

MANAGING THE HUGE EXPECTATIONS OF GHANA'S OIL AND GAS DISCOVERY

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ABSTRACT

This study aimed at reviewing some of the huge expectations of the inhabitants of Cape Three Points (host of Ghana's oil and gas) and Ghanaian populace as a result of the oil and gas discovery. It adopted survey as its research design and complimented with literature review. The major instruments for data collection were questionnaire and personal interviews. The questionnaire which required a "yes" or "no" answer was administered to 200 inhabitants of the study area through random sampling technique. Data collected were analysed using frequency distribution and simple percentage. Among the findings of the study is the fact that the discovery of oil and gas in the deep waters of Ghana's Territorial Waters west of Cape Three Point will improve the road network to the town as well as the living standard of the people. It has also exposed Quasi-Government Investment Approach as a suitable means to managing the Ghana's huge oil and gas expectations. Hence, this approach with proper accountability and transparency of derived revenue was recommended.

Keywords: *Quasi-Government Company, Resource Curse, oil, gas, Ghana.*

INTRODUCTION

Ghana's oil and gas discovery has brought in its wake, huge growing expectations where the youth in fishing, farming and diverse fields are strongly awaiting their share of the impending wealth-generating potentials of the oil and gas. People's expectations exist in two forms - the positive and the negative. In the case of oil and gas discovery, the positive expectations are really hopes that the precious resource and the associated 'windfall' revenues will deliver substantial social, economic and infrastructural development. However, negative expectations exist.

While oil discovery, for example, presents considerable opportunities for low income countries to deepen domestic revenues and grow, resource abundance carries an important risk - the so-called natural resource curse (Bategeka, Kiiza and Ssewanyana, 2009). These expectations are legitimate considering the fact that oil and gas revenue create powerful economic incentives for economic growth, social advancement and poverty reduction as seen in countries like Norway, Brazil and

others as a result of proper management of the oil and gas revenue. Countries like Nigeria and Chad (Bategeka, Kiiza, and Ssewanyana, 2009; Gary, 2010) have suffered high oil crisis as a result of failure to manage the huge expectation of oil and gas revenue. The discovery of oil in the deep waters of Ghana's Territorial Waters West of Cape Three Point has been seen as good news to Ghana in her effort to improve on her economic development (Addei I., Addei C. and Broni-Bediako, 2010). A lot of views have been expressed on how best Ghana can utilize the revenue that will be accrued from the oil field to ensure net benefit to communities along the coast in particular and Ghana as a whole (Torgoh, 2010).

According to Oteng-Adjei (2010), it is expected that the development of the oil and gas industry will be a source of accelerated growth, job creation, poverty reduction and general prosperity to the people of Ghana. Addei I., Addei C. and Broni-Bediako (2010), also report that 100 % of the inhabitants of Cape Three Points (host of Ghana's oil and gas) are optimistic that the discovery of the oil and gas will improve the road network to the town and the standard of health care in the area. These huge expectations by Ghanaians and coastal communities living around Cape Three Points require that a pragmatic approach is used to manage the huge expectations of Ghana's oil and gas discovery.

Therefore, this paper seeks to review some of the huge expectations of the inhabitants of Cape Three Points (host of Ghana's oil and gas) and Ghanaian populace as regards the oil and gas discovery.

METHODOLOGY

This study was conducted at Cape Three Points community, which is located at the southern most point of Ghana and the entire West African Sub-Region within the Ahanta West District Assembly. Cape Three Points has a total land area of 4.8 square kilometers and it is occupied by 849 people according to the 2000 Population and Housing Census report. The community is bounded on the East by the Egyambra community at Bassar junction, on the West by Akwidaa at River Esui, and the Gulf of Guinea to the South. The community is about one hour drive from the commercial capital of Western Region, Takoradi. It is approximately 65 kilometers from the central business district of Takoradi and about 40 kilometers from Agona Nkwanta. The road is motorable in the dry season but difficult to use at some portions during the rainy season (Fig.1).

This study adopted survey design complimented with literature review. So the data for this study were from both primary and secondary sources. The secondary data presented in this paper are based on a critical review of government documents, published literature and media reports. Additionally, interaction and interviews were carried out among the chiefs, opinion leaders and the inhabitants of Cape Three Points and other surrounding communities such as Akwidaa, Egyambra, Achonwa and others. However, data collected were done through the use of questionnaire which comprised some open ended questions of "yes" or "no" answer. The copies of

the questionnaire were administered to 200 respondents within the study area. Out of these, duly completed questionnaire retrieved were 199 copies. It was on these that the figures for the analysis were based. Random sampling technique was employed in selecting the respondents while data were analysed using frequency distribution and simple percentage.

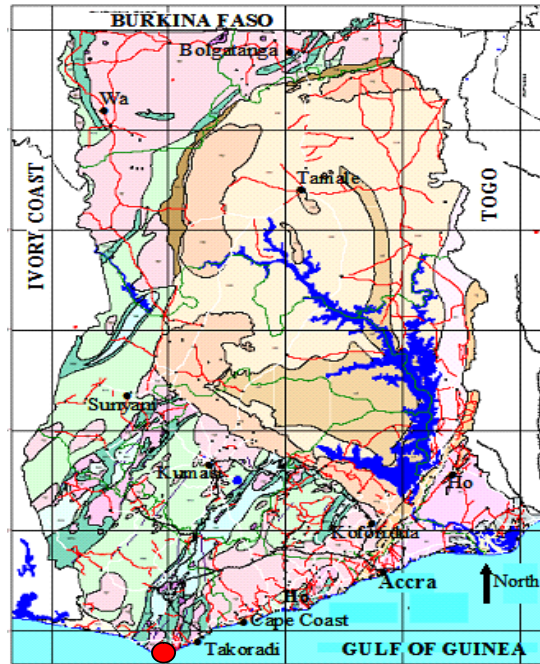


Fig.1 Map of Ghana Showing Cape Three Points (●)

RESULTS AND DISCUSSION

Table 1: Infrastructural Expectations

Infrastructural Development	Agree			Disagree		
	f	%	cf	f	%	cf
Standard of Education to increase	197	(99)		2	(1)	
Town to be hooked to national grid	193	(97)	390	6	(3)	8
Good drinking water	198	(99.5)	588	1	(0.5)	9
Improve communication system	180	(90.5)	768	19	(9.5)	28

f = frequency, % = percentage, *cf* = cumulative frequency **Source:** Survey, 2010

Infrastructural Development: Table indicates that 99% of the respondents are of the opinion that the standard of education would increase as the result of oil and gas in the area. Their general perception is that there would be infrastructural development in the area (table 1). These have conform with the views of Addei, I. Addei, C. and Broni-Bediako (2010), that infrastructural development has always been the dream of many people especially the chiefs of Cape Three Points. According to their survey, 100% of the inhabitants are optimistic that the discovery of the oil and gas will

improve the road network to the town and the standard of health care in the area. Other views of the inhabitants of Cape Three Points are presented on Table 1.

Employment Opportunity: According to Oteng-Adjei (2010), Ghanaians expect the development of the oil and gas industry to be a source of accelerated growth, job creation, poverty reduction and general prosperity to the people of Ghana. The chief, opinion leaders and the people interviewed by Addei, Addei and Broni-Bediako (2010), also indicated expectations as job opportunities for the people in the community which is in line with the nation's expectations. Due to the employment expectation, the inhabitants are of the view that fishing and farming which are currently the main occupations in Cape Three Points will fall when a lot of attention would be shifted to the oil and gas sector in the community.

Table 2: Negative (Social Vices) Expectations

Social Vices	Agree			Disagree		
	f	%	cf	f	%	cf
Sexually transmitted diseases to increase	156	78.4		432	1.6	
Crime level to increase	162	81.4	318	37	8.6	469
Prostitution by indigenous people	140	70.4	458	59	9.6	528
Prostitution by foreign people	119	60.0	577	80	0.0	608

f = frequency, % = percentage, cf = cumulative frequency **Source:** Survey, 2010

Social Vices: In spite of the many benefits that are expected to come with the oil and gas discovery, there are other forms of social vices reported by Addei, Addei and Broni-Bediako (2010). These social vices as presented on table 2 show a cumulative frequency of 577 from 156 who agreed that social vices such as sexually transmitted diseases, crime level, prostitution by indigenous people and prostitution by foreign people will be on the increase. In addition, Addei I., Addei C. and Broni-Bediako (2010) report that if the expectations of the Ghana's oil are not well managed, to them the so called resource curse could occur as reported in countries like Nigeria, Chad and Angola. Resource curse is associated with many distinctive problems but the likely ones that can affect Ghana include:

- (a) The risk of entrenching a primary commodity economy that is dependent on natural advantages.
- (b) The risk posed by oil-related activities to people's health and, in particular, the possible negative effects of oil spills on fisheries and the environment. Gobah (2010) reports of mud spillage that occurred at Atwood Hunter, West of Cape Three Points by Kosmos Energy at its drilling field.
- (c) The problem of exaggerated expectations. These expectations if not well managed can affect the other sectors of Ghana's economy as currently more attention is being shifted to oil and gas.
- (d) The problem of corruption, which is common in resource rich countries like Nigeria, Chad, Angola and others.
- (e) The gradual decline of citizens' duties and obligations such as payment of

graduated tax. This is because citizens expect government to use the oil and gas revenue to finance public services.

Managing Expectations: Most Ghanaians are expecting an upswing change in our incomes as soon as oil sales take place. That is a misplaced expectation. The expectations presented by Addei, Addei and Broni-Bediako (2010), and Oteng-Adjei (2010), reveal the need of the Government to intensify her effort on how to manage these expectations of the people of Cape Three Points and the people of Ghana in general so as to avoid the problems some countries like Nigeria and Chad are going through. Nigeria for example has about 95% of her foreign exchange earnings coming from the oil sector (Uwakonye, Osha and Anucha, 2006). Agriculture which used to be the dominant sector of the Nigerian economy, contributing about 70% of the Gross Domestic Product (GDP) and employing about the same percentage of the working population, and also accounting for about 90% of foreign earnings and Federal Government revenue (Adedipe, 2004) has been abandoned as a result the emergence of the oil and gas industry.

Another typical example of a country which has poor management of oil and gas expectations and its revenue is Chad. According to (Gary, 2010), innovative oil revenue management law designed by Chad to ensure transparency and funnel money to health, education and other social needs was significantly modified in 2006, allowing the government to spend more money on arms and other needs instead of adhering to their good policies before the oil production. These and many others are some of the effects that come along with oil and gas discovery when proper efforts are not put in place to manage the huge expectations of the oil and gas discovery. Whereas a school of thought posits that Ghana's oil and gas expectations should be managed by playing down on people's expectations, others too are of the view that oil revenue should be put into a consolidated fund. This paper presents Quasi-Government Investment Company Concept as a suitable means of managing the high expectations of Ghana's oil and gas discovery.

Quasi-Government Investment Company Concept: Quasi-Governmental Company is an entity that is treated by national laws and regulations to be under the guidance of the government, but also separate and autonomous from the government. They may possess law-enforcement authority, usually related to their functions. This system of Investment Company has helped most oil producing and exporting (OPEC) countries where the governments own the oil companies operating on their soil. A notable example is the Saudi national oil company, Saudi Aramco, which the Saudi government bought in 1988 and changed its name from Arabian American Oil Company to Saudi Arabian Oil Company (Anonymous, 2010a).

Quasi-Government Investment Company Concept if adopted and well planned will be a source of massive tax collection, job and business opportunities for Ghanaians through proper accountability and transparency. With the Quasi-Government Investment Company Concept government can partner investors to

establish the following industries. Quasi-Government Investment Company Concept can help establish Petrochemical Industry through foreign investment partners. Petrochemical industry will produce products like, paints, lubricants, insecticides, synthetic, adhesive fibers, wax, and polythene and the likes which will be cheaper for Ghanaian consumers. The industry will also help to absorb a lot of unemployed youth. Agriculture forms the base of Ghana's economy. It is Ghana's most important economic sector, employing more than half the population on a formal and informal basis and accounting for one-third of Gross Domestic Product (GDP) (Fig.2) (Anonymous, 2010b,c). Introduction of Quasi-Government Investment Company Concept can help partner other investors to establish a fertilizer industry to boost the agriculture industry of Ghana so as to help engage more youth into the agriculture rather than focusing on the oil and gas industry.

In addition to the job creation, government can also generate tax. Apart from jobs creation and tax generation, cheap fertilizer will be produced to help improve the nation's agriculture which is the highest contributor to employment in Ghana for both skilled and unskilled labor.

Fig. 2 GDP-Composition by Sector

Takoradi which is about one hour drive to Cape Three Points (host of Ghana's oil and gas) is likely to experience unemployment as a result of the influx of both skilled and unskilled labor. With the influx of skilled and unskilled labor to Takoradi (Region capital) in the Western Region of Ghana, unemployment is anticipated to be on the ascendancy due the fact that offshore and downstream operations needs technical qualified experts to handle which most of the youth may be lacking. In addition, social vices such crimes, prostitution (Addei I., Addei C. and Broni-Bediako, 2010) and environmental problems will increase as the expectation may naturally result in forced in-migration and out-migration.

Quasi-Government Investment Company Concept will help create more employment opportunities to meet the expectations of both skilled and unskilled labor of Ghanaian youth who will migrate to Takoradi. Population pressure, environmental problems, crimes and the likes in Takoradi and the neighboring towns will be reduced as a result of the employment opportunities. The generation of taxes

from these industries will also help the government to undertake infrastructural developments in the country and the host communities in particular.

CONCLUDING REMARK

This study was conducted to review some of the huge expectations of the inhabitants of Cape Three Points (host of Ghana's oil and gas) and Ghanaian populace as a result of the oil and gas discovery. The above analyses have revealed the Quasi-Government Investment Approach as a suitable means to which Ghana can manage her huge expectation of the oil and gas find. The introduction of Quasi-Government Investment Company Approach with proper accountability and transparency of Ghana's oil and gas revenue will help improve the Agricultural sector which employs more than half of the population of Ghanaians on a formal and informal bases. Apart from agricultural sector improvement, there will also be job openings in the Technical and Engineering, Administration, Construction Industry and many others which will help to increase taxes paid to Government.

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