to sell its share of the Jubilee field. They nearly closed a deal worth US\$400

billion with the American company Exxon, but the Ghanaian Government stepped in. They accused Kosmos firstly of overseeing a GNPCs exclusive pre-emptive right and secondly of sharing secret data with other oil companies. In August 2010 it was announced that the deal with Exxon had been terminated. Kosmos will continue to participate in field operation for an indefinite period.

Anadarko Petroleum Corporation

Anadarko Petroleum Corporation is one of the world's largest independent oil and gas exploration and production companies, quoted on the U.S. Top 500 Stock Exchange. It employs 4300 people (2011). Anadarko has its headquarters in The Woodlands, Texas, U.S. They do not have an office in Ghana. Anadarko mainly operates in the U.S. and Algeria. It does onshore and offshore drilling as well as midstream processing of minerals.

The company calculated 2.3 billion barrel of proved reserves and an annual production rate of 220 million bboe at the end of 2009. In 2008 it made a US\$3.3 billion profit after tax. Anadarko has a 25 % working interest in the Gulf of Mexico field where the Deep Water Horizon spilled 4 million barrels crude oil in April 2010.

If the field operator (BP) cannot be proved to have been grossly negligent, it might mean the insolvency for Anadarko. Of

all stakeholders in the Jubilee field, Anadarko has the most technical experience. [Ana-darko Petroleum Corporation, 2011]

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Ghana National Petroleum Corporation

The Ghana National Petroleum Corporation (GNPC) was formed in 1985. It belongs to the Ghanaian state. Current Managing Director is Nana Boakye Asafu-Adjaye. GNPC main office is based in Tema, Ghana.

GNPCs working field has been outsourced by the Ministry of Energy “to accelerate the pro-motion of petroleum exploration activities to ensure early commercial discovery and production, to undertake the appraisal of existing petroleum discoveries to ensure production to meet national requirements and to ensure that Ghana obtains the greatest possible benefits from the development of its petroleum resources.”

Currently, GNPC concentrates on data management of geological and geophysical information, the promotion of further exploitation sites, and the control of oil companies which are operating in Ghana.

It owns a 10% interest in the various Ghanaian offshore blocks. Therefore a 10% carried interest in the Jubilee field belongs to them. The GNPC runs the Tema Oil Refinery. [GNPC, 2011]

Interestingly, Tsatsu Tsikata, former head of the GNPC, was put in prison and tried for “causing financial loss to the state” when Kuffour came to power in 2000. He was pardoned in 2009 after Mills had won the election. Apparently he is one of the major Energy Advisors of President Mills [Eshun, 2010].

EO Group

The EO (Edusei - Owusu) Group was formed in 2002, by the Ghanaians Dr. Kwame Barwuah Edusei and George Owusu. For a long time Dr. Kwame Barwuah Edusei worked as a physician in Washington D.C. After the Petroleum Agreement between the EO Group, Kosmos Energy and GNPC was signed in July 2004, Dr. Kwame Bawuah-Edusei became Ambassador to the UN in Switzerland and in September 2006 he became the Ghanaian Ambassador to the United States. His diplomatic career ended February 15, 2009.

George Owusu is an environmental scientist, who has been working in the energy industry (i.e. Shell Oil, Houston. U.S.) for about twenty years. During the exploration time of the Tano Basin he worked as a representative of Kosmos Energy in Ghana.

The EO Group does not maintain an official office, but currently they are registered as KG (Kwame - George) Group in the tax haven Cayman Islands.

In Ghana, the company owns a 3.5 % share in the West Cape Three Points Block and along with that a 1.75 % interest in the Jubilee field. It is a carried interest, as Kosmos pays the development and exploration costs for the EO Group.

There is no other sector than this, that the company is known for to be engaged in. It was the EO Group that brought Kosmos Energy to Ghana and introduced them to the GNPC and the Ministry of Energy. However, in March 2011, Tullow Oil released a statement saying that the Company is willing to acquire 12 of the EO Group's percentage of the Jubilee Field. This development would minimize the significance of the EO Group in Ghana's oil business.

There is little information available about the company's finances. The only revenue it must have earned so far is an initial fee that was paid by Kosmos (Non-official sources say US\$250.000.). Their stake in the Jubilee field has an estimated value of US\$300 million. As stated before, the EO Group was suspected by Ghanaian officials and Anadarko to have used its political connections to bribe officials in the Kuffour government (2000-2008).

The allegation said this was to gain a hold on the offshore oil block and achieve more favourable contract terms for Kosmos Energy and themselves. The funding members are said to have very close connections to former president John Agyekum Kuffour (2000-2008). [ghanaweb.com, 2010 (II)]

Ennex, an Irish company withdrew from a possible deal on the same oil block in 2003, because it felt “uncomfortable with EO’s demands”.

Anadarko submitted a report on the EO Group-Kosmos connections to the U.S. Department of Justice, under the Foreign Corrupt Practices Act (FCPA). After further investigations by the Ghanaian CID and the U.S. Department of Justice the latter one declared on 2nd June 2010, that they “do not intend to take any enforcement action against EO Group or its principals, including Mr. Owusu and Dr Edusei, and have closed our inquiry into the matter” [Modern-ghana.com, 2010]

Overview about Ghanaian laws and regulations with regards to the oil production and management

Legal Framework for Oil and Gas Exploration

Ghana has a long history of oil and gas exploration dating back to the 19th century when the first oil wells were drilled around Half-Assini in 1896 in the onshore Tano Basin. But earlier exploration did not yield any meaningful discovery, with the exception of Saltpond field which was discovered in 1970.

The current phase of oil and gas exploration began with the retrieval of seismic data in the shallow water area of the coast of Ghana in the early 1980s.

The government in 1982, embarked on the restructuring of the energy sector and this resulted in the enactment of three laws:

- The Ghana National Petroleum Corporation (GNPC) Law (PNDC Law 64) of 1983;
- The petroleum Exploration and Production Law (PNDC Law 84) of 1984;
- The petroleum Income Tax Law (PNDC Law 188) of 1987.

With regards to oil, the framework for managing the upstream petroleum industry in Ghana is established and given legal backing by two main statutes, PNDC Law 64 and the Petroleum Exploration and Production Law, PNDC Law 84, supplemented by the Petroleum Income Tax Law, PNDC Law 188 of 1987. Flowing from the Petroleum Exploration and Production Law is the Model Petroleum Agreement (MPA) .

The benefits from any discovery are spelt out in the Petroleum Agreement before its execution. Furthermore, the MPA also make provision for the employment and transfer of management and technical skills to Ghanaians in Article 21.

Ghana Petroleum Regulatory Authority Bill

As part of measures being undertaken to put in place the framework for Ghana's oil and gas production, a Bill entitled the Ghana Petroleum Regulatory Authority (GPRA) Bill was released in October 2008.

This Bill when passed into law would serve as the framework for the establishment of the GPRA and its authority for conducting regulatory functions over the industry. Sections 100 to 105 inclusive of the Bill deal with the promotion of local content, specifically, the involvement of the state oil company, provision of goods and services by local entrepreneurs, as well as the employment and training of citizens of Ghana.

There are limited opportunities in the form of backward and forward linkages for the domestic economy to benefit from the extractive activity. This is due to the capital intensive and highly technical nature of the industry, the export oriented nature of the industry and also the limited absorptive capacity and unpreparedness of domestic firms to benefit from potential spill-over.

The Bill, entitled the Ghana Petroleum Regulatory Authority Act 2008, seeks 'to establish the GPRA to regulate, oversee and monitor activities in the upstream petroleum industry; provide for licensing in the sector and provide generally for upstream oil and gas in the best interest of the people and future generations of Ghana and for connected purposes'.

Section 100 of the Bill provides for the government's participation in petroleum activity under a licence granted under the GPRA Act.

Government participation is to be carried out by the GNPC through a joint venture established by a joint operating agreement in accordance with the licence. The GPRA is given the authority subject to the approval of parliament to specify the participating interest of the NOC in petroleum activities.

Local Content and Local Participation in Petroleum Activities-Policy Framework

Although significant revenues are expected from the Jubilee Field oil production, various analyses suggest the expected revenue will have little impact without the participation of Ghanaians in the oil and gas sector.

A "Local Content and Local Participation in Petroleum Activities - Policy Framework ", which has been approved cabinet, indicates that it is the desire of government that the control, as well as, the benefits in the oil and gas discovery and production will remain with Ghanaians.

According to the document, the vision of government is to achieve "full local participation in all aspects of the oil and gas value chain of at least 90% by 2020."

An objective of the policy is to increase capabilities and international competitiveness of domestic business and industrial sectors. When properly managed, the oil and gas sector can contribute to rapid economic growth through industrialization, diversification and economic transformation. Notwithstanding this, there is an urgent need to national constraints in the areas of finance, human resource capacity and requisite enhanced technology in order to ensure maximum benefit for Ghanaians.

EPA guidelines to regulate oil and gas activities

As part of government's policy to guide petroleum operations to follow sustainable development, the Environmental Protection Agency (EPA) has developed guidelines to regulate oil and gas activities in the country. The purpose for these guidelines is to mainstream environmental, health, safety and community issues into the offshore oil and gas operations.

These guidelines are intended to assist industry to understand Ghana's environmental assessment process, identify and manage environmental impacts associated with offshore operations, provide industry and government with clarity on the current regulatory requirements.

They are also to provide dialogue between industry and government to address opportunities and other issues. The agency has positioned itself to be the primary agency for management of the environment aspects of oil and gas development.

The environmental catastrophe following the sinking of the Deepwater Horizon oil rig in the Gulf of Mexico has been rated without doubt the worst of its kind in the history of oil and gas exploration and production. Even now, the effects remain fresh and haunting the Gulf Coast and the entire conclave.

One wonders, what has happened to a nation that is seen to be experienced in averting such catastrophe taking cognisance of the fact that they have strong legislative and institutional arrangements to deter such incidence.

Just as the events in the Gulf Coast unfold, reports had it that KOSMOS, the company exploring oil in the Ghana's Jubilee field, has spilled 699 barrels of mud which contains poisonous heavy metals on three occasions that could affect Ghana's ecosystem. On twenty points recommendations by a Ministerial Committee set up by the Ministry of Environment, Science and Technology, Jubilee's partner, KOSMOS, was accordingly fined \$35 million for negligent spilling (Ahiable, 2010 and Joy Business/Ghana, 2010a).

The award of the fine immediately raised concerns and debates among civil society and the Ghanaian society about the methodology or what might have informed the figure particularly the speedy and non-transparent manner of the investigative process.

In response to the payment of the fine, KOSMOS rejected the payment of the fine premised on the fact that the fine is "totally unlawful, unconstitutional, ultra vires and without basis." The company is said to have also argued that the Minister had no

power under the Ghanaian Constitution or any other law of the country to impose a fine on any person in the event of an oil spillage (Joy Business/Ghana, 2010b).

The posture of KOSMOS frightens all well meaning Ghanaians as to what await us in the near future, in case, God forbid, there is an occurrence of what happened at the Gulf coast. We therefore require long-term solutions and possible policy and legislative issues to engender fundamental changes to business-as-usual practices and attitudes on the part of Ghana and oil exploration companies.

Regions	No. of questionnaires distributed	Field Assistant	City/Town/Village
Upper West	161	Issah Umar	Wa, Kumbiehi
		Wahid Imoru	Nadowli
Upper East	251	Robert Aloo	Navrongo, Chaana
		Roger Achimpua	Bolga
Northern	566	Martin Dery	Tamale
		Emmanuel Doagboge	Savelugu
		Abukari Musah	Tolon
Brong Ahafo	565	Sylvia Dery	Sunyani, Kotokrom
		Abdulai Issah	Techiman, Kotokrom
Volta	470	Senam McBrian	Ho
		Bruce	
		Alexander Akatsi	Kpetoe
Ashanti	1212	Christian Dogbey	Tsito
		Eric Dagadu	Kumasi, Ejisu
		Eric Owusu Darkwa	Manso-Abubea
Western	641	George N. Blay	Takoradi
		Isaac Quawson	Takoradi
		Sarah Sagoe	Tarkwa
		Joyce Kofie	Bonyere-Ezinlibo
Central	467	Nancy Attipoe	Cape Coast
		Joseph Tornyenyio	Nyankomase-Ahenkro
		Edna Budu-Quainoo	Winneba
Eastern	575	Patricia Dufie	Koforidua
		Arnold E. Kavaarpuo	Aburi
		John Doe	Nsawam
Greater Accra	1092	Nelson Owurani	Mallam
		Elorm Dor	Tema
		Reginald Yeboah	Accra Metropolitan

Names of the field assistants

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