



Managing Expectations and Tensions in Ghana's Oil-Rich Western Region

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EXECUTIVE SUMMARY

The discovery of oil and gas along the coastline of Ghana's Western Region in June 2007 was viewed as a means for the state to generate revenues that could be used to address the country's development needs. The inhabitants of the Western Region in particular believed that the generated revenues would be used to tackle some of the region's developmental setbacks. However, to date these expectations have not been realised. For progress to be made in this regard, it is important that local stakeholders are engaged effectively. Ghana's government needs to actively engage the youth and people of the Western Region and understand their lost livelihoods, and draw up an action plan for making the people employable again. Such action could help considerably in curtailing agitation and conflict in the area.

INTRODUCTION

The 2007 discovery of oil and gas in commercial quantities off the coastline of Ghana's Western Region was a historic moment for the nation and its citizens.² The discovery was anticipated to address the nation's economic and developmental challenges. However, five years after the discovery was announced and three years since exploration began, citizens in the Western Region are complaining of marginalisation by the government.

The Western Region's chiefs presented a petition to the House of Parliament requesting that 10% of the oil revenues be allocated to the region solely for development projects. However, Parliament rejected the petition on constitutional grounds,³ causing the region to feel even more slighted.

As part of ongoing research aimed at contributing to the effective management of the oil and gas find, the author undertook a field trip to the region in October 2011 in an attempt to ascertain the implications of the oil

RECOMMENDATIONS

- Government should engage with the Western Region's chiefs and people on a regular basis to address the rising unemployment levels. Government should provide the necessary resources to equip the region's unemployed youth with marketable skills training for them to become employable.
- Government should work with the chiefs to better educate the youth on the realities of an oil economy and explain how the revenues will be translated into development projects that will provide employment opportunities in the region.
- Government should begin tangible infrastructural projects in the region urgently. These projects should be agreed upon with the communities, and completed within the shortest possible time.
- Government should provide adequate compensation to communities that will be relocated as a result of the gas pipelines.

and gas discovery on the region and its people. The findings from the field trip form the basis of this briefing. The briefing provides an overview of Ghana's Western Region and the discovery of oil and gas reserves in 2007. It discusses observations made during the trip concerning the impact of the oil and gas discovery on people's livelihoods, particularly the youth. It concludes with recommendations on areas that need immediate attention to prevent potential conflict in the region.

GHANA'S WESTERN REGION

The Western Region of Ghana covers 23 921 km² – or about 10% of the country's total land area. The region is endowed with vast natural resources, giving it an important role within the national economic development sphere. It is the country's largest producer of cocoa, rubber, coconut, oil palm and timber. The region also possesses a variety of mineral resources, such as gold, bauxite, iron, diamonds and manganese. The major occupation is agriculture, consisting of mainly fishing, animal husbandry and hunting.⁴ Despite its large economic contribution to the national budget, the region has remained one of the most neglected in Ghana. Its lack of infrastructural development over the years led people to conclude that their concerns and well being were not a state priority. It was against this background that the people of the Western Region expected the oil and gas discovery in their backyard to pave the way for their concerns to finally be addressed and heeded by the state.

However, the field trip to the region revealed that little or no infrastructural development has taken place in the five years since the oil and gas discovery. If not managed properly, this absence of development, coupled with the unaddressed expectations and grievances of the citizens, could lead to an outbreak of conflict among citizens of the region, government, and the oil and gas industry. Many of the roads leading to the coastal towns are in a deplorable state. The main road leading to Princess Town, a coastal village, took over an hour to cover owing to the previous night's rainfall. During the rainy season,

the condition of the road prevents inhabitants of the town from accessing the local hospital. As an indication of people's discontent, the outskirts of Princess Town are flanked by signs reading 'No road, no vote'.

OIL DISCOVERY EUPHORIA

The announcement of the oil discovery, estimated at 900 million barrels with the potential for more,⁵ threw the nation into a state of ecstasy. Politicians, government officials and the business community highlighted the economic salvation that the oil find was likely to bring. The 19 June 2007 edition of the *Accra Daily Mail* newspaper led with the headline, 'Thank God. Oil at last, thank God'. Former president, John Kufuor, declared that Ghana would become an 'African Tiger' and the discovery would make the country 'fly' by giving it the needed boost to improve its economy drastically.⁶

President Kufuor further emphasised the monetary value of oil and stated that the money was needed to build schools, roads and hospitals. He opined that whereas some countries had been unable to manage their oil revenues successfully, Ghana would 'succeed [...] because it was [our] destiny to set the good pace'. The government assured the citizenry that the oil discovery would reduce the budgetary allocation for importing oil and the excess funds would be channelled to other development projects in the country.⁷

The government's response to the discovery gave citizens a high level of expectation about the impending oil revenues, particularly inhabitants of the Western Region. In the run-up to the 2008 general elections, all the major political parties in the country made specific promises to the region on the intended development from the oil revenues. These included the promise of job creation in the oil and gas sectors, with the proposed establishment of petrochemical, fertiliser and liquefied petroleum gas cylinder industries.

The establishment of these industries was expected to address the high levels of unemployment in the region and to consequently reduce levels of poverty. Existing universities

and polytechnics would be upgraded to provide the requisite skills, training and consultancies needed for the oil and gas industries. These skills and competencies were to form part of the local content supply.

AFFECTED LIVELIHOODS

The promises of job creation have yet to be met. Instead, inhabitants have complained of an indirect increase in unemployment, both in the formal and informal sectors of the region. Farmers and fishermen have complained of the loss of access to land and sea following the establishment of oil rigs and subsequent restrictions on the catchment areas for fishing. Fishing within a one mile radius of the rigs is illegal. Unfortunately, the lights around the rigs attract marine life, resulting in depleted stocks in catchment areas and a further struggle for fishermen to sustain their livelihoods.⁸

In anticipation of the gas project, some communities have been informed that their land will be confiscated by government and its partners and used to lay pipes from the rigs to the storage facilities. The lost farmlands will have a detrimental effect on the region, which is regarded as the bread basket of the nation.

In addition to the loss of land and sea, in major towns like Takoradi, the cost of living has increased astronomically following an increase in expatriate residents and oil industry employees. Renting an average three-bedroom house has risen from GHS⁹ 80–100 (\$41–51)¹⁰ in 2006 to GHS 200–300 (\$102–152). This has forced the native ‘Takoradians’, who cannot afford the same living costs as the expatriates and oil industry employees, to relocate from Takoradi to its environs. In addition to the high cost of living, the town’s existing transport infrastructure is becoming increasingly burdened with the escalating volume of traffic.¹¹

THE YOUTH

A visit to the towns of Dixcove, Akwidaa, Cape Three Point and Princess Town found a large number of unemployed and agitated youth. Most

of these young men have lost their jobs in the fishing industry as a result of the establishment of the oil rigs and the subsequent restrictions on the sector. A discussion with the Dixcove Youth Club revealed a high sense of frustration and a lack of opportunities to guarantee the comfort and security of the youth, even in the wake of the oil discovery.

The youth had hoped to secure some level of employment on the rigs to boost their economic situation. However, no opportunities have been made available for them. Direct employment on the oil rigs requires a high level of professional skills, which many of these young people do not possess. Most of the employees on the rigs are either expatriates or Ghanaians from different regions with the necessary expertise. Further, most of the oil companies’ local offices have not employed local people. The Western Region’s literacy levels are 58.2%; 64.3% of those enrolled in school are at primary level, with just 21.3% at junior high school level.¹² The high fall off rate between primary and junior secondary school numbers suggests that university enrolment levels will be lower still, thereby giving the region a low skills rate.

The lack of employment has resulted in most young people spending the majority of their days idle. Employed youth not working in fishing-related activities have also suffered from the oil and gas discovery. Artisans (carpenters, welders and masons) who had hoped that the discovery would translate into development projects, such as the building of schools, hospitals and roads, which would in turn offer them employment, have also been disappointed by the lack of progress in this regard.

As Ghana’s oil and gas find is offshore, the oil and gas companies are not directly resident onshore. Consequently, the companies have not needed to build any structures in the communities. The anger, frustration and resentment of the youth towards the oil business were most evident from the field trip. Some of them had threatened to set up roadblocks to prevent the oil tankers from travelling through their communities. Apparently, these roadblocks would serve as a form of toll booth for the

companies to pay a small fee for using their land. In their view, this would be the only means of extracting some form of compensation for their lost livelihoods. If carried out, this threat will be illegal and could generate ongoing conflict among the youth, police and the oil companies. Currently this threat cannot materialise because the oil is offshore and the products are transported by air rather than by road. However, once the storage facilities become operational, the threat may well be carried out.

CONCLUSION

Ghana's 2012 budget benchmark estimate of oil revenues is GHS 1,239.8 million (\$630,535), of which GHS 877.9 million (\$446,768) – equivalent to 1.3% of the country's gross domestic product – is estimated as government's share of the benchmark revenue.¹³ It is imperative that some of this allocated money translates into development projects in the Western Region. However, for the government to realise this objective, it needs to ensure that revenues are managed properly to avert any potential conflict.

Basic infrastructural development, such as roads, schools and hospitals, needs to be built for the Western Region. These projects will provide assurance of the government's commitment to addressing the region's challenges. In addition, there is the need to develop the capacity of the region's youth in other income-generating skills areas.

ENDNOTES

- 1 Joana Ama Osei-Tutu is a research associate at the Kofi Annan International Peacekeeping Training Center (KAIPTC), which is a member of the Governance of Africa's Resources Research Network (GARN).
- 2 Clotney P, 'Jubilation over oil discovery', *Voice of America*, 19 June 2007, <http://www.ghanaweb.com/GhanaHomePage/NewsArchive/artikel.php?ID=125826>.
- 3 Chapter 21, article 257, clause 6 of the Ghanaian Constitution 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'.
- 4 Government of Ghana Official Portal, 'About Ghana: Western Region', <http://www.ghana.gov.gh/index.php/about-ghana/regions/western>, accessed 25 June 2012.
- 5 Dow Jones Newswires, 'Ghana oil find may be over 300 m bbl', 11 July 2007, <http://www.ghanaweb.com/GhanaHomePage/NewsArchive/artikel.php?ID=127011>.
- 6 BBC News, 'Ghana will be an African tiger', 19 June 2007, <http://news.bbc.co.uk/2/hi/africa/6766527.stm>.
- 7 Clotney P, *op. cit.*
- 8 *GhanaWeb*, 'Oil and gas find creates employment anxiety in Western Region', 15 November 2009, <http://www.ghanaweb.com/GhanaHomePage/NewsArchive/artikel.php?ID=171922>.
- 9 GHS is the three-letter currency code for the Ghanaian Cedi.
- 10 All US dollar equivalents are based on the current cedi-dollar exchange rate as at 16 July 2012.
- 11 *Ghana Business & Finance*, 'Takoradi: The city of black gold', September/October 2011, <http://www.ghanabizmedia.com/ghanabizmedia/septemberoctober-2011-oil/416-takoradi-the-city-of-black-gold.html>.
- 12 Government of Ghana Official Portal, *op. cit.*
- 13 For further information see: Price Waterhouse Coopers, '2012 Ghana budget highlights commentary: Infrastructural development for accelerated growth and job creation', 2012, http://www.pwc.com/en_GH/gh/pdf/ghana-budget-2012-highlights.pdf.

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